

Wang Yang Holdings Limited 泓盈控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1735

SHARE OFFER

Sponsor



Bookrunner and Lead Manager



易易壹證券
EASY ONE SECURITIES

Easy One Securities Limited

IMPORTANT

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

Wang Yang Holdings Limited 泓盈控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Total number of Offer Shares : 66,000,000 Shares
Number of Public Offer Shares : 6,600,000 Shares (subject to re-allocation)
Number of Placing Shares : 59,400,000 Shares (subject to re-allocation)
**Offer Price : HK\$1.5 per Share, plus brokerage of 1%,
SFC transaction levy of 0.0027% and
Stock Exchange trading fee of 0.005%
(payable in full on application and subject
to refund)**
Nominal value : HK\$0.01 per Share
Stock code : 1735

Sponsor



Bookrunner and Lead Manager



Easy One Securities Limited

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

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

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this prospectus, including risk factors set out in the section headed “Risk Factors” in this prospectus. Pursuant to the Public Offer Underwriting Agreement, the Bookrunner has the right in certain circumstances to terminate the obligations of the Public Offer Underwriter at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of such circumstances are set out in the section headed “Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination” in this prospectus.

19 March 2018

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Share Offer, our Company will issue an announcement on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.wangyang.com.hk.

Application lists of the Public Offer open⁽²⁾ 11:45 a.m. on Thursday,
22 March 2018

Latest time for lodging **WHITE** and **YELLOW** Application Forms
and giving **electronic application instructions** to HKSCC⁽³⁾ 12:00 noon on Thursday,
22 March 2018

Application lists of the Public Offer close⁽²⁾ 12:00 noon on Thursday,
22 March 2018

Announcement of the level of indication of interest in the Placing,
the level of applications in respect of the Public Offer and the
results and basis of allotment under the Public Offer to be
published on the website of Stock Exchange at
www.hkexnews.hk⁽⁴⁾ and our Company at
www.wangyang.com.hk⁽⁴⁾ on or before Wednesday, 28 March 2018

Announcement of the results of allocations (with successful
applicants' identification document numbers, where applicable)
to be available through variety of channels including the website
of the Stock Exchange at www.hkexnews.hk⁽⁴⁾ and
our Company at www.wangyang.com.hk⁽⁴⁾ as described
in the section "How to Apply for the Public Offer Shares
— 10. Publication of results" in this prospectus on or before Wednesday, 28 March 2018

Results of allocations in the Public Offer to be available
at www.ewhiteform.com.hk/results with a "search by ID"
function from Wednesday, 28 March 2018

Dispatch/collection of share certificates or deposit of share
certificates into CCASS^(5 and 6) in respect of wholly
or partially successful applications pursuant to the
Public Offer on or before Wednesday, 28 March 2018

Dispatch of refund cheques^(6, 7 and 8) in respect of wholly or
partially unsuccessful applications under the Public Offer
on or before Wednesday, 28 March 2018

Dealings in Shares on the Main Board to commence at 9:00 a.m. on
Thursday, 29 March 2018

EXPECTED TIMETABLE⁽¹⁾

Notes:

1. All times and dates refer to Hong Kong local time and date. 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.
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. to 12:00 noon on Thursday, 22 March 2018, the application lists will not open and close on that day. Particulars of the arrangements are set forth under the section 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 Thursday, 22 March 2018, the dates mentioned in this section “Expected Timetable” may be affected. A press announcement will be made by our Company in such event.
3. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** should refer to the section headed “How to Apply for the Public Offer Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS”.
4. None of the information contained on any website forms part of this prospectus.
5. Share certificates for the Public Offer Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date (such date is currently expected to be on Thursday, 29 March 2018) provided that (i) the Share Offer becomes unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination” in this prospectus has not been exercised thereto and has lapsed. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.
6. Applicants who have made an application using **WHITE** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all information required by the Application Form may collect their refund cheque(s) and/or share certificate(s) in person from the Hong Kong Branch Share Registrar between 9:00 a.m. to 1:00 p.m. on Wednesday, 28 March 2018. Applicants being individuals who are eligible for personal collection may not authorise any other person to make collection on their behalf. Applicants being corporations which eligible for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with their chops. Both individuals and authorised representatives of corporations must produce, at the time of collection, evidence of identity and/or (where applicable) authorisation documents acceptable and satisfactory to the Hong Kong Branch Share Registrar.

If an applicant is using a **YELLOW** Application Form or giving **Electronic Application Instructions**, the relevant arrangements are set out in the section headed “How to Apply for the Public Offer Shares — 13. Dispatch/Collection of share certificates and refund monies” in this prospectus.

Uncollected share certificates and refund cheques will be dispatched by ordinary post, at the applicants’ own risk, to the addresses specified on the relevant applications. Further information is set out in the section headed “How to Apply for the Public Offer Shares — 13. Dispatch/Collection of share certificates and refund monies” and “How to Apply for the Public Offer Shares — 11. Circumstances in which you will not be allocated public offer shares”.

7. Refund cheques will be issued in respect of wholly or partially unsuccessful applications under the Public Offer.
8. Part of the Hong Kong identity card number/passport number of an applicant or, if there are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by the relevant applicant may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. The banker of the relevant applicant may require verification of his/her Hong Kong identity card number/passport number before encashment of the refund cheque. Inaccurate completion of Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, the refund cheque.

The above expected timetable is a summary only. You should refer to the sections “Structure and Conditions of the Share Offer” and “How to Apply for the Public Offer Shares” in this prospectus for details of the Public Offer, including the conditions of the Public Offer, and the procedures for application for the Public Offer Shares.

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

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SUMMARY AND HIGHLIGHTS

This summary and highlights aims at giving you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in our Shares.

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

Various expressions used in this summary are defined in the section headed “Definitions” in this prospectus.

OUR BUSINESS

We principally undertake (i) foundation works; (ii) superstructure building works; and (iii) other construction works in Hong Kong. The following table sets forth the breakdown of our revenue by type of works during the Track Record Period:

	FY2014/15		FY2015/16		FY2016/17		For the six months ended 30 September 2017	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	HK\$'000		HK\$'000		HK\$'000		HK\$'000	
Foundation works	103,654	58.7	91,555	43.1	120,900	65.6	87,027	81.3
Superstructure building works	68,127	38.6	111,118	52.3	43,645	23.7	10,912	10.2
Other construction works (Note)	4,674	2.7	9,815	4.6	19,818	10.7	9,128	8.5
Total:	176,456	100.0	212,488	100.0	184,363	100.0	107,067	100.0

Note: Other construction works include demolition works, site formation works, ground investigation works, hoarding works, A&A works and fitting-out works.

During the Track Record Period, we have undertaken an aggregate of 46 projects with revenue contribution to us. Among such projects, we principally carry out foundation works and superstructure building works as a main contractor. The following table sets out a breakdown of our Group's revenue by our role as main contractor or subcontractor during the Track Record Period:

	FY2014/15		FY2015/16		FY2016/17		For the six months ended 30 September 2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor	171,256	97.1	212,488	100	144,814	78.5	67,798	63.3
Subcontractor	5,200	2.9	—	—	39,549	21.5	39,269	36.7
Total:	176,456	100.0	212,488	100.0	184,363	100.0	107,067	100.0

During the Track Record Period and up to the Latest Practicable Date, we principally provided services to our private sector customers. Most of our projects are related to residential and commercial development and redevelopment projects in Hong Kong. We generally secure contracts from our

SUMMARY AND HIGHLIGHTS

customers through a competitive tendering process whereby we are invited to submit tenders by invitation. Furthermore, from time to time, we are approached by customers which request for quotations for providing other construction services without going through a competitive tendering process. For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, our revenue recognised as a result of quotation acceptance amounted to HK\$25,000, HK\$2.2 million, HK\$14.8 million and HK\$6.7 million, equivalent to 0.01%, 1.0%, 8.0% and 6.2% of our total revenue, respectively. During the Track Record Period, we secured all of our contracts through tenders and quotations competitively. Our pricing is determined based on a cost-plus pricing model with mark-ups determined on a project-by-project basis.

Customers

During the Track Record Period, our private sector customers include private property developers, construction companies and other entities which require foundation works services and/or superstructure building works services. For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, revenue derived from our five largest customers amounted to approximately 82.5%, 88.7%, 68.9% and 70.9%, respectively, of our total revenue. The percentage of our revenue attributable to our largest customer amounted to approximately 32.7%, 29.9%, 21.6% and 28.0% respectively, for the same periods. We maintained business with our five largest customers (in terms of revenue) for a period ranging from approximately one to 10 years.

During the Track Record Period, our major contracts were generally obtained through tendering. The following table sets out the number of tender invitations received, the number of tenders submitted, the number of successful tenders contracts and our success rate during the Track Record Period:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September
Number of tender invitations received	27	33	54	33
Number of tenders submitted	21	26	38	22
Number of projects awarded in respect of tenders submitted during the year/period	5	7	9	3
Success rate (%)	23.8	26.9	23.7	13.6%

Please refer to the section headed “Business — Operation flow — Business identification phase — Tender success rate” in this prospectus for further details on the fluctuations in the success rate during the Track Record Period.

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, piles and reinforcement steel; (iii) machinery and equipment rental service providers and (iv) suppliers of other miscellaneous services such as insurance, security and materials testing. For each of FY2014/15, FY2015/16,

SUMMARY AND HIGHLIGHTS

FY2016/17 and the six months ended 30 September 2017, the percentage of our total purchases incurred from our largest supplier amounted to approximately 29.6%, 27.1%, 16.4% and 22.4% of our total purchases incurred, respectively, while the percentage of our total purchases incurred from our five largest suppliers combined amounted to approximately 54.3%, 48.8%, 54.9% and 58.6% of our total purchases incurred, respectively. We generally order the relevant construction materials and services on project-by-project basis and therefore do not enter into any long-term supply agreements with our suppliers. We have established long-term and close working relationships with our major suppliers and subcontractors, some of which have working relationships with our Group for over 8 years. Our five largest suppliers during the Track Record Period were mainly our subcontractors providing various construction works services under our supervision. For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, we incurred subcontracting fees of approximately HK\$104.3 million, HK\$115.2 million, HK\$83.0 million and HK\$51.7 million, respectively.

COMPETITIVE LANDSCAPE AND MARKET POSITION

According to the Ipsos Report, in respect of the foundation and general building construction (including superstructure building works) industries in Hong Kong, the top five players accounted for approximately 50.1% and approximately 15.6% of their respective total industry revenue in 2016. Our market share in each of the foundation and superstructure building works industries in Hong Kong amounted to approximately 0.6% and 0.03% respectively in 2016. According to the Ipsos Report, industry drivers for the foundation and superstructure building works industries in Hong Kong include the Government's initiatives to increase land and housing supply, continuous implementation of large scale infrastructure projects and the new development area projects, which in turn are expected to drive up local construction activities and hence demand for foundation and superstructure building works services. For details, please refer to the section headed "Industry overview" of this prospectus.

COMPETITIVE STRENGTH

We believe we have the following competitive strengths: (i) our well established presence and proven track record in the foundation and superstructure building works industries in Hong Kong; (ii) our experienced and professional management team; (iii) our stringent quality control, high safety standard and environmental impact control and (iv) our ability to tender for and undertaken "design and build" contracts.

BUSINESS OBJECTIVES AND STRATEGIES

Our principal business objective is to further solidify our market position as an established superstructure building and foundation works contractor in Hong Kong and to create long-term Shareholder's value. We intend to continue to expand our market share and compete for more superstructure building and foundation works projects by the following business strategies: (i) further enhancing our machinery; and (ii) further strengthening our manpower. Further details of our business strategies are set out in the section headed "Business — Business strategies" in this prospectus.

SUMMARY AND HIGHLIGHTS

SUMMARY OF FINANCIAL INFORMATION

The following table summarises the financial information of our Group during the Track Record Period, which is extracted from the Accountants' Report set out in Appendix I to this prospectus. The summary financial data should be read in conjunction with the financial information included in the Accountants' Report set out in Appendix I to this prospectus.

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

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2016	For the six months ended 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Revenue	176,456	212,488	184,363	72,611	107,067
Direct costs	<u>(152,869)</u>	<u>(161,735)</u>	<u>(135,106)</u>	<u>(53,388)</u>	<u>(84,312)</u>
Gross profit	23,587	50,753	49,257	19,223	22,755
Other income and net gains	50	88	—	—	37
Administrative and other operating expenses	<u>(13,239)</u>	<u>(14,796)</u>	<u>(16,774)</u>	<u>(5,958)</u>	<u>(14,123)</u>
Operating profit before finance costs and income tax	10,398	36,045	32,483	13,265	8,669
Finance costs	<u>(13)</u>	<u>(6)</u>	<u>(3)</u>	<u>(2)</u>	<u>—</u>
Profit before income tax	10,385	36,039	32,480	13,263	8,669
Income tax expense	<u>(1,941)</u>	<u>(5,974)</u>	<u>(5,524)</u>	<u>(1,743)</u>	<u>(3,183)</u>
Profit for the year/period	<u>8,444</u>	<u>30,065</u>	<u>26,956</u>	<u>11,520</u>	<u>5,486</u>
Other comprehensive loss					
<i>Items that may be reclassified to profit or loss:</i>					
— Change in fair value of available-for-sale financial asset	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(23)</u>
Other comprehensive loss for the year/period, net of tax	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(23)</u>
Total comprehensive income for the year/period attributable to owners of the Company	<u>8,444</u>	<u>30,065</u>	<u>26,956</u>	<u>11,520</u>	<u>5,463</u>

SUMMARY AND HIGHLIGHTS

Highlights of combined statements of financial position

	As at 31 March		As at 30 September	
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	3,333	3,678	2,368	4,700
Current assets	90,499	125,648	136,079	143,588
Current liabilities	49,570	54,867	52,225	56,692
Non-current liabilities	738	870	677	588
Net current assets	40,929	70,781	83,854	86,896
Net assets	43,524	73,589	85,545	91,008

Highlights of combined statements of cash flows

	FY2014/15	FY2015/16	FY2016/17	For the six	For the six		
				months ended		months ended	
				30 September		30 September	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2016	2017		
				<i>HK\$'000</i>	<i>HK\$'000</i>		
				(unaudited)			
Net cash generated from/(used in) operating activities	9,883	35,284	(23,456)	(6,249)	(24)		
Net cash (used in)/generated from investing activities	(6,691)	(12,131)	17,353	(19,819)	(5,907)		
Net cash generated from/(used in) financing activities	683	(71)	(71)	(35)	(1,618)		
Net increase/(decrease) in cash and cash equivalents	3,875	23,082	(6,174)	(26,103)	(7,549)		
Cash and cash equivalents at beginning of year/period	6,774	10,649	33,731	33,731	27,557		
Cash and cash equivalents at end of year/period	<u>10,649</u>	<u>33,731</u>	<u>27,557</u>	<u>7,628</u>	<u>20,008</u>		

SUMMARY AND HIGHLIGHTS

Summary of financial ratios

	FY2014/15/As at 31 March 2015	FY2015/16/As at 31 March 2016	FY2016/17/As at 31 March 2017	For the six months ended 30 September 2017/As at 30 September 2017
Profitability ratios				
Gross profit margin (%) ⁽¹⁾	13.4	23.9	26.7	21.3
Net profit margin (%) ⁽²⁾	4.8	14.1	14.6	5.1
Return on equity (%) ⁽³⁾	19.4	40.9	31.5	6.0
Return on total assets (%) ⁽⁴⁾	9.0	23.2	19.5	3.7
Current ratio (times)⁽⁵⁾	1.8	2.3	2.6	2.5
Capital adequacy ratios				
Interest coverage (times) ⁽⁶⁾	799.8	6,007.5	10,827.7	N/A
Gearing ratio (%) ⁽⁷⁾	4.0	2.3	1.9	0

Notes:

1. The gross profit margin is calculated by dividing the gross profit by the revenue for the respective year/period multiplied by 100%.
2. The net profit margin is calculated by dividing the net profit by the revenue for the respective year/period multiplied by 100%.
3. Return on equity equals the net profit divided by the total equity as at the end of the respective periods multiplied by 100%.
4. Return on total assets is calculated by the net profit divided by the total assets as at the end of the respective periods multiplied by 100%.
5. The current ratio is calculated by dividing current assets with current liabilities as at the end of the respective periods.
6. Interest coverage is calculated by the profit from operations divided by finance costs for the respective year/period.
7. The gearing ratio is calculated by dividing total obligations under finance leases and total bank borrowings with total equity as at the end of respective periods multiplied by 100%.

Our revenue increased from approximately HK\$176.5 million for FY2014/15 to approximately HK\$212.5 million for FY2015/16, mainly due to an increase in the number of projects with revenue contribution to us, an increase in our revenue derived from projects of relatively larger scales and higher income, as well as an increase in demand for our services. Our revenue decreased to approximately HK\$184.4 million for FY2016/17, mainly because certain projects with substantial revenue contribution for FY2015/16 were completed during FY2016/17, while new projects commenced during FY2016/17 were at their initial startup stage resulting in lesser actual work done during FY2016/17.

SUMMARY AND HIGHLIGHTS

Our gross profit margin increased from approximately 13.4% for FY2014/15 to approximately 23.9% for FY2015/16, mainly because (i) we undertook a project during FY2014/15 with substantial revenue contribution to us for that year where we subcontracted out substantial amount of works to subcontractors, which led to a lower profit margin for the project and thus contributed to our lower gross profit margin for FY2014/15; (ii) we increased our use of direct casual employees instead of engaging subcontractor in FY2015/16; and (iii) there has been a decrease in price of steel, which was one of the major construction materials procured by us for use in our projects. Our gross profit margin increased from approximately 23.9% for FY2015/16 to approximately 26.7% for FY2016/17, mainly due to the more-than-proportionate decrease in our direct costs as compared with the decrease in our revenue, which in turn was mainly because there was a proportionally higher amount of materials costs which was borne by us for FY2016/17 and the price of reinforcement steel and cement (which is a major ingredient of concrete) has decreased in the same period (as supported by the Ipsos report).

Our net profit increased from approximately HK\$8.4 million for FY2014/15 to HK\$30.1 million for FY2015/16, mainly as a result of the increase in our revenue and gross profit as discussed above. Our net profit decreased to approximately HK\$27.0 million for FY2016/17, mainly due to the recognition of listing expenses in FY2016/17 and the tax effect of the non-deductible listing expenses.

We recorded net operating cash outflow of approximately HK\$23.5 million for FY2016/17 mainly because of (i) the increase in our trade and other receivables of approximately HK\$27.0 million as at 31 March 2017 compared to 31 March 2016; and (ii) the decrease in our trade and other payables of approximately HK\$13.3 million as at 31 March 2017 compared to 31 March 2016.

Please refer to the section headed “Financial Information” in this prospectus for further analysis.

SHAREHOLDER INFORMATION

Immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon exercise of any option to be granted under the Share Option Scheme), Profound Contractors will control 75% of our Company’s issued share capital. The entire issued share capital of Profound Contractors is legally and beneficially owned as to 62.5% by Ms. KY Tsui, 25% by Mr. Benjamin Ng and 12.5% by Ms. May Ng. Since Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng acted in concert and cooperated with each other to obtain, maintain and consolidate control and management of the members of our Group collectively during the Track Record Period, in the context of this prospectus, our Controlling Shareholders refer to Ms. KY Tsui, Mr. Benjamin Ng, Ms. May Ng and Profound Contractors. Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng, through Profound Contractors, will be collectively interested in 75% of the enlarged issued share capital of our Company, and are a group of our Controlling Shareholders within the meaning of the Listing Rules and each being a member of the group of Controlling Shareholders. Profound Contractors is an investment holding company and has not commenced any substantive business activities as at the Latest Practicable Date. Each of Ms. KY Tsui, Mr. Benjamin Ng, Ms. May Ng and Profound Contractors confirms that it/he/she does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

SUMMARY AND HIGHLIGHTS

THE SHARE OFFER AND THE OFFER STATISTICS

The Share Offer comprises the Public Offer of initially 6,600,000 Shares offered in Hong Kong, and the Placing of initially 59,400,000 Shares (subject to re-allocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus).

**Based on the Offer
Price of HK\$1.5 per
Offer Share**

Market Capitalisation (<i>Note 1</i>)	HK\$396 million
Unaudited pro forma adjusted net tangible assets per Share (<i>Note 2</i>)	HK\$0.66

Notes:

1. The calculation of the market capitalisation of the Shares is based on 264,000,000 Shares in issue and to be issued immediately after completion of the Share Offer but does not take into account of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.
2. For the calculation of the unaudited pro forma adjusted combined net tangible asset value per Share attributable to the Shareholders, please refer to the section headed “Unaudited pro forma financial information — A. Unaudited pro forma statement of adjusted consolidated net tangible assets” in Appendix II to this prospectus.

FUTURE PLANS, USE OF PROCEEDS AND REASONS FOR LISTING

We estimate that the aggregate net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer, based on an Offer Price of HK\$1.5 per Share, will be approximately HK\$73.5 million. Our Directors presently intend to apply the net proceeds as follows:

Intended applications	Approximate amount of net proceeds
Further enhancing our machinery	HK\$54.9 million (74.7%)
Further strengthening our manpower	HK\$11.6 million (15.8%)
General working capital	HK\$7.0 million (9.5%)

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

Our Directors believe the Listing will (i) enhance our competitiveness to compete with other listed construction companies; (ii) facilitate the implementation of our business strategies; (iii) enhance our corporate profile and recognition and assist us in reinforcing our brand awareness and image; (iv) enable our Group to have access to the capital market for raising funds at the time of Listing and conduct secondary fund raising at later stages if needed; and (v) improve our Group’s ability to recruit, motivate and retain staff. Please refer to the section headed “Future plans and use of proceeds — Reasons for the Listing” in this prospectus for further details.

SUMMARY AND HIGHLIGHTS

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$25.5 million. Out of the amount of approximately HK\$25.5 million, approximately HK\$7.6 million is directly attributable to the issue of the Offer Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$17.9 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$17.9 million that shall be charged to profit or loss, nil, nil and approximately HK\$2.6 million and HK\$7.8 million has been charged for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 respectively, and approximately HK\$15.3 million is expected to be incurred for FY2017/18. Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and results of operations for FY2017/18 will be materially and adversely affected by the estimated expenses in relation to the Listing.

DIVIDEND

For each of FY2014/15, FY2015/16, FY2016/17 and six months ended 30 September 2017, we declared dividends of nil, nil and HK\$15.0 million and nil respectively to our then shareholders. All such dividends had been fully paid in November 2017 and we financed the payment of such dividends by internal resources.

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to the approval of our Shareholders as well as the constitution of our Company. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

PRINCIPAL RISK FACTORS

Our Group believes that there are certain risks and uncertainties involved in our operations, some of which are beyond our Group's control. They can be broadly categorised into risks relating to our business and risks relating to the industry in which we operate. Potential investors are advised to read the section headed "Risk Factors" in this prospectus carefully before making any investment decision in the Share Offer. Some of our major risks include:

- A significant portion of our revenue was generated from contracts awarded by a limited number of customers and any significant decrease in the number of projects with our major customers may materially and adversely affect our financial condition and operating results;
- Our revenue relies on successful tenders of projects which are not recurrent in nature, and there is no guarantee that our customers will provide us with new business;
- We make estimation of our project costs in our tenders and any failure to accurately estimate the costs involved and/or delay in completion of any project may lead to cost overruns or even result in losses;
- We rely on subcontractors to help complete our projects;

SUMMARY AND HIGHLIGHTS

- We are exposed to our customers' credit risks and our liquidity position may be adversely affected if our customers fail to make payment on time or in full;
- We face liquidity risk in relation to working capital requirements associated with undertaking contract works;
- There is no assurance that we will be able to renew our registrations with the Buildings Department and the Development Bureau;
- Our performance depends on market conditions and trends in the construction industry and in the overall economy and there is no assurance that if the property market in Hong Kong deteriorates, there will be no material adverse impact on our Group's operation or at all, or our Group will be able to take appropriate measures to minimise the adverse impact on it; and
- We operate in a highly competitive market.

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking foundation and superstructure building works in Hong Kong. We had 19 projects on hand as at 1 October 2017 (including projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced) and 3 projects that were awarded to us from 1 October 2017 to the Latest Practicable Date. Please refer to the section headed "Business — Backlog and projects on hand" in this prospectus for further details. Subsequent to the Track Record Period and up to the Latest Practicable Date, we have been awarded with 3 additional projects with a total contract sum of approximately HK\$134.5 million. Our Directors consider that our Group is well-positioned to take on more projects and believe that the expected increase in construction of buildings, the Government's support to increase land and housing supply, continuous implementation of large scale infrastructure projects and new development area projects will boost the demand for our services and favour the growth of our Group. We expect to recognise revenue of approximately HK\$173.3 million and HK\$275.6 million for FY2017/18 and after FY2017/18, respectively, based on our projects on hand. The amount of revenue expected to be recognised is subject to change due to the actual progress, commencement and completion dates of our projects and existence of any variation orders.

Save and except for the listing expenses as disclosed above, our Group did not have any significant non-recurrent items in our combined statements of comprehensive income subsequent to the Track Record Period. Our results of operations for FY2017/18 are expected to be significantly affected by the non-recurring listing expenses.

MATERIAL ADVERSE CHANGE

Save as disclosed in the paragraph headed "Listing expenses" in this section above, our Directors confirmed that since 30 September 2017 and up to the date of this prospectus, (i) there had been no material adverse change in the market conditions or the industry and environment in which our Group operates that materially and adversely affect our financial and operating position; (ii) there was no

SUMMARY AND HIGHLIGHTS

material adverse change in the trading and financial position or prospects of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants' Report.

LITIGATION AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, Wise Trend Engineering had settled one employees' compensation claim. As at the Latest Practicable Date, we had been involved in a number of litigations and potential or threatened claims against our Group in the ordinary and usual course of our Group's business in respect of, in particular, (i) an ongoing litigation with a customer in connection with an alleged outstanding sum of HK\$354,721 under a payment certificate of a project which we were engaged to carry out foundation works; and (ii) proceedings in relation to safety-related offences arising from our Group's ordinary and course of business. For further details, please see the section headed "Business — Litigation and potential claims" of this prospectus.

NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we were convicted of certain safety-related offences following the Labour Department's routine inspections. Such safety-related convictions resulted in an aggregate amount of fines of HK\$151,700. There was no imprisonment sentence imposed on our Directors or the responsible personnel of our Group. For further details, please refer to the section headed "Business — Non-compliance" of this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

“Accountants’ Report”	the accountants’ report prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix I to this prospectus
“affiliate”	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s) or, where the context so requires, any of them
“Architectural Services Department” or “ASD”	the Architectural Services Department of the Government
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company conditionally adopted on 13 March 2018 and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of Directors
“Bookrunner” or “Lead Manager”	Easy One Securities Limited, a licenced corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under SFO, being the underwriter, the bookrunner and the lead manager to the Share Offer
“Build Wise”	Build Wise Limited (駿建有限公司), a company incorporated in BVI on 21 April 2017 with limited liability and an indirect wholly-owned subsidiary of our Company
“Building Authority”	the Director of Buildings as defined in the Buildings Ordinance
“Buildings Department”	the Buildings Department of the Government
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Business Day” or “business day”	any day (other than Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business

DEFINITIONS

“BVI”	the British Virgin Islands
“CAGR”	compounded annual growth rate
“Capitalisation Issue”	the issue of 197,990,000 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 section headed “A. Further information about our Company — 3. Written resolutions of the sole Shareholder passed on 13 March 2018” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System
“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
“Census and Statistics Department”	the Census and Statistics Department of the Government
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands as amended, modified and supplemented from time to time
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, modified and supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended and supplemented from time to time
“Company”, or “our”, “our Company”, “we” or “us”	Wang Yang Holdings Limited (泓盈控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 29 March 2017
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Construction Industry Council”	the Construction Industry Council, a statutory body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
“Construction Workers Registration Ordinance”	Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) as amended and supplemented from time to time
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the case of our Company, refer to Profound Contractors, Mr. Benjamin Ng, Ms. KY Tsui and Ms. May Ng
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Customer Zen”	the aggregate of (i) Mr. Zen Wei Po William; and (ii) Sky Village Properties Limited (of which Mr. Zen is a director), being one of our Group’s largest customers during the Track Record Period
“Deed of Indemnity”	a deed of indemnity dated 13 March 2018 and signed by our Controlling Shareholders in favour of our Company (on its own behalf and as trustee for each member of our Group), particulars of which are set out in the paragraph “E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	a non-competition deed entered into on 13 March 2018 and signed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), in respect of certain non-competition undertakings given by our Controlling Shareholders in favour of us, particulars of which are set out in the section “Relationship with the Controlling Shareholders”
“Development Bureau”	the Development Bureau of the Government
“Director(s)”	the director(s) of our Company
“Employees’ Compensation Ordinance”	the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Employment Ordinance”	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Environmental Protection Department”	the Environmental Protection Department of the Government

DEFINITIONS

“Factories and Industrial Undertakings Ordinance”	the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“FY2014/15”	the year ended 31 March 2015
“FY2015/16”	the year ended 31 March 2016
“FY2016/17”	the year ended 31 March 2017
“FY2017/18”	the year ended 31 March 2018
“Gazette”	the official publication of the Government for, among other things, statutory notices for public tenders
“GDP”	gross domestic product, the total market value of all the goods and services produced within the borders of a nation during a specified period of time
“Government” or “Hong Kong Government”	the government of Hong Kong
“Grand Basework”	Grand Basework Limited, a company incorporated in BVI on 21 April 2017 with limited liability and an indirect wholly-owned subsidiary of our Company
“Group”, “we”, “us” or “our”	our Company and its 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 and the businesses operated by such subsidiaries
“HK dollars” or “HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Branch Share Registrar”	Boardroom Share Registrars (HK) Limited, the branch share registrar and transfer office of our Company in Hong Kong

DEFINITIONS

“independent third party(ies)”	an individual(s) or a company(ies) who or which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are independent of and not connected with (within the meaning of the Listing Rules) our Company and its connected persons
“Ipsos”	Ipsos Limited, an industry research consultant and is an independent third party
“Ipsos Report”	the industry research report commissioned by us and prepared by Ipsos on the foundation and superstructure building works industries in Hong Kong in which our Group operates
“Labour Department”	Labour Department of the Government
“Latest Practicable Date”	10 March 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus
“Legal Counsel”	Mr. Chan Chung, barrister-at-law in Hong Kong, who is an independent third party
“Listing”	listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange
“Listing Date”	the date, expected to be on or about 29 March 2018, on which dealings in the Shares first commence
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company conditionally adopted on 13 March 2018 and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“MPF scheme”	mandatory provident fund scheme
“Mr. Benjamin Ng”	Mr. Ng Chi Bun Benjamin (吳志斌), our chief executive officer, executive Director and one of our Controlling Shareholders
“Ms. KY Tsui”	Ms. Tsui Kwok Ying (徐軾英), our chairman, non-executive Director and one of our Controlling Shareholders

DEFINITIONS

“Ms. May Ng”	Ms. Ng Chung Yan May (吳頌恩), our executive Director and one of our Controlling Shareholders
“Offer Price”	HK\$1.5 per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for or purchased pursuant to the Share Offer
“Offer Share(s)”	the Public Offer Shares and the Placing Shares
“Placing”	conditional placing of the Placing Shares at the Offer Price to selected professional, institutional and other investors as set out in the section “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 59,400,000 Shares being offered by our Company for subscription under the Placing, subject to re-allocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriter”	the underwriter of the Placing
“Placing Underwriting Agreement”	the conditional underwriting and placing agreement dated 16 March 2018 relating to the Placing entered into among our Company, our executive Directors, our Controlling Shareholders, the Sponsor and Easy One Securities Limited as the Bookrunner, the Lead Manager and the Placing Underwriter, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Profound Contractors”	Profound Contractors Limited, a company incorporated in BVI on 16 March 2017 with limited liability and one of our Controlling Shareholders
“Prosperous Contractors”	Prosperous Contractors Limited, a company incorporated in BVI on 9 January 2017 with limited liability and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Public Offer”	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 6,600,000 Shares initially being offered for subscription under the Public Offer, subject to re-allocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriter”	the underwriter of the Public Offer
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 16 March 2018 relating to the Public Offer entered into among our Company, our executive Directors, our Controlling Shareholders, the Sponsor and Easy One Securities Limited as the Bookrunner, the Lead Manager and the Public Offer Underwriter, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing particulars of which are summarised in the section headed “History and Development — Reorganisation” in this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Safety Consultant”	Garron Holdings Limited, an independent safety consultant
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company, which are to be traded in Hong Kong dollars and listed on the Main Board
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 13 March 2018, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“SME”	small and medium-size enterprises
“SOPL”	Security of Payment Legislation for the Construction Industry as proposed by the Government
“Sponsor” or “Dakin”	Dakin Capital Limited, a licenced corporation for carrying on Type 6 (advising on corporate finance) regulated activity under the SFO, acting as the Sponsor of the Listing and an independent third party
“Steer Vision”	Steer Vision Limited, a company incorporated in BVI on 29 March 2017 with limited liability and a direct wholly-owned subsidiary of our Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong, as amended, modified and supplemented from time to time
“Track Record Period”	comprises FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017
“Underwriter”	the Public Offer Underwriter and the Placing Underwriter, details of which are set out in the section headed “Underwriting” in this prospectus
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United Prosperous”	United Prosperous Limited, a company incorporated in BVI on 21 April 2017 with limited liability and an indirect wholly-owned subsidiary of our Company
“United States”	United States of America
“US\$”	United States dollars, the lawful currency of the United States
“WBDB”	the Works Branch Development Bureau (發展局工務科) of the Government, or where the context refers to any time prior to its establishment, the relevant predecessor government secretaries or department which undertook such public function

DEFINITIONS

“WHITE Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be issued in the applicant’s own name
“Wise Trend Construction”	Wise Trend Construction Limited (駿慧建築有限公司), a company incorporated in Hong Kong on 12 May 2014 with limited liability and an indirect wholly-owned subsidiary of our Company
“Wise Trend Construction & Engineering”	Wise Trend Construction & Engineering Limited (駿慧建築工程有限公司), a company incorporated in Hong Kong on 3 May 2006 with limited liability and an indirect wholly-owned subsidiary of our Company
“Wise Trend Engineering”	Wise Trend Engineering Limited (駿慧工程有限公司), a company incorporated in Hong Kong on 11 July 1996 with limited liability and an indirect wholly-owned subsidiary of our Company
“YELLOW Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be deposited directly into CCASS
“m ³ ”	cubic metre
“mm”	millimetre
“sq.ft.”	square foot
“sq. m.” or “m ² ”	square metre(s)
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and as they are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions or usage of those terms.

“A&A works”	alteration and addition works to an existing building, including structural alteration, building maintenance, refurbishment, modification and other works that improve the general condition of buildings and their facilities
“Approved Contractor List”	List of Approved Contractors for Public Works as kept by the Development Bureau
“Approved Specialist List”	List of Approved Suppliers of Materials and Specialist Contractors for Public Works as kept by the Development Bureau
“Authorised Signatory(ies)”	the appointed person(s) to act for a registered contractor for the purpose of the Buildings Ordinance
“demolition works”	works involving dismantling, razing, destroying or wrecking any building or structure or any part thereof by pre-planned and controlled methods
“ELS works”	excavation and lateral support works
“fitting-out works”	works that are performed to make interior spaces suitable for occupation
“foundation works”	works for the construction of foundation for buildings or other structures, which include but not limited to piling works, ELS works and pile cap construction
“ground investigation works”	investigation of the physical characteristics of the site and documentary studies and site surveys
“HKCAS”	the Hong Kong Certification Body Accreditation Scheme
“hoarding works”	works of building a temporary fence enclosure erected along the site boundary to separate the site from the adjacent properties
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organization for Standardization, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations

GLOSSARY OF TECHNICAL TERMS

“ISO 9001”	quality management system model published by ISO for quality assurance in design, development, production, installation and servicing
“ISO 14001”	environmental management system requirements published by ISO
“large diameter bored pile”	a type of pile which is greater than 750mm in diameter and is usually installed by machine boring to the required level with concrete filling the bored hole subsequently
“main contractor”	in respect of a construction project, a contractor appointed by the project employer who generally oversees the progress of the entire construction project and delegates different work tasks of the construction to other contractors
“minipile”	a type of pile which consists of one or more steel bars encased by grout inside a borehole, which in general does not exceed 400mm in diameter
“minor works”	minor works are defined under Building (Minor Works) Regulation (Cap 123N) which include repairing structures, constructing supporting frames for windows and air conditioner, projecting signboards and erecting drainage, etc
“OHSAS”	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems, issued by the Occupational Health and Safety Advisory Services
“OHSAS 18001”	the requirements for occupational health and safety management system developed for managing health and safety risks associated with a business
“pile cap”	a concrete block that is placed on the top of piles to provide a suitable and stable foundation
“piling works”	any work in connection with or for the sinking or forming of a pile in the ground by hammering, jacking, screwing, augering, boring, jetting, vibrating, casting or any other means and also means the driving or sinking of any casing or tube into the ground to form a well or shaft for foundation purposes, whether or not the casing or tube is later extracted
“private sector projects”	works projects that are not public sector projects
“public sector projects”	works projects that originate from the Government or statutory bodies

GLOSSARY OF TECHNICAL TERMS

“rock-socketed steel H-pile”	a type of pile in which a steel H-section is installed within a pre-bored hole formed into the bedrock and then grouted with cement grout
“sheet pile”	a type of pile of thin interlocking steel sheet which is commonly used as retaining wall or cofferdam to enable subsequent temporary or permanent works, such as excavation for basement or pile caps construction. Sheet piles have the advantages of light weight, easy handling, reusable, easy to adapt to required length (by welding or bolting) and easy installation (by driving or vibrating to required depth)
“site formation works”	works involving excavations on sloping land, filling, landslip preventive works, landslip remedial works and ground water drainage works
“superstructure”	superstructure is the upper portion of the structure, usually located above the ground level and serves the purpose of the intended use of the structure such as educational, residential and commercial, etc.
“subcontractor”	in respect of a construction project, a contractor who is appointed by the main contractor or by another subcontractor involved in the construction and who generally carries out specific work tasks of the construction
“Technical Director”	in respect of any registered contractor which is a corporate entity, a director authorised by the board of directors of such contractor to ensure the works are carried out in accordance with the Buildings Ordinance
“variation order”	an order placed by customer during the course of project execution concerning variation to part of the works that is necessary for the completion of the project, which may include (i) additions, omissions, substitutions, alterations, and/or changes in the quality, form, character, kind, position, dimension or other aspect of the works; (ii) changes to any sequence, method or timing of construction specified in the main contract; and (iii) changes to the site or entrance to and exit from the site

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases the words such as “aim”, “anticipate”, “believe”, “estimate”, “expect”, “going forward”, “intend”, “may”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” and other similar expressions, and the negative of these words, are used to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our Group’s business and operating strategies and plans of operation;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our Group’s business;
- our Company’s dividend distribution plans;
- our financial conditions;
- availability of bank loans and other forms of financing;
- the regulatory environment as well as the general industry outlook for the industry in which our Group operate;
- estimates of capacities and operating costs;
- future developments in the industry in which our Group operates; and
- the trend of the economy of Hong Kong and other relevant jurisdictions in general.

These statements reflect the current views of our Directors with respect to future events, operations, liquidity and capital resources, and are based on several assumptions, including those regarding our Group’s present and future business strategies and the environment in which our Group will operate in the future.

Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group’s future performance may be affected by various factors including, without limitation, those discussed in the section headed “Risk Factors” and “Financial Information” in this prospectus, many of which are not within our Company’s control.

Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions prove to be incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements as set out in this section.

In this prospectus, statements of, or references to, our Group’s intentions 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

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Share Offer. You should pay particular attention to the fact that the legal and regulatory environment in Hong Kong may differ in some respects from that which prevails in other countries. The business, financial condition or results of operations of our Group could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

A significant portion of our revenue was generated from contracts awarded by a limited number of customers and any significant decrease in the number of projects with our major customers may materially and adversely affect our financial condition and operating results

A significant portion of our revenue was derived from a limited number of customers during the Track Record Period. Our top five customers for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 accounted for 82.5%, approximately 88.7%, approximately 68.9% and approximately 70.9% of our revenue respectively.

There is no assurance that we will continue to obtain contracts from our major customers in the future. If there is a significant decrease in the number of projects awarded by our major customers, and we are unable to secure suitable projects of a comparable size and quantity as replacements from other customers, our financial condition and operating results would be materially and adversely affected.

In addition, in the event that our major customers experience any liquidity problem, this may result in delay or default of payments to us, in which case the business, financial positions and prospects of our Group could be materially and adversely affected.

Our revenue mainly relies on successful tenders of foundation works and superstructure building works projects which are not recurrent in nature, and there is no guarantee that our customers will provide us with new business

During the Track Record Period and up to the Latest Practicable Date, our revenue was mainly derived from foundation works and superstructure building works projects in Hong Kong which were awarded to us on successful tenders. Our future growth and success will depend on our ability to continue to secure tender and contract awards. In addition, our business is contract-based and on a non-recurring basis. During the Track Record Period and up to the Latest Practicable Date, we secured our foundation works and superstructure building works projects through competitive tender process. We do not have long-term commitment with our customers and our customers are therefore under no obligation to award projects to us. As such, there is no guarantee that we will be able to secure new businesses from customers. Accordingly, the number and scale of projects and the amount of revenue we are able to derive therefrom may vary significantly from period to period, and it may be difficult to forecast the volume of future business.

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In the event that our Group fails to secure new contracts or there is a significant decrease in the number of tender invitations or contracts available for bidding in the future, the business and financial positions and prospects of our Group could be materially and adversely affected.

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

Our ability to submit tender proposal at a competitive price with adequate profit margin and maintain our profitability depends on various factors. We determine the tender price by taking into account factors including the scope and complexity of the project, site conditions, project time frame, estimated construction materials costs, labour and machinery requirement and capacity, extent of subcontracted works required, our relationship with customers and prevailing market conditions. In addition, our Group may be subject to liquidated damages due to delay in completing the project, calculated on the basis of a fixed sum per day or according to certain damages calculating mechanism as stipulated under the contract for the period which the works remain incomplete. Any material inaccurate estimation in the time and costs involved in a project may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect our Group's financial condition, profitability and liquidity.

We rely on subcontractors to help complete our projects

We engage subcontractors to perform a portion of the works under projects. Our total subcontracting charges accounted for approximately 68.2%, 71.2%, 61.5% and 61.3%, respectively, of our total direct costs for FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017.

Other than any significant increase in the subcontracting costs that may impact on our profitability, we may also be exposed to other legal liabilities if we are not able to monitor the performance of our subcontractors, or if our subcontractors violate any laws, rules or regulations in relation to health and safety matters. We are also exposed to risks associated with any non-performance, delayed performance or sub-standard performance by our subcontractors or their respective employees. We may also incur additional costs or be subject to liability due to delay in schedule or defect in the works of our subcontractors or if there is any accident causing personal injuries or death of our subcontractors' employees. These events may impact upon our profitability, financial performance and reputation, as well as result in litigation or damage claims.

In addition, pursuant to section 43C of the Employment Ordinance, a main contractor, or a main contractor and every superior subcontractor is/are jointly and severally liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, if such wages are not paid within the period specified in the Employment Ordinance. For further details, please refer to the section headed "Regulatory Overview — B. Laws and regulations in relation to construction labour, health and safety — Employment Ordinance" in this prospectus. Our operations and hence our financial position may be adversely affected if any of our subcontractors violates its obligations to pay its employees.

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We recorded a decrease in revenue for FY2016/17

Our revenue decreased from approximately HK\$212.5 million for FY2015/16 to approximately HK\$184.4 million for FY2016/17, representing a decrease of 13.2%. There is no assurance that our Group will not experience any decrease in revenue in the future. Any continuous or significant decrease in our revenue would have a material adverse impact on our business, financial condition, results of operation, reputation and prospects.

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

Our Group's foundation works and superstructure building works contracts normally require our customers to make progress payments on a monthly basis or based on the phases of our works. Once our Group has submitted a bill, our customer or the consultant or architect appointed by our customer will certify the amount of work done. Our trade receivables amounted to approximately HK\$4.6 million, HK\$18.3 million, HK\$33.2 million and HK\$43.4 million as at 31 March 2015, 2016 and 2017 and 30 September 2017, respectively. For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, our trade receivables turnover days were approximately 20.2 days, 19.7 days, 51.0 days and 65.5 days respectively. No allowance for trade receivables has been made during the Track Record Period. Any difficulty in collecting a substantial portion of our trade receivables could materially and adversely affect our cash flows and financial positions.

Cash inflows and outflows in connection with construction projects may be irregular and may thus affect our net cash flow position

Cash flows from operating activities primarily consisted of our Group's revenue from foundation works, superstructure building works and other construction works. For FY2014/15 and FY2015/16, we recorded net operating cash inflow of approximately HK\$9.9 million and HK\$35.3 million, respectively. We recorded net operating cash outflow of approximately HK\$23.5 million, HK\$6.2 million and HK\$24,000 in FY2016/17, the six months ended 30 September 2016 and the six months ended 30 September 2017, respectively.

In a construction project, net cash outflows to pay certain operating expenditures may not align with progress payments to be received at the relevant periods. Progress payments will be paid after our construction works commence and are certified by our customers (or authorised persons employed by customers). Accordingly, the cash inflow and outflow for a particular project may fluctuate as the construction works proceed. For instance, for FY2016/17 and for the six months ended 30 September 2016, we had net cash used in operating activities of approximately HK\$23.5 million and HK\$6.2 million. If during any particular period of time, there exist too many projects which require substantial cash outflow while we have significant less cash inflows during the same period, our liquidity and cash flow position may be adversely affected.

We face liquidity risk in relation to working capital requirements associated with undertaking contract works

When undertaking works projects, there are costs which are typically incurred at an early stage of a project before we receive payments from customers and which are therefore required to be paid from our available financial resources, such as the costs of labours, supplies and/or subcontracting services. In

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addition, throughout the execution of a project, we typically receive payments after the performance of our services and works, for which we would have incurred costs (including costs of labours, supplies and/or subcontracting services) that are also required to be paid from our available financial resources.

Furthermore, in order to maintain our registrations on the Approved Contractor List and the Approved Specialist List for public sector works, we have to meet certain minimum working capital requirements from time to time, as discussed in the section headed “Regulatory overview” in this prospectus.

In addition, some of our customers may also require us to take out surety bonds issued by banks or insurance companies in the amount of certain percentage of the contract sum in favour of our customers, which may result in the lock-up of a portion of our capital for potentially a prolonged period of time and thereby affecting our liquidity position. For further information, please refer to the paragraph headed “Business — Customers — Major terms of engagement with our customers — Surety bond” in this prospectus.

If we fail to properly manage our liquidity position in view of such working capital requirements associated with undertaking contract works, our cash flows and financial position could be materially and adversely affected.

There is no assurance that we will be able to renew our registrations with the Buildings Department and the Development Bureau

We maintained certain registrations with the Buildings Department and the Development Bureau. Please refer to the section headed “Business — Licences and permits” in this prospectus for further details. To maintain such registrations, we must comply with the relevant requirements imposed by the relevant Government departments. For instance, contractors registered with the Buildings Department and WBDB are subject to a regulatory regime which is put in place to ensure contractors’ standards of financial capability, expertise, management and safety. Please see the section headed “Regulatory Overview” in this prospectus for further details.

Further, the standards of compliance required may from time to time be subject to changes without substantial advance notice. We cannot assure that all the required qualifications and registrations can be maintained or renewed in a timely manner or at all. If we fail to comply with any of relevant requirements, our qualifications and registrations could be temporarily suspended or even revoked, or the renewal of our qualifications and registrations upon expiry of their original terms may be delayed or refused. In such event, our capability to undertake relevant works may be directly impacted, and our business, financial condition, result of operation and reputation may be materially and adversely affected.

We rely on the service of our Authorised Signatory(ies) and Technical Director for our Group’s registrations maintained with the Buildings Department

We maintained certain registrations with the Buildings Department. In order to maintain such registrations, Wise Trend Engineering, our operating subsidiary, must have at least one Authorised Signatory to act for it for the purpose of the Buildings Ordinance and one Technical Director to carry out certain duties.

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As at the Latest Practicable Date, the role of our Authorised Signatory was taken up by Mr. Chan Tai Wai (our project manager) and Mr. Ng Wong Kwong (a member of our senior management), and the role of Technical Director was taken up by Mr. Ng Wong Kwong.

The Building Authority imposes certain requirements on the qualifications and experience of such Authorised Signatory and Technical Director. Departure or disqualification of the Authorised Signatory(ies) or Technical Director(s) may result in suspension of our Group's registrations maintained with the Buildings Department if no replacement is identified and applied for. In the event that our Group cannot maintain at least one Authorised Signatory and one Technical Director due to the departure of the abovementioned personnel and our Group cannot identify and recruit staff with adequate qualifications and experience eligible to become Authorised Signatory or Technical Director in a timely manner, our Group's registrations maintained with the Buildings Department could be suspended or even revoked. In such event, our reputation, business operation and financial position may be materially and adversely affected.

Increases in construction material costs and substandard construction materials may have an adverse impact on our financial results

Concrete and reinforcement steel are the major construction materials that we need in our operations. For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, our costs of construction materials amounted to approximately HK\$27.4 million, HK\$20.9 million, HK\$28.1 million and HK\$23.6 million respectively, representing approximately 17.9%, 12.9%, 20.8% and 28.0% of our total direct costs, respectively, for the same periods.

There is no guarantee that the quality of construction materials supplied to our Group will always meet our required standards for reasons which are beyond our control, and we may be forced to replace these construction materials from other suppliers at additional costs or be subject to time delay. Furthermore, we cannot guarantee that the cost of construction materials will be stable. If we are unable to factor in these potential fluctuations into each of our tenders or quotations and pass on a part or the whole of any additional costs to our customers or reduce other costs, our financial results and position may be materially and negatively affected.

There may be discrepancies between ground investigation findings and the actual geological conditions of the site which may result in additional costs

Prior to commencement of our foundation and ancillary works, ground investigation may be conducted or our customers may supply us with ground investigation report. However, information contained in these reports may not be sufficient to reveal the actual geological conditions beneath our construction site due to limitation in the scope of the underground investigation works that can be carried out at the site or other technical limitations. There may be discrepancies between the actual geological conditions and the findings set out in these investigation reports, and the investigation may not be able to reveal the existence of rocks or identify any antiquities, monuments or structure beneath the site. All these may eventually present potential issue in the carrying out of the construction works, thereby exposing our Group to uncertainties in the course of implementation of our projects.

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We are exposed to certain inherent risks relating to foundation and site formation works such as difficult or dangerous site conditions

It is not unusual to encounter difficult or dangerous conditions at the underground level or at the works site, such as artificial underground obstruction, relic, bomb, contaminated soil, presence of unknown obstacles due to historical use of site, existing methane gas generated during construction, fire hazard, flooding risk (including storm surge effect), collapse of temporary structure, land subsidence, etc. which may not have been anticipated at the preliminary stage. Such difficult or dangerous conditions at the underground level or at the works site may make our foundation and site formation works difficult, affect our work progress, incur higher project expenses and result in personal injuries or even fatality of site workers. Furthermore, services utilities, such as fresh and flush water mains, low or high voltage electric cables, optical fibre telephone lines, cable television fibre and high pressure gas mains, are laid underground in Hong Kong. There is no assurance that damage to those utilities will not occur during our foundation works. Accordingly, we may be liable to the costs for the repair of such damaged services utilities. In such event, our business, financial condition and result of operation may be materially and adversely affected.

We depend on our key management personnel

Our success and growth depend on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. In particular, our executive Directors and members of senior management are important to us. Please refer to the section headed “Directors and senior management” in this prospectus for further details. If any of our Directors cease to be involved in the management of our Group in the future and our Group is unable to find suitable replacements in a timely manner, there could be an adverse impact on the business, results of operation and profitability of our Group.

Our past revenue and profit margin may not be indicative of our future revenue and profit margin

Given that our foundation works and superstructure building works business is contract-based and on non-recurring basis, and our revenue and profit margin in respect of the relevant foundation works and superstructure building works projects depend on the pricing of our tender and unexpected obstacles of our foundation works and superstructure building works, such as the increase in length of contract period and costs of the foundation works and superstructure building works as well as the conditions of the relevant construction site, there is no assurance that we will always be able to maintain similar levels of profitability as those during the Track Record Period.

For FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, our revenue amounted to approximately HK\$176.5 million, HK\$212.5 million, HK\$184.4 million and HK\$107.1 million, respectively; our gross profit amounted to approximately HK\$23.6 million, HK\$50.8 million, HK\$49.3 million and HK\$22.8 million, respectively (representing gross profit margin of approximately 13.4%, 23.9%, 26.7% and 21.3%, respectively); while our net profit amounted to approximately HK\$8.4 million, HK\$30.1 million and HK\$27.0 million and HK\$5.5 million, respectively (representing net profit margin of approximately 4.8%, 14.1%, 14.6% and 5.1%, respectively).

However, such trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future which will depend on our capability to secure new business opportunities and

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to control our costs. Profit margins for our foundation works and superstructure building works may fluctuate from project to project due to factors such as scope and complexity of the project, estimated construction materials costs, subcontracting charges and the costs of rental of machinery and equipment. There is no assurance that our profit margins in the future will remain at a level comparable to those recorded during the Track Record Period. Our financial condition may be adversely affected by any decrease in our profit margins.

We are currently subject to an ongoing litigation with a customer in connection with an alleged outstanding sum under a payment certificate

As at the Latest Practicable Date, we are subject to an ongoing litigation with a customer in connection with alleged liquidated damages arising from a dispute over our entitlement of extension of time and additional costs due to variation of works in relation to revised column and wall layout plan and loading schedule, which led to a prolongment of 271 days to complete the project. We are being claimed by a customer in civil proceedings in respect of an alleged outstanding sum of HK\$354,721 under a payment certificate of a project which we were engaged to carry out foundation works. We will dispute to the customer's claim in the litigation. For further details of such dispute, please refer to the section headed "Business — Litigation and potential claims" in this prospectus.

If the customer succeeds in the litigation, we may have to bear the interests on the alleged outstanding sum and the customer's legal costs in the litigation and our operation and business reputation may be adversely affected.

Our performance may be adversely affected by construction disputes and litigation

We may be in dispute with our customers, subcontractors, suppliers, workers and other parties in connection with our projects for various reasons. Such disputes may be in connection with late completion of works, delivery of substandard works, personal injuries or labour compensation in relation to the works. Please refer to the section headed "Business — Litigation and potential claims" in this prospectus for further information on material disputes or litigation we encountered during the Track Record Period.

The handling of contractual disputes, litigation and other legal proceedings may sometimes involve a high degree of our management's attention and input. Handling of legal proceedings and disputes can be both costly and time-consuming, and may significantly divert the attention, efforts and resources of our management.

In addition, the outcomes of legal proceedings or disputes are influenced by, among others, negotiation skills, knowledge and judgment of our management. Our Group, to a large extent, relies on the relevant expertise and qualification of our management (including our executive Directors) in dealing with contractual disputes, litigation and arbitration. Should any claims against us fall outside the scope and/or limit of our insurance coverage or monies retained from subcontractors, our results of operation and financial position may be adversely affected.

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We may not be able to bill and receive the full amount of gross amounts due from customers for contract work

We recognise contract revenue based on the percentage of completion method whereby progress billings take place when the construction works performed by our Group are certified by the relevant customers and/or surveyors engaged by the customers. Gross amounts due from customers for contract work arise when progress billings has not yet taken place as at a financial year end date in respect of the construction works performed by our Group during that financial year. Our Group recorded gross amounts due from customers for contract work of approximately HK\$41.8 million, HK\$27.5 million and HK\$34.5 million as at 31 March 2015, 2016 and 2017, respectively. All amounts had been subsequently billed and settled as of the Latest Practicable Date. Our Group also recorded gross amounts due from customers for contract work of approximately HK\$38.1 million as at 30 September 2017 and approximately HK\$36.3 million of such amount had been subsequently billed as at the Latest Practicable Date. Of such amount of approximately HK\$36.3 million were subsequent billings had taken place, approximately HK\$32.1 million had been subsequently settled by the relevant customers as at the Latest Practicable Date. Please refer to the section headed “Financial information — Net current assets — Gross amount due from/to customers for contract work” in this prospectus for further details. There is no assurance that we will be able to bill and receive the full amount of gross amounts due from our customers for contract work as we may not be able to reach an agreement with the customers on the value of our work done. If we are not able to do so, our results of operation, liquidity and financial position may be adversely affected.

Our insurance may not fully cover all the potential losses arising from our business

For projects where our Group acts as the main contractor, we take out employees’ compensation insurance and contractors’ all risks insurance which cover our Group’s and our subcontractors’ employees and works performed by us and them. Similarly, where we undertake the role of subcontractor in a project, we are covered by the employees’ compensation insurance and contractors’ all risks insurance taken out by the project’s main contractor. For details, please refer to the section headed “Business — Insurance” set out in this prospectus.

Nonetheless, there is no assurance that all potential losses and expenses incurred from damages or liabilities in relation to our business can be fully covered by insurance. In the event that we suffer from any losses, damages or liabilities in the course of our business operations which our insurance does not cover, we may not have sufficient funds to cover such losses, damages or liabilities. The resulting payment to cover such losses, damages or liabilities may have a material adverse effect on our business, results of operations and financial position.

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

The aggregate amount of revenue that we are able to derive from a project may be different from the original contract sum specified in the relevant contract for the project due to factors such as variation orders (including addition, modification or cancellation of certain contract works) placed by our customers from time to time during the course of project execution. As such, there is no assurance that the amount of revenue derived from our projects on hand will not be substantially different from the original contract sum as specified in the relevant contracts.

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The table below sets out a breakdown of revenue and gross profit margin derived from the original contracts and subsequent variation orders during the Track Record Period:

	FY2014/15		FY2015/16		FY2016/17		For the six months ended 30 September 2017	
	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Original contracts	167,571	12.5	199,039	23.5	165,075	26.0	71,423	28.4
Variation orders	<u>8,885</u>	30.6	<u>13,449</u>	28.9	<u>19,288</u>	33.3	<u>35,644</u>	7.0
	<u>176,456</u>	13.4	<u>212,488</u>	23.9	<u>184,363</u>	26.7	<u>107,067</u>	21.3

We had 19 projects on hand as at 1 October 2017 (including projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced) and 3 projects that were awarded to us from 1 October 2017 to the Latest Practicable Date. The total amount of revenue expected to be recognised from such projects is estimated to be approximately HK\$173.3 million and HK\$275.6 million for FY2017/18 and after FY2017/18 respectively. Due to the reasons mentioned above, there is no assurance that the actual amount of revenue to be recognised from our projects on hand will not be substantially different from the original contract sum as specified in the relevant contracts. Furthermore, the variation orders may be placed by our customers to different aspects of the contracted works including but not limited to (i) additions, substitutions, alternations, changes in quality, form, character, kind, position or dimension of works; (ii) changes to the sequence, method or timing of construction specified in the original contract. In addition, the variation orders may have different nature, different complexity and different time schedule. Therefore, the profit margin derived from the variation orders may vary. For further details of variation orders, please refer to the section headed “Business — Operation flow — variation order” in this prospectus.

Our financial condition may be adversely affected by any decrease in our revenue and gross profit margin as a result of variation orders.

Contractual disputes may arise from variation orders requested by our customers

In the course of project implementation, our customers may give “variation orders” to us and request us to alter the scope of works or perform additional works on top of the scope of the original construction contracts. The terms of these “variation orders” are agreed between our Group and the surveyor authorised by our customers on the basis that, among other things, any additional work carried out which is the same as or similar in character to (and executed under the same or similar conditions and circumstances to) any item of work priced in the original contract shall be valued at the rate set out in the original contract for such item of work. If our Group and our customers cannot mutually agree on the rates fixed by such surveyor, contractual disputes with our customers may arise, and our reputation, results of operation, liquidity and financial position may be adversely affected.

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Our profitability may be affected by the potential increase in depreciation expenses and staff costs upon our planned acquisition of additional machinery and our planned recruitment of additional staff

It is one of our business strategies to acquire additional machinery by utilising a portion of net proceeds from the Share Offer. Please refer to the section “Future plans and use of proceeds” for details of the types of machinery to be purchased and the intended timing of deployment of the proceeds in this regard. As a result of the purchase of additional machinery, it is expected that additional depreciation will be charged to our profit and loss account and may therefore affect our financial performance and operating results. Based on the accounting policies adopted by our Group, depreciation on machinery is calculated using the straight-line method. Therefore, based on the intended timing of deployment of the proceeds for purchasing machinery and taking into account our existing machinery, it is estimated that depreciation expenses on plant and machinery of approximately HK\$1.0 million and approximately HK\$4.9 million will be incurred for FY2017/18 and FY2018/19 respectively.

In addition to the acquisition of additional machinery, our business strategies also include the recruitment of additional staff by utilising a portion of net proceeds from the Share Offer. Please refer to the section “Future plans and use of proceeds” for details of the additional staff that we plan to employ by functions. Based on the intended timing of deployment of the proceeds for recruitment of additional staff, it is estimated that additional staff costs of approximately HK\$1.2 million and approximately HK\$5.1 million will be incurred for FY2017/18 and FY2018/19 respectively.

Our planned investments in machinery and labour resources will increase our fixed costs (including depreciation expenses and staff costs) but there is no assurance that there will be a satisfactory increase in our operational and financial performance as a result. Should we be unable to obtain more projects and increase our profitability after such planned investments, our business and financial positions and prospects may be adversely affected.

We may be unable to implement our business strategies effectively

Our ability to continue to grow our business will depend on our continuing ability to successfully implement our business strategies, including continuing to expand our scope of services, competing for sizeable foundation works and superstructure building works projects, improving our margins and profitability, capturing the growing foundation works and superstructure building works from both private and public sectors, as well as pursuing other expansion strategies.

Our ability to implement our business strategies depends on, among other things, the general economic conditions in Hong Kong, our ability to continue to maintain close relationships with our key customers, the increasing spending by the Government on public works projects, the current growth prospects for private development projects, the availability of management, financial, technical, operational and other resources, and competition. In the event that we are unable to implement these strategies, which may be subject to factors beyond our control, we may not be able to grow at a rate comparable to our growth in the past, or at all. Consequently, if we fail to effectively implement our business strategies, our business, financial position and results of operations may be materially and adversely affected.

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Dividends declared in the past may not be indicative of our future dividend

In February 2017, our Group declared an interim dividend of HK\$15.0 million. Any dividend declared by us will have to be approved by our Board and the amount of any dividend will depend on various factors, including our operating results, financial condition, future prospects and other factors which our Board may deem important. Accordingly, our historical dividends are not indicative of our future dividend distribution policy. Potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis upon which future dividends are determined. Please see the section headed “Financial Information — Dividend” in this prospectus for further details of our dividend policy.

RISKS RELATING TO OUR INDUSTRY

Our performance depends on market conditions and trends in the construction industry and in the overall economy and there is no assurance that if the property market in Hong Kong deteriorates, there will be no material adverse impact on our Group’s operation or at all, or our Group will be able to take appropriate measures to minimise the adverse impact on it

All our operations and management were located in Hong Kong during the Track Record Period and up to the Latest Practicable Date. Our customers are mostly private property developers, construction companies and other private entities during the Track Record Period. The future growth and profitability of the construction industry largely depends on the continued prosperity of the property market and the construction industry in Hong Kong. The nature, extent and timing of available construction projects in Hong Kong will, however, be determined by an interplay of a variety of factors, including the Government’s policies on the property market in Hong Kong, its land supply and public housing policy, the investment of property developers and the general conditions and prospects of Hong Kong’s economy. These factors may affect the availability of construction projects. Our Group believes that since the construction sectors are cyclical in nature, the demand for our service may be reduced with the downturn in the construction sector, as well as reduction in the overall value and number of property development projects due to economic downturn. As such, our performance and profitability may be adversely impacted. Other factors include cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. During the Track Record Period, our Group derived our revenue in Hong Kong. If there is any recession in Hong Kong, deflation or any changes in Hong Kong’s currency policy, or if the demand for construction works in Hong Kong deteriorates, our operations and profitability could be adversely affected.

We operate in a highly competitive market

The foundation and superstructure building works industries in Hong Kong have many participants and are competitive. As of March 2017, there were 149 registered specialist contractors in the sub-register of foundation works category, 184 registered specialist contractors in the sub-register of site formation works category, 108 registered specialist contractors in the sub-register of demolition works category, 717 registered general building contractors under the Buildings Department, 49 registered contractors under on Approved Specialists List maintained by the Development Bureau under the land piling category and 151 registered contractors on the Approved Contractors List maintained by the Development Bureau. Some of the existing market players have been listed on the Stock Exchange, which may give them an advantage in terms of financing capability and reputation. Furthermore, new participants may enter the industry provided that they have the appropriate skills, industry experience,

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necessary machinery, capital and they are granted the requisite licences or approvals by the relevant regulatory bodies. Increased competition may result in lower operating margins and loss of market share, which may adversely affect our profitability and operating results.

Shortage of labour may affect our projects and our performance

There is no assurance that the supply of labour and average labour costs will be stable. If there is a significant increase in the costs of labour and we have to retain our labour (or our subcontractors have to retain their labour) by increasing their wages, our staff cost or subcontracting cost (as the case may be) will increase and may thus lower our profitability. On the other hand, if we or our subcontractors fail to retain our or their existing labour or recruit sufficient labour in a timely manner, we may not be able to complete our projects on schedule and may be subject to liquidated damages and incur losses.

Industrial actions or strikes may affect our business

Typical foundation works and superstructure building works are divided into various disciplines, and each requires specialised labour. Industrial action of any one discipline may disrupt the progress of our foundation works and superstructure building works. There is no assurance that industrial actions or strikes will not be launched in the future. Any such industrial actions or strikes may adversely impact our business performance and hence the profitability and results of our operation.

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

Many aspects of our business operation are governed by various laws and regulations and Government policies. The requirements in respect of the granting and/or renewal of various licences and qualifications in the foundation and superstructure building works industry may change from time to time, and there is no assurance that we will be able to respond to such changes in a timely manner. Such changes may also increase our costs and burden in complying with them, which may materially and adversely affect our business, financial condition and results of operation. For example, if there are any changes to and/or imposition of the requirements for qualification in the foundation and superstructure building works 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 operation will be materially and adversely affected.

RISKS RELATING TO THE SHARE OFFER AND OUR SHARES

Investors will experience immediate dilution

As the Offer Price of our Shares is higher than the net tangible book value per Share immediately prior to the Share Offer, purchasers of our Shares in the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted net tangible assets value to approximately HK\$0.66 per Share, based on the Offer Price of HK\$1.5 per Share.

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

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

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

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

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

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

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

The Bookrunner is entitled to terminate the Underwriting Agreements

Prospective investors should note that the Bookrunner (acting in such capacity and as the Underwriter) is entitled to terminate its obligations under the Underwriting Agreements by giving notice in writing to us upon the occurrence of any of the events set out in the section headed "Underwriting — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such event may include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, economic sanction, epidemic, fire, flood, explosions, acts of terrorism, earthquakes, strikes or lock-outs.

RISK FACTORS

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

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles 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 minorities Shareholders is set out in Appendix III to this prospectus.

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

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

RISKS RELATING TO THIS PROSPECTUS

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

Certain facts, statistics, and data presented in the section headed "Industry Overview" and elsewhere in this prospectus relating to the industry in which we operate have been derived, in part, from various publications and industry-related sources prepared by government officials or independent third parties. In addition, certain information and statistics set forth in this section have been extracted from the Ipsos Report. Our Company believes that the sources of the information are appropriate sources for such information, and the Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, our Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sponsor, nor any parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources are prepared on a comparable basis or that such information and statistics are stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong.

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

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

RISK FACTORS

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

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

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 Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement in this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer which forms part of the Share Offer. Details of the terms of the Share Offer are described in the section headed "Structure and Conditions of the Share Offer" in this prospectus and in the related Application Forms.

The Listing is sponsored by the Sponsor and the Share Offer is lead managed by the Lead Manager. The Public Offer is fully underwritten by the Public Offer Underwriter and the Placing is expected to be fully underwritten by the Placing Underwriter.

RESTRICTIONS ON SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any such circumstances such 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 or the related Application Forms and the offering and sales 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. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly, in the PRC or the United States, except in compliance with the relevant laws and regulations of each of such jurisdictions.

No action has been taken to register or qualify the Offer Shares or the Share Offer, or otherwise to permit a public offering of the Offer Shares, in any jurisdiction outside Hong Kong. The distribution of this prospectus and the related Application Forms in jurisdictions outside Hong Kong may be restricted by law and therefore persons into whose possession this prospectus or any of the related Application Forms comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the applicable securities laws.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his or her or its acquisition of the Offer Shares to have confirmed, that he or she or it is aware of the restrictions on offer of the Offer Shares described in this prospectus.

Prospective applicants for the Offer Shares should consult their financial advisers and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Stock Exchange for 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 option which may be granted under the Share Option Scheme).

No part of the share or loan capital of our Company is listed, traded or dealt in on any stock exchange and save as disclosed herein, no such listing or permission to deal is being or proposed to be sought.

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.

HONG KONG BRANCH SHARE REGISTRAR AND STAMP DUTY

All the Offer Shares will be registered on the Hong Kong branch register of members to be maintained by the Hong Kong Branch Share Registrar in Hong Kong. Dealings in the Offer Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of our Company maintained by Estera Trust (Cayman) Limited in the Cayman Islands will not be subject to the Cayman Islands stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential applicants for the Share Offer are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sponsor, the Underwriter, their respective directors or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Offer Shares or the exercise of their rights thereunder.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

ROUNDING

In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred, or hundred thousand, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth of a percent. Any discrepancies in any table between totals and sum of amounts listed therein are due to rounding.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure of the Share Offer are set out in the section “Structure and Conditions of the Share Offer” in this prospectus.

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedure for applying for the Public Offer Shares is set out in the section headed “How to Apply for the Public Offer Shares” in this prospectus and on the related Application Forms.

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares and our Company’s compliance 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 Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on Thursday, 29 March 2018. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares is 1735.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this prospectus and their English translation, the Chinese names shall prevail.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

CURRENCY TRANSLATIONS

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

US\$1.00: HK\$7.80

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
Chairman and non-executive Director		
Ms. Tsui Kwok Ying (徐楓英)	Flat C, 8th Floor, Block 3 Flora Garden 7 Chun Fai Road Hong Kong	Chinese
Executive Directors		
Mr. Ng Chi Bun Benjamin (吳志斌)	Flat D, 2nd Floor, Block 45 Savanna Garden 4283 Tai Po Road Tai Po, New Territories Hong Kong	Chinese
Ms. Ng Chung Yan May (吳頌恩)	Flat C, 8th Floor, Block 3 Flora Garden 7 Chun Fai Road Hong Kong	Chinese
Independent non-executive Directors		
Mr. Yau Chung Hang (邱仲珩)	Flat F, 49th Floor, Block 7 Central Park Towers II Tin Shui Wai 2 Tin Yan Road New Territories Hong Kong	Chinese
Mr. Pong Kam Keung (龐錦強)	Flat E, 13th Floor, Block 29 Laguna City, No. 6 East Laguna Street Cha Kwo Ling Kowloon Hong Kong	Chinese
Mr. Lo Ki Chiu (盧其釗)	Flat F, 7th Floor, Tower 10 Mayfair by the Sea II 21 Fo Chun Road Pak Shek Kok, Tai Po New Territories Hong Kong	Chinese

For details of our Directors and senior management, 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

Sponsor	Dakin Capital Limited Room 2701, 27/F Tower 1, Admiralty Centre 18 Harcourt Road Admiralty Hong Kong <i>(A licenced corporation carrying on Type 6 (advising on corporate finance) regulated activity under the SFO)</i>
Bookrunner and Lead Manager	Easy One Securities Limited Room 2108–2109, 21/F Wing On Centre, 111 Connaught Road Central Hong Kong <i>(A licenced corporation carrying on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO)</i>
Legal advisers to our Company	<i>As to Hong Kong law</i> Adrian Yeung & Cheng Suite 1201–2A, 12th Floor Golden Centre 188 Des Voeux Road Central Hong Kong <i>As to Hong Kong Law</i> Mr. Chan Chung <i>Barrister-at-law of Hong Kong</i> 10th Floor, Grand Building 15–18 Connaught Road Central Hong Kong <i>As to Cayman Islands law</i> Appleby 2206–19 Jardine House 1 Connaught Place Central Hong Kong
Legal adviser to the Sponsor, the Bookrunner, the Lead Manager and the Underwriter	<i>As to Hong Kong law</i> D. S. Cheung & Co. 29/F., Bank of East Asia Harbour View Centre 56 Gloucester Road, Wanchai Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Reporting accountant	HLB Hodgson Impey Cheng Limited <i>Certified Public Accountants</i> 31th Floor, Gloucester Tower The Landmark 11 Pedder Street, Central Hong Kong
Industry research consultant	Ipsos Limited 22/F, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
Safety consultant	Garron Holdings Limited Unit 01, Level 12 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Receiving bank	Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower 3 Garden Road Central Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong	Offices E & F, 7th Floor King Palace Plaza No. 55 King Yip Street Kwun Tong Kowloon Hong Kong
Company Secretary	Mr. Poon Tak Wah (<i>Certified Public Accountant</i>) 16/F Tak Wah Mansion 290A Hennessy Road Wan Chai Hong Kong
Compliance adviser	Grande Capital Limited Room 1204B, 12/F, Tower 2 Lippo Centre 89 Queensway, Admiralty Hong Kong (<i>A licenced corporation engaging in Type 6 (advising on corporate finance) regulated activity under the SFO</i>)
Authorised Representatives	Ms. Ng Chung Yan May Flat C, 8th Floor, Block 3 Flora Garden 7 Chun Fai Road Hong Kong Mr. Poon Tak Wah 16/F, Tak Wah Mansion 290A Hennessy Road Wan Chai Hong Kong
Members of Audit Committee	Mr. Yau Chung Hang (<i>Chairperson</i>) Mr. Pong Kam Keung Mr. Lo Ki Chiu
Members of Remuneration Committee	Mr. Pong Kam Keung (<i>Chairperson</i>) Mr. Yau Chung Hang Mr. Ng Chi Bun Benjamin

CORPORATE INFORMATION

Members of Nomination Committee	Ms. Tsui Kwok Ying (<i>Chairperson</i>) Mr. Yau Chung Hang Mr. Lo Ki Chiu
Principal share registrar and transfer office in the Cayman Islands	Estera Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Boardroom Share Registrars (HK) Limited 2103B, 21/F 148 Electric Road North Point Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited No. 1 Queen's Road Central Hong Kong The Bank of China (Hong Kong) Limited No. 1 Garden Road Central Hong Kong
Company's website	www.wangyang.com.hk <i>(information on this website does not form part of this prospectus)</i>

INDUSTRY OVERVIEW

This and other sections of this prospectus contain information relating to the industry in which we operate. Certain information and statistics contained in this section have been derived from various official and publicly available sources. In addition, certain information and statistics set forth in this section have been extracted from a market research report commissioned by us and prepared by Ipsos, an independent market research agency. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics is false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, such information and statistics have not been independently verified by us, the Sponsor, the Bookrunner, the Lead Manager, the Underwriter, our or their respective directors and officers or any other parties involved in the Share Offer. No representation is given as to the accuracy.

SOURCE OF INFORMATION

We commissioned Ipsos, an independent market research consulting firm, to conduct an analysis of, and to report on, the foundation and superstructure building works industries in Hong Kong. A total fee of HK\$520,000 was charged by Ipsos for the preparation of the Ipsos Report. Except as otherwise noted, the information and statistics set forth in this section have been extracted from the Ipsos Report. The payment of such amount was not conditional on our Group's successful listing or on the results of the Ipsos Report.

Ipsos has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. Ipsos is part of a group of companies which employs approximately 16,000 personnel worldwide across 87 countries. Ipsos conducts research on market profiles, market sizes and market shares and performs segmentation analysis, distribution and value analysis, competitor tracking and corporate intelligence.

The Ipsos Report includes information on the foundation industry and the superstructure building works industries in Hong Kong. The information contained in the Ipsos Report is derived by means of data and intelligence gathering which include: (i) desktop research; and (ii) primary research, including interviews with key stakeholders including foundation and superstructure works service providers, architects, quantity surveyors and industry experts and associations in Hong Kong, etc.

Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques. According to Ipsos, this methodology ensures a full circle and multilevel information sourcing process, where information gathered can be cross-referenced to ensure accuracy. All statistics are based on information available as at the date of the Ipsos Report. Other sources of information, including government, trade associations or marketplace participants, may have provided some of the information on which the analysis or data is based.

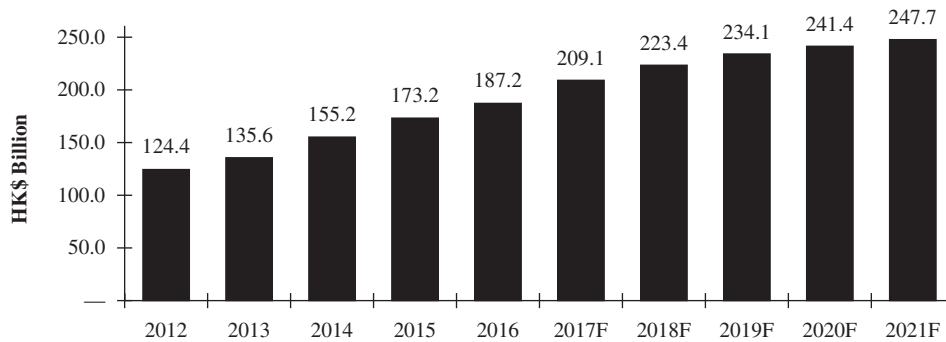
Ipsos developed its estimates or forecasts on the following principal bases and assumptions: (i) it is assumed that the global economy remains a steady growth across the forecast period; and (ii) it is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand and supply of the construction industry in Hong Kong during the forecast period.

INDUSTRY OVERVIEW

CONSTRUCTION INDUSTRY OVERVIEW

The construction industry has been growing substantially from 2012 to 2016. The total gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong increased from approximately HK\$124.4 billion in 2012 to approximately HK\$187.2 billion in 2016, at a CAGR of approximately 10.8%. The total gross output value is expected to grow from HK\$209.1 billion in 2017 to HK\$247.7 billion in 2021, representing a CAGR of approximately 4.3%.

**Gross output value of construction works in Hong Kong
from 2012 to 2016 and forecast from 2017 to 2021**



Source: The Ipsos Report

Note:

(1) The letter “F” denotes as forecasted figures.

Construction projects in Hong Kong can be generally categorised into public sector projects and private sector projects. Public sector projects refer to projects of which the main contractors are employed by the Government or statutory bodies, while private sector projects refer to projects that are owned by private enterprises or individuals.

The construction industry plays an important role in sustaining Hong Kong’s economy. It accounted for 3.6% of Hong Kong’s GDP in 2012 and the proportion increased to 4.7% in 2015. The construction industry experienced significant growth from 2012 to 2016 mainly due to the rising demand for commercial and residential buildings as well as for infrastructure. The public sector was supported by some large-scaled construction projects, resulting in higher gross output value than the private sector from 2012 to 2016. The large-scale construction projects were mainly infrastructure projects, including the Public Housing Development Program and the Ten Major Infrastructure Projects announced by the Government, with the latter including the South Island Line, Sha Tin to Central Link, Lok Ma Chau Loop, Guangzhou-Shenzhen-Hong Kong Express Rail Link, Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass, West Kowloon Cultural District, Kai Tak Development, Hong Kong-Zhuhai-Macao Bridge, North East New Territories New Development Areas, and Hong Kong-Shenzhen Western Express Line. In the private sector, the growth was attributable to the Government’s initiative to increase private residential units supply and the increase in land supply for commercial and economic activities.

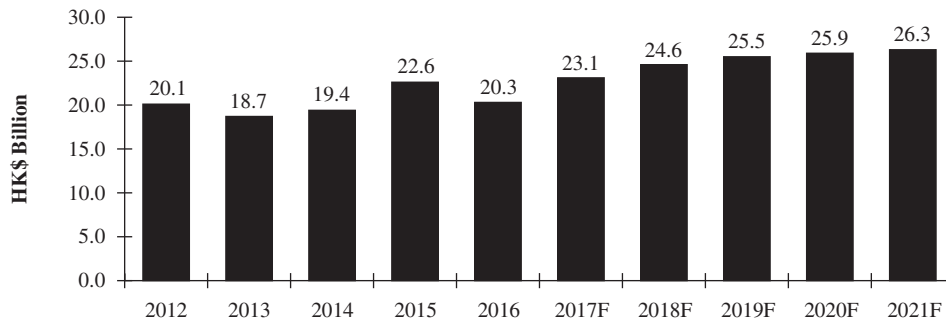
INDUSTRY OVERVIEW

FOUNDATION INDUSTRY OVERVIEW

In Hong Kong's construction industry, main contractors are the responsible party in charge of the entire construction project. It is not uncommon for main contractors of a project to outsource construction works to multiple subcontractors in accordance with their specialties and knowledge.

Foundation works are the construction works conducted underneath the ground that provide a base upon which construction structures are built. Foundation works are important to the solidity of a building structure. In 2016, the total revenue of the foundation industry accounted for approximately 10.8% of the total gross output value performed by main contractors and subcontractors at construction sites in Hong Kong. From 2012 to 2016, the total revenue of foundation industry in Hong Kong grew from approximately HK\$20.1 billion to approximately HK\$20.3 billion, at a CAGR of approximately 0.2%, as set forth in the chart below:

**Total revenue of the foundation industry in Hong Kong
from 2012 to 2016 and forecast from 2017 to 2021**



Note:

(1) The letter "F" denotes as forecasted figures.

Source: The Ipsos Report

The total revenue growth of the foundation industry in Hong Kong from 2012 to 2016 was mainly driven by the Ten Major Infrastructure Projects as well as the rising construction projects of residential and commercial buildings. A slight decrease in revenue was observed in 2016 as some of the foundation works in major infrastructure projects were completed before 2016, with other major projects such as the New Development Areas projects being at the stage of planning. According to the Ipsos Report, the total revenue of the foundation industry in Hong Kong is expected to continue rising from approximately HK\$23.1 billion in 2017 to approximately HK\$26.3 billion in 2021, at a CAGR of approximately 3.3%. In view of the constantly high demand of residential units in Hong Kong, the revenue growth will be supported by the Hong Kong Government's initiative to increase residential housing supply in the coming years. The private sector is expected to produce approximately 94,000 residential units in the coming 3 to 4 years, while the Housing Authority and the Hong Kong Housing Society (HKMS) will produce about 94,000 public housing units according to the 2017 Policy Address.

INDUSTRY OVERVIEW

The development of the construction industry and foundation industry are positively correlated. Foundation works are most commonly demanded in newly built construction projects. Foundation works mainly comprise piling construction, ELS works, and pile caps construction works. In addition, some foundation contractors may also provide ancillary services such as loading test on ground bearing capacity. Piling construction is critical in a foundation construction. Depending on the foundation design which is governed by the size of the proposed superstructure development as well as the ground condition, different piling methods will be applied such as mini-piling, H-piling, socket H-piling, soldier piling, precast concrete piling and pipe piling. Pile caps, on the other hand, are concrete slabs built on top of the piles to transfer the load from the superstructure to the piles. Pile stability increases with depth, which means the top of a pile is more vulnerable to movement and pressure than its base. Pile caps are commonly used in Hong Kong due to its uneven terrains. It is necessary that the piles are binned together such that they function as a pile group and provide lateral support to piles built on an uneven terrain.

COMPETITIVE LANDSCAPE OF THE FOUNDATION INDUSTRY

According to the Ipsos Report, the top five foundation contractors (in terms of market share in the foundation industry in Hong Kong in 2016) and their respective backgrounds are as follows:

Ranking	Contractor	Key types of foundation works performed	Approximate market share
1	A contractor based in Hong Kong, which is a subsidiary of a company listed on the Main Board of the Stock Exchange	ELS works, piling works, pile caps construction works and other foundation works	13.6%
2	A contractor based in the PRC and listed on the Main Board of the Stock Exchange	ELS works, piling works, pile caps construction works and other foundation works	13.0%
3	A contractor based in Hong Kong	ELS works, piling works, pile caps construction works and other foundation works	12.6%
4	A contractor based in Hong Kong, which is listed on the Main Board of the Stock Exchange	ELS works, piling works, pile caps construction works and other foundation works	6.2%

INDUSTRY OVERVIEW

Ranking	Contractor	Key types of foundation works performed	Approximate market share
5	A contractor based in Hong Kong, and listed on the Main Board of the Stock Exchange	ELS works, piling works, pile caps construction works and other foundation works	4.7%
			50.1%

Source: The Ipsos Report

Our Group's market share in the foundation industry

The total revenue of the foundation industry in Hong Kong in the calendar year of 2016 is approximately HK\$20.3 billion according to the Ipsos Report (while the figure for the twelve-month period from 1 April 2015 to 31 March 2016 is not available). The total revenue of our foundation works for FY2016/17 was approximately HK\$120.9 million. Based on these figures, it is estimated that our Group's market share in the foundation industry in Hong Kong is approximately 0.6%.

SUPERSTRUCTURE BUILDING WORKS INDUSTRY OVERVIEW

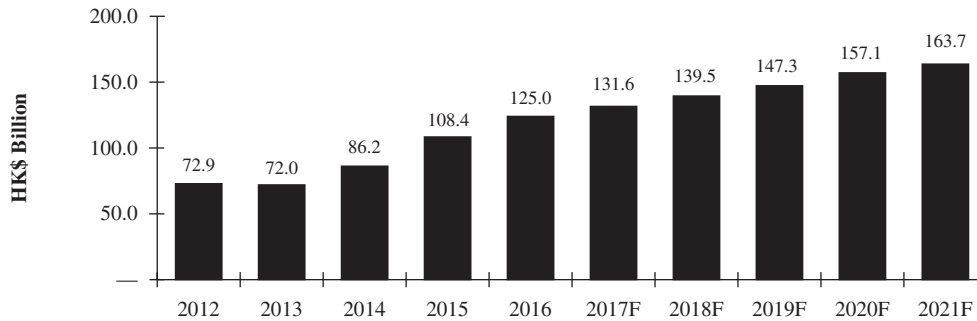
Superstructure building works is a part of the building construction works. Generally, the construction of buildings includes the erection of architectural superstructures, structural steel framework erection, other new building construction and structural alteration & addition works, etc. Superstructure building works refer to building works in relation to the parts of the structure above the ground level. Superstructure building works include structural concrete construction for superstructure on typical floors, roofing works, installation of window wall and installation of building services works. The importance of superstructure in a construction project is significant as it includes extensive amount of structural works that are fundamental to the supporting of a building.

General building construction industry include the superstructure building works. As advised by Ipsos, based on the publicly available information and their research, it is not feasible to identify the total revenue, market shares and the ranking of contractors in the superstructure building works industry because (i) contractors often undertake both substructure and superstructure works together; (ii) a building development contract often includes both superstructure and substructure works; (iii) there are many building contractors which are private company and do not have any public information pertaining to their revenue in relation to their superstructure works. Having considered the above, our Directors consider that, as supported by Ipsos' view, the general building construction industry is the most relevant and representative to the superstructure building works industry.

INDUSTRY OVERVIEW

From 2012 to 2016, the total revenue of the general building construction industry experienced growth from approximately HK\$72.9 billion to approximately HK\$125.0 billion, at a CAGR of 14.4%, as set forth in the chart below:

Total revenue of the general building construction industry in Hong Kong from 2012 to 2016 and forecast from 2017 to 2021



Note:

(1) The letter “F” denotes as forecasted figures.

Source: The Ipsos Report

The total revenue of the general building construction industry in Hong Kong grew considerably from 2012 to 2016 mainly due to the growing housing construction supported by the Government’s policy to increase housing supply. Owing to a growing population in Hong Kong, the increase in residential and commercial buildings is expected to continue, which will drive the total revenue of the general building construction industry in Hong Kong from approximately HK\$131.6 billion in 2017 to approximately HK\$163.7 billion in 2021, at a CAGR of 5.6%.

Major public projects in recent years that contributed to the revenue growth of general building construction industry include the construction of sports centre in Tsing Yi, the construction of Public Rental Housing Development in Tung Chung and the construction of Home Ownership Scheme housing at Wang Yip Street West in Yuen Long. In the private sector, property developers are a main customer group of the general building construction industry in Hong Kong. Amid the rising demand for housing, many residential buildings in the private sector were launched by major property developers in previous years. The construction of these residential buildings, of which general building works, in particularly superstructure building works are majorly required, contributed to the revenue growth of the general building construction industry in Hong Kong from 2012 to 2016.

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COMPETITIVE LANDSCAPE OF THE GENERAL BUILDING CONSTRUCTION INDUSTRY

The following table set forth the top five general building contractors (in terms of market share in the general building industry in Hong Kong in 2016) and their respective backgrounds:

Ranking	Contractor	Business coverage	Approximate market share
1	A contractor based in Hong Kong and listed on the Main Board of the Stock Exchange	Building construction, civil engineering, electrical and mechanical engineering, project and construction management, interiors and special projects, railway systems, property development and asset management services	4.7%
2	A contractor based in Hong Kong, which is a subsidiary of a company listed on the Main Board of the Stock Exchange	Construction of building, bored piling, foundation works, site formation, site infrastructure, roads and drainage, waterworks, site investigation, landslip preventive measures and slope works	3.0%
3	A contractor based in Hong Kong	Design, management and construction services in building, civil engineering, foundations, electrical and mechanical infrastructure maintenance and operation, and interiors refurbishments and fitting out	2.9%
4	A contractor based in Hong Kong and listed on the Main Board of the Stock Exchange	Building construction, maintenance, renovation, civil engineering, foundation works, electrical and mechanical works, railway and trackworks installation, interior fitting out works and underground works	2.6%
5	A contractor based in Hong Kong and listed on the Main Board of Stock Exchange	Building construction, maintenance, renovation, civil engineering, foundation works, site investigation, electrical and mechanical engineering works and concrete production and pre-casting facilities	2.4%
			15.6%

Source: *The Ipsos Report*

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Our Group's market share in the general building construction industry

The total revenue of the general building construction industry in Hong Kong in the calendar year of 2016 is approximately HK\$125.0 billion according to the Ipsos Report. The total revenue of the superstructure building works of our Group for FY2016/17 was approximately HK\$43.6 million. Based on these figures, it is estimated that our Group's market share in the general building industry in Hong Kong is approximately 0.03%.

INDUSTRY DRIVERS OF THE FOUNDATION INDUSTRY AND THE SUPERSTRUCTURE BUILDING WORKS INDUSTRY

In general, an increasing amount of construction projects will increase the general demand for foundation and superstructure building works. The foundation and superstructure building works industries in Hong Kong are expected to benefit from the following industry drivers:

1. Government's initiative to increase land and housing supply will boost the number of public and private construction projects

To cope with the rising demand for residential properties and stabilise the overheated properties market, the Hong Kong Government initiated 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. This plan includes providing Government-owned land for the Urban Renewal Authority and railway property development projects, and rezoning about 150 sites to provide approximately 210,000 public and private units. Such major development requires significant construction works, involving foundation and superstructure building works from the public and private sectors. With the Government's initiative, it is expected that the demand for foundation works in the public and private sector in Hong Kong will continue to increase, driving market growth further.

According to the 2016–17 Policy Address, the Government will increase the land area for residential use as well as commercial use. For public housing, the Government has adopted the public housing supply target of 280,000 units for the 10-year period from 2017/18 to 2026/27. For private housing, it is estimated that private housing land supply in 2015/16 has a capacity to produce over 29,000 units, including 19,000 units generated from the 2016/17 Land Sale Programme and other units generated from railway property development projects, the Urban Renewal Authority's projects and private redevelopment and development projects. The expected development of private housing and private redevelopment projects supported by the Government is an essential driver to the future demand for foundation and superstructure building works in the private sector.

2. Continuous implementation of 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 these large-scale infrastructure projects such as the MTR extension projects and the development areas in Wan Chai and the New Territories. Hong Kong Government planned to develop Kwu Tung North

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and Fanling North New Development Areas (NDAs) according to the 2015 Policy Address, where about 60,000 residential units is expected to deliver, of which 60% will be public rental housing and Home Ownership Scheme flats while the rest will be private residential units.

In addition, a total of approximately HK\$66 billion was invested by the Government in developing residential and commercial buildings in the north apron and other surrounding facilities of the Kai Tak Area. These new development areas contain numerous construction opportunities with an expected growing demand for private foundation and superstructure building works. In addition, large-scale infrastructure projects such as the five railway projects are currently at different stages of implementation and are expected to be completed between 2016 and 2021. These projects include the West Island Line, the South Island Line (East), the Kwun Tong Line Extension, the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section), and the Shatin to Central Link. Apart from 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 public foundation and superstructure building works industries in Hong Kong in the near future. The completion of these public infrastructure projects may facilitate the development of its surrounding areas, leading to a growing demand for foundation and superstructure building works services within the private sector.

3. Government’s plan to increase land supply for commercial uses

According to the 2016–17 Policy Address, the Government will continue to increase the land used for commercial and economic activity through measures such as converting suitable Government, institutional or community sites in core business districts into commercial use and the development of Kowloon East as an alternative core business district. Furthermore, according to 2016–17 Budget, the Government has also taken initiative to convert the Government land use into commercial use, for example, reprovisioning Government facilities in the two action areas in Kwu Tung and Kowloon Bay, which are expected to provide 560,000 m² of commercial and office floor area; converting the Murray Road multi-storey car park to commercial use, which is estimated to provide 42,000 m² of floor area; and redeveloping the Queensway Plaza site, which is capable of providing 93,000 m² of floor area. This will further drive the demand for foundation and superstructure building works services for commercial development and redevelopment projects.

4. Government’s plan to develop new development areas

According to 2016 Policy Address, the projects regarding Kwu Tung North and Fanling North New Development Areas, Tung Chung New Town Extension, Hung Shui Kiu New Development Areas and Yuen Long South Development are progressing, which will provide over 7.8 million m² of floor area for commercial or industrial uses in the next three to four years. These new development areas are expected to benefit the foundation and superstructure building works industries, in particular to the private sector, that the demand for newly-built residential and commercial buildings of these areas will grow accordingly. The Government’s initiative to develop new develop areas will grow the demand for both public and private foundation and superstructure building works in Hong Kong.

ENTRY BARRIERS AND POTENTIAL CHALLENGES OF THE FOUNDATION INDUSTRY AND THE SUPERSTRUCTURE BUILDING WORKS INDUSTRY

Entry barriers of the foundation industry and the superstructure building works industry in Hong Kong

For the foundation industry and the superstructure building works industry:

1. High and stable capital requirement for foundation and superstructure main contractors

In Hong Kong, foundation contractors require large amount of initial capital to purchase or rent specialised machineries and fulfil capital requirement for registration. They have to fulfil certain minimum capital requirements to register with the relevant Government departments to undertake main contracting works. Besides, foundation contractors also need capital to pay workers and subcontractors. Hence, the new entrants in the foundation industry may face difficulties in entering in this industry if they do not have sufficient amount of initial capital.

Stable and adequate capital flow is also critical for the superstructure building works contractors in order to guarantee the payment of wages to workers (e.g. foremen, machinery operators and technical personnel), the payment of surety bond and to rent specialised machinery for operation works. Moreover, main contractors often need to pay for their suppliers and/or subcontractors, such as the labour cost and/or construction materials, before getting paid by their customers. The inability to settle timely payments may defer the construction schedule and lead to a loss in reputation.

2. Proven track record

In general, customers of superstructure building works and foundation works award tenders based on, inter alia, contractors' track records and experiences to assess their abilities to meet the technical, safety, time, and budget requirements of the project. As a result, new entrants with little relevant works track record would not have enough proven project management and work experience, and are hence subject to a lower chance to win tenders. Furthermore, new entrants are required to obtain technical qualifications for executing certain foundation works projects in the public sector. Without sufficient practical experiences, new entrants may also have difficulties in obtaining technical qualifications.

3. Relationship with property developers and main contractors

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

Specific to the foundation industry:

4. Possession of specialised foundation works machinery

Foundation contractors who own specialised machineries such as crawler cranes, air compressors, hydraulic crawler drills and other equipment are able to engage in specialised, complex projects and tender for different kinds of foundation works. Moreover, foundation contractors could enjoy greater flexibilities in allocating the resources and satisfying the needs of different projects that require a substantial amount of initial capital per project.

5. Technical capability requirement

The number of projects requiring sophisticated techniques has been rising in the foundation industry in Hong Kong. The adoption of specialised construction techniques such as reclamation has made Hong Kong as one of the regional leaders in the foundation industry. With the growing size and complexity of the projects, foundation contractors who own advanced technical capabilities would be more competitive in Hong Kong's foundation industry. For new entrants of the foundation industry in Hong Kong, the lack of advanced technical capabilities would be one of the entry barriers.

Potential challenges of the foundation industry and the superstructure building works industry

The following potential challenges are faced by the foundation and superstructure building contractors in Hong Kong:

1. Increasing competition

Competition has intensified in Hong Kong's construction industry. Specifically, some contractors are now raising capital by way of listing on the Stock Exchange to expand the scope of their services and business volume for foundation and superstructure building works.

2. Labour shortage

According to the Construction Industry Council, about 41.5% of the 456,641 registered workers who have been in the construction industry for more than 10 years were aged over 50 as of September 2017. The problem has become serious with the increasing demand for construction workers from the PRC and Macau since the commencement of large-scale construction projects in these places. The PRC and Macau, by offering higher salaries, have successfully attracted some construction workers from Hong Kong. To retain experienced construction workers who may be attracted by higher salaries offered in Macau and the PRC, contractors in Hong Kong have started paying higher wages which has led to the increasing labour costs in the foundation and superstructure building works industries. Please refer to the paragraph headed "Price trend of major cost components — Average wage of foundation and superstructure building workers in Hong Kong" below for further information.

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3. *Increasing operating costs*

Akin to the overall construction industry, the foundation and superstructure building works industries have also been facing the problem of increasing operating costs. The increase in operating costs can be partly attributed to the rising wage trend of construction workers. For example, the average daily wage of superstructure building workers in Hong Kong continued increasing from approximately HK\$1,027.9 in 2012 to approximately HK\$1,647.7 in 2016, at a CAGR of approximately 12.5%. Such increases in labour costs have consistently pushed up the operating costs of the foundation and superstructure building works industries, which has become a threat to the industry. The increase in operating costs is also exacerbated by the increase in prices of certain construction materials.

4. *Political challenges, e.g. filibuster delay the progress of construction projects*

The filibuster in the Legislative Council of Hong Kong has caused delay to public projects, which could slow down the construction industry as a whole. Filibuster in the Legislative Council refers to the legislative procedure to block or delay the approval of funding or proposed bills by the committees of the Legislative Council. It may decrease the number of building construction projects in the industry because it potentially causes the disapproval or delay of public projects and/or existing projects, particularly for infrastructure and public building construction projects in Hong Kong. Since public projects initiated by the Government might be impacted by filibusters, number of building construction projects may decrease and thus lower the demand for foundation and superstructure building works.

PRICE TREND OF MAJOR COST COMPONENTS

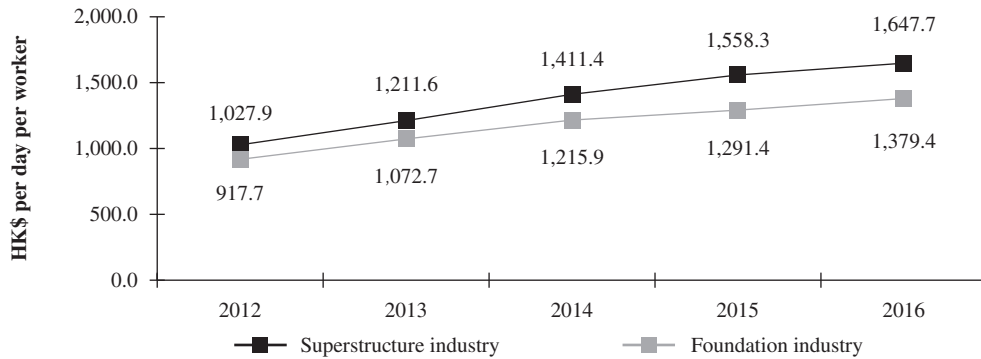
The major cost components of our Group's operation include, among others, subcontracting charges, direct labour cost, and cost of construction materials such as steel and concrete (of which cement is a major ingredient).

Average wages of foundation and superstructure building workers in Hong Kong

The average foundation worker wages per day has increased from approximately HK\$917.7 in 2012 to approximately HK\$1,379.4 in 2016, at a CAGR of approximately 10.7%. The average superstructure worker wages per day has increased from approximately HK\$1,027.9 in 2012 to approximately HK\$1,647.7 in 2016, at a CAGR of approximately 12.5%.

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Average wages of foundation and superstructure building workers in Hong Kong from 2012 to 2016



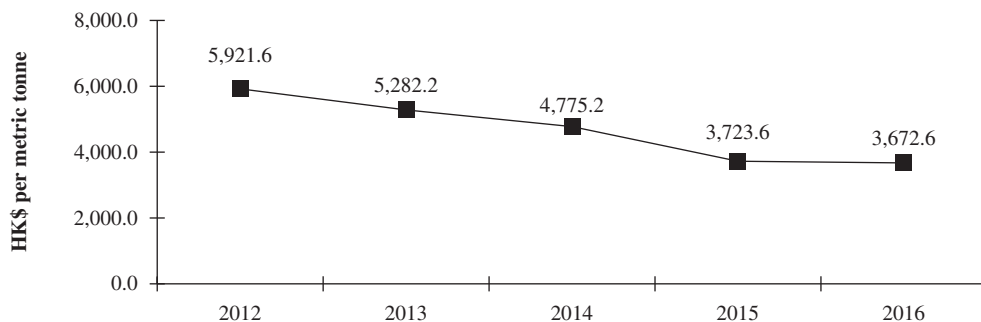
Source: The Ipsos Report

The increase in wages was mainly driven by labour shortage. This was caused by a declining and ageing labour force. The increase in wages should attract more skilled and young labour to support ongoing and future constructions. However, it only had a limited effect because of a lack of career prospects. The problem of labour shortage in the foundation industry and superstructure building works industry is exacerbated by an ageing workforce, as old and skilled construction workers approach retirement and leave the industry. As a result, it is expected that the average daily wage of both foundation and superstructure building workers in Hong Kong will continue to rise in the coming years.

Average wholesale price of steel reinforcements in Hong Kong

The average wholesale price of steel reinforcements decreased from approximately HK\$5,921.6 per tonne in 2012 to approximately HK\$3,672.6 per tonne in 2016, at a CAGR of approximately -11.3%:

Average wholesale price of steel reinforcements in Hong Kong from 2012 to 2016



Source: The Ipsos Report

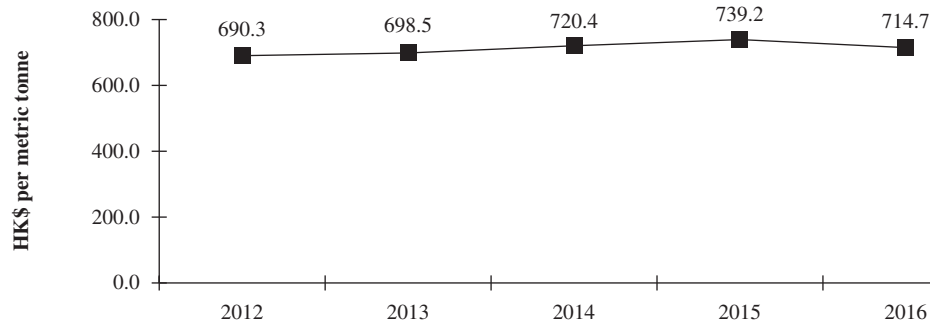
The dropping price was caused by the declining international price of iron ore for steel production and the over production of steel, coupled with the global drop in demand for new construction works.

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Average wholesale price of Portland cement in Hong Kong

The average wholesale price of Portland cement (being the common type of cement used in Hong Kong) increased from approximately HK\$690.3 per tonne in 2012 to approximately HK\$714.7 per tonne in 2016, at a CAGR of approximately 0.9%:

Average wholesale price of Portland cement in Hong Kong from 2012 to 2016



Source: The Ipsos Report

The average wholesale price of Portland cement in Hong Kong has increased steadily from 2012 to 2015 mainly due to a robust demand arising from a surging amount of construction projects in Hong Kong. The average wholesale price of Portland cement experienced a slight drop from 2015 to 2016 because of a global slowdown of cement consumption, leading to an oversupply of Portland cement. In the construction industry in Hong Kong, the demand for Portland cement is expected to continue to increase amid the upcoming and ongoing residential and commercial buildings as well as public infrastructure projects.

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Our Group principally provides foundation works and superstructure building works. To a lesser extent, we also provide other construction works, such as demolition works, site formation works, ground investigation works, minor works, hoarding works, A&A works and fitting-out works in Hong Kong. This section summarises the principal laws and regulations of Hong Kong which are relevant to our business. As this is a summary, it does not contain detailed analysis of the Hong Kong laws which are relevant to our business.

THE LAWS AND REGULATIONS OF HONG KONG

A. Laws and regulations in relation to the Contractor Licensing Regime and Operation

As at the Latest Practicable Date, our Group had the following registration/qualification that are applicable to our current businesses:

Company	Category	Relevant government department	Registration/ qualifications	Date of expiry (Note 1)
Wise Trend Engineering	Foundation works	Buildings Department	Registered specialist contractors	11 November 2018
Wise Trend Engineering	Site formation works	Buildings Department	Registered specialist contractors	12 March 2019
Wise Trend Engineering	Demolition works	Buildings Department	Registered specialist contractors	17 December 2019
Wise Trend Engineering	General building works	Buildings Department	Registered general building contractors	29 March 2019
Wise Trend Engineering	Approved Contractor List — Building	Development Bureau	Approved list under Group A on probation (Note 2)	Not applicable (Note 3)
Wise Trend Engineering	Approved Specialist List — Land Piling	Development Bureau	Specialist list Group II — Steel H-Pile — Rock-socketed Steel H-pile in Pre-bored Hole	Not applicable (Note 3)

Notes:

- (1) Registration with the Buildings Department has an expiry date and a registration normally expires on the expiry of three years beginning on the date of the expiry of the previous registration.
- (2) Under the relevant listing with the Development Bureau, our Group is authorised to take up contracts in the same category with the total value of works that does not exceed HK\$100 million.
- (3) The relevant registration with the Development Bureau is not subject to a renewal condition.

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Private sector construction projects in Hong Kong

Buildings Department

Under the Buildings Ordinance, there are three contractors' registers, namely, the general building contractors' register, the specialist contractors' register and the minor works contractors' register, being kept by the Building Authority.

Pursuant to section 9(1) of the Buildings Ordinance, a person is required to appoint a registered general building contractor to carry out general building works and street works which do not include any specialised works designated for registered specialist contractors and minor works. Pursuant to section 9(2) of the Buildings Ordinance, a person is required to appoint a registered specialist contractor to carry out specialised works (including sub-registers of demolition works, foundation works, site formation works, ventilation works and ground investigation works) in their corresponding categories which they have been registered.

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

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

In addition, an applicant for registration as a specialist contractor must satisfy the Building Authority that he has the necessary experience and, where appropriate, professional and academic qualifications, to undertake work in the specialist category.

In considering each application, the Building Authority considers the qualifications, competence and experience of the following key personnel of the applicant:

- (a) a minimum of one person (the "**Authorised Signatory**") appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance;
- (b) for corporation — a minimum of one director (the "**Technical Director**") from the board of directors of the applicant who is authorised by the board to:
 - (i) have access to plant and resources;
 - (ii) provide technical and financial support for the execution of building works and street works; and

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- (iii) make decisions for the company and supervise the Authorised Signatory and other personnel for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance; and
- (c) for a corporation which appoints a director who does not possess the required qualification or experience as the Technical Director to manage the carrying out of the building works and street works, an “Other Officer” or an Authorised Signatory authorised by the board of directors is required to assist the Technical Director.

The table below summarises the specific requirements of the Buildings Department on the qualifications and experience of the key personnel of a registered specialist contractor:

Key personnel	Specific requirements on the key personnel
Technical Director	<p>Must have either:</p> <ul style="list-style-type: none">(1) at least eight years of experience in managing a building contractor company; or(2) a relevant university or equivalent qualification and five years’ experience in building industry in Hong Kong, of which two years’ experience was in the foundation.
Authorised Signatory	<p>Must have:</p> <ul style="list-style-type: none">(1) a minimum of five years’ experience in foundation work;(2) worked on at least seven foundation projects in Hong Kong for an aggregate period of not less than 18 months; and(3) at least a higher certificate, diploma or equivalent qualification relevant to construction technology, such as architecture, building studies, building surveying, civil engineering and structural engineering.

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

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Registered contractors intending to add a new Authorised Signatory/Technical Director/Other Officer should submit their applications in a specified form together with the following documents and fees, as the case may be, to the Buildings Department for consideration:

- (a) supporting documents on the qualifications and experience of the proposed Authorised Signatory/Technical Director/Other Officer;
- (b) for a corporation, a statement on:
 - (i) the management structure and organisation chart of the company and its decision making mechanism for technical and financial matters; and
 - (ii) a resolution from the board of directors regarding the appointment of the Authorised Signatory/Technical Director/Other Officer of the company;
- (c) declarations in the Buildings Department standard forms which cover exhaustively the conviction, disciplinary and suspension records of the proposed Authorised Signatory/Technical Director/Other Officer;
- (d) documents relation to business registration; and
- (e) the prescribed fee (for Authorised Signatory only) in accordance with the Building (Administration) Regulation.

Unless the new Authorised Signatory/Technical Director/Other Officer has been previously accepted by the Buildings Department, the new Authorised Signatory and, when necessary, the new Technical Director/Other Officer will be required to attend a full-scope interview and will be assessed mainly on the following aspects:

- (a) the documents submitted by the applicant;
- (b) the adequacy of the management structure in respect of the role and duties of the Authorised Signatory/Technical Director/Other Officer;
- (c) the appropriate experience, qualifications and competence of the Authorised Signatory/Technical Director/Other Officer; and
- (d) the ability of the new Authorised Signatory to apply knowledge in the following aspects:
 - (i) the statutory role, function and duties of a registered general building contractor or a registered specialist contractor as the case may be in relation to the role and responsibilities of the Buildings Department in respect of the private building development in Hong Kong;
 - (ii) the objectives of the Buildings Ordinance and relevant regulations and the mechanism of control in respect of the execution and supervision of building works;

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- (iii) a general awareness of local conditions sufficient to enable him to practise in Hong Kong efficiently and effectively without having to make frequent enquiries on matters of common local knowledge;
- (iv) a working knowledge and principles of the Buildings Ordinance and relevant regulations, relevant code of practice, practice notes, circular letters and other advisory information, the relevant requirements under other laws and regulations and the requirements of other authorities which exercise control over the carrying out of building works;
- (v) the fundamental procedures that a registered contractor must follow in order to meet local statutory requirements; and
- (vi) adequate technical knowledge and practical experience in building construction to enable him to discharge his duties as a registered general building contractor or registered specialist contractor.

Prior notification to the Buildings Department is required if any of the accepted Authorised Signatory/Technical Director/Other Officer intend to resign from his duties or will cease to be appointed by the contractor. Retrospective notification to the Buildings Department will not be accepted. A registered contractor is required to suspend all the building works immediately if there is no Authorised Signatory appointed to act for the contractor for the purposes of the Buildings Ordinance or if there is no Technical Director acting for the contractor and an acceptable replacement is not appointed within a reasonable time.

Pursuant to Section 8C of the Buildings Ordinance, a contractor may apply to the Building Authority for the renewal of his registration if his name is on one of the registers. An application for renewal of registration must be in the specified form, accompanied by a declaration in the specified form with prescribed renewal fee, and the information and the documentary proof that the Building Authority may reasonably require to be satisfied that the applicant is suitable to continue to be registered, and must be received by the Building Authority not earlier than 4 months and not later than 28 days prior to the date of expiry of the relevant registration. The registration of a contractor will continue to be in force if he makes an application for renewal within the time limit and pays the renewal fee until his application for renewal is finalised by the Building Authority, subject to any decision of the Registered Contractors' Disciplinary Board. The Building Authority shall remove the name of a person from a register if the Building Authority does not receive an application made by the person for renewal of registration or has refused an application made by the person and sent a notice by registered post to his last known address notifying him of the refusal. The removal of a name becomes effective immediately after the date of expiry of the existing registration.

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

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

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

According to section 41(3) of the Buildings Ordinance, building works (other than draining works, ground investigation in the scheduled areas, site formation works and minor works) in any building are exempted from the requirement for approval and consent from the Building Authority if the works do not involve the structure of the building.

During the Track Record Period and up to the Latest Practicable Date, Wise Trend Engineering has met the criteria and requirements of appointing the authorised persons and engineers as required under the Buildings Ordinance, who will supervise the works conducted and liaise with the Building Authority.

Disciplinary proceedings against contractors by the Building Authority

Pursuant to section 13 of the Buildings Ordinance, the Building Authority may bring to the notice of the disciplinary board that is appointed under the Buildings Ordinance for certain matters in relation to a registered general building contractor or a registered specialist contractor if, among others, the conduct of the contractor may (a) render it unfit to be on the register, (b) make the further inclusion of it in the register prejudicial to the due administration of the Buildings Ordinance, (c) render it deserving of suspension from the register, a fine or a reprimand. The matters referred to above include, among others, the contractor has been convicted by any court of an offence relating to building works, has been negligent or has misconducted itself in building works, has deviated in a material manner from a supervision plan without reasonable cause, or has failed to discharge the duties, or abide by the requirements, imposed on the registered general building contractor in respect of a prescribed inspection. After inquiry and if it is satisfied that the registered contractor or the director or officer has been convicted of an offence or has failed to discharged the duties in any of the above matters, the disciplinary board may order the name of the registered contractor or the director or officer be removed from the relevant register, order the registered contractor or the director or officer be fined for a sum of not exceeding HK\$250,000 in case of building works, and/or order that the registered contractor or the director or officer be reprimanded.

During the Track Record Period and up to the Latest Practicable Date, Wise Trend Engineering has not been subject to any disciplinary proceedings taken by the Buildings Authority.

Public sector construction projects in Hong Kong

Development Bureau

In order to tender for public sector works projects under the Development Bureau, a contractor must be registered with the Development Bureau. The public works projects of Architectural Services Department, Buildings Department, Civil Engineering and Development Department, Drainage Services Department, Electrical and Mechanical Services Department, Lands Department, Land Registry, Planning Department and Water Supplies Department fall under the administration of the Development Bureau.

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Approved Contractor List

The Approved Contractor List maintained by the Development Bureau comprises contractors who are approved for carrying out public works in one or more of the five major categories of building and civil engineering works, namely, buildings, port works, roads and drainage, site formation and waterworks. Contractors within each category are further divided into Group A, B or C according to the value of contracts for which they are normally eligible to tender. A contractor's status in each group will be either probationary or confirmed.

The following table sets out the value of works for which contractors in the respective categories and statuses are eligible to tender, and for the award of contracts:

Category	Authorised contract value
Group A (probation status)	Any number of Group A contracts in the same category, provided the total value of works in the Group A contracts that he already holds and the Group A contract being procured under the same category does not exceed HK\$100 million
Group A (confirmed status)	Contracts of value up to HK\$100 million
Group B (probation status)	(i) any number of Group A contracts in the same category; and (ii) any number of Group B contracts in the same category, provided the total value of works in the Group B contracts that he already holds and the Group B contract being procured under the same category does not exceed HK\$300 million
Group B (confirmed status)	Contracts of value up to HK\$300 million
Group C (probation status) (note)	the total number of Group C contracts that the contractor already holds and the Group C contract being procured under the same category does not exceed two and that the total value of works in the Group C contracts that he already holds and the Group C contract being procured under the same category does not exceed HK\$700 million
Group C (confirmed status) (note)	Contracts of any values exceeding HK\$300 million

Note: Group C contractors will normally not be allowed to tender for contracts in Group A and Group B.

Other than in the most exceptional circumstances, a contractor will be admitted initially on probation in the appropriate works category and group. A probationary contractor in Group A is eligible to tender for or for award of any number of Group A contracts in the same category, provided that the total value of works in the Group A contracts that it has already held and the Group A contract being procured under the same category does not exceed HK\$100 million. Where a probationary contractor in Group A has submitted tenders for more than one Government contract in its same category and group, and if the award of these contracts are determined at the same time but the award of two or more of

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these contracts to that probationary contractor will exceed the limit on value of contracts in Group A (probation status), the Government shall be entitled to determine which contract(s) is/are to be awarded to that probationary contractor on the basis of a combination of tender awards of these contracts that would cost least to the Government.

A probationary contractor may apply for confirmation in writing to the Secretary for Development when he has satisfactorily completed works appropriate to his probationary status in accordance with the criteria for confirmation for the relevant category and group. Confirmed contractors may apply to be elevated to a higher group which is subject to similar but more stringent criteria/requirements as described below.

Contractors are required to meet the financial, technical, management, personnel and safety criteria applicable to their appropriate category and group for admission and retention on the approved lists and for the award of public works contracts. Audited accounts of the approved contractors are submitted to the Development Bureau annually (in addition, a Group C contractor is required to submit half-yearly management accounts) and may be produced to relevant Government works departments prior to the contract award in order to review the financial position of the approved contractors to ensure that they meet the capital requirements as set out by the Development Bureau. If any approved contractor fails to meet the capital requirements as set out in a particular category, it will not be eligible for any contract in that category. In the event that the approved contractor fails to submit the accounts or fails to cover any shortfall in the required capital requirements within the prescribed period, regulatory actions such as suspension of tendering rights may be taken by the Development Bureau against such approved contractor.

Set out below are the minimum financial criteria and other requirements which a contractor is required to meet for retention on the Approved Contractor List under the buildings (Group A) (probation status) category:

(a) Minimum employed capital

HK\$2.2 million plus HK\$1.2 million for every HK\$12 million of annualised outstanding works or part thereof above HK\$22 million, subject to a maximum of HK\$4.6 million

(b) Minimum working capital

HK\$2.2 million or 15% on annualised outstanding works, whichever is higher

(c) Minimum technical and management criteria

- (i) registration with the Building Authority's register of general building contractors;
- (ii) satisfactory completion of one building works contract within the past 5 years. The contract shall be of value over 50% of the Group A limit and comply with the requirements in relation to projects of considerable scope and complexity; and
- (iii) experience as a sub-contractor will be accredited subject to the sub-contract works covering building trades and complying with other requirements in relation to projects of considerable scope and complexity.

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During the Track Record Period and as at the Latest Practicable Date, Wise Trend Engineering is approved for carrying out public works in the building category under Group A (probation status) and it has fulfilled the minimum criteria as set out above.

Wise Trend Engineering may apply for confirmation on the Approved Contractor List under the buildings (Group A) (probation status) category in writing to the Secretary for Development upon fulfilment of the following conditions of Group A (confirmed status) category:

(a) Minimum employed capital

HK\$4.3 million plus HK\$2.2 million for every HK\$22 million of annualised outstanding works or part thereof above HK\$43 million, subject to a maximum of HK\$8.7 million

(b) Minimum working capital

HK\$4.3 million or 15% on annualized outstanding works, whichever is higher

(c) Minimum technical and management criteria

Satisfactorily completed and executed one building works contract for two years as a main contractor of value over 50% of the Group A limit and had attained the minimum number of 5 out of 8 building trades and the minimum costs of 20% of minimum contract value for structural works and building services works involved as required by the Development Bureau

Wise Trend Engineering has met the conditions set out above and hence, upon obtaining the confirmation from the Secretary for Development that Wise Trend Engineering has satisfactorily completed works appropriate to its probationary status and subject to the recommendation by the ASD to the Secretary for Development on submission of the application by Wise Trend Engineering, our Directors believe that Wise Trend Engineering has a reasonable chance of passing the probation in Group A in 2018.

The Approved Specialist List

If a contractor wishes to tender for public works in one or more of the 50 categories of specialist works of the Development Bureau, it must be included in either “Group I” or “Group II” of the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works” i.e. the Approved Specialist List which is administered by the Development Bureau.

The scope of works under the category of land piling (Group II) of the Approved Specialist List covers design, supply and installation of registered piling systems on land. Approved specialist contractors (Land Piling — Group II) can undertake contracts/subcontracts of unlimited value.

For registration and retention on the Approved Specialist List, a contractor should generally possess at least a positive capital value and is required to maintain certain minimum levels of employed and working capital applicable to the appropriate category and group. Wise Trend Engineering, which belongs to the Approved Specialist List (Group II — Land Piling), is required to meet a minimum employed capital of HK\$9.3 million plus a minimum annual turnover of HK\$50 million in each of the

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immediate past three years; and a minimum working capital of HK\$8.6 million or 10% of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors, whichever is higher.

In granting a registration/approval to a contractor in the Approved Specialist List (Land Piling — Group II), the Development Bureau will also take into consideration, amongst others, the following requirements:

- (a) Minimum technical and management criteria/other requirements
 - (i) A registered specialist contractor in the foundation sub-register under the Buildings Ordinance.
 - (ii) possess quality management system certificates issued under the rules of The Hong Kong Certification Body Accreditation Scheme (“**HKCAS**”) operated by the Hong Kong Accreditation Service, i.e. bearing the HKCAS accreditation mark, and quality management system certificates bearing the accreditation mark of other accreditation bodies which are considered as having an equivalent standard by the Environment, Transport and Works Bureau. The scope of certification shall be relevant to piling system under application.
- (b) Top management: at least one member of the resident top management with a minimum of five years local experience in managing a construction firm obtained in the past eight years. Top management shall be the president, chairman, director, managing director, executive director or general manager, etc.
- (c) Technical staff: at least two persons with a relevant degree from a Hong Kong university or equivalent with at least five years post-graduate local experience in piling works.
- (d) Job experience: have experience as main contractor and at least three medium/large size local projects (of value above HK\$3 million each) were completed with good references within the past five years.
- (e) Plant and equipment: appropriate equipment for each system (at least one set for each system). The plant and equipment requirements are subject to modification as technology advances and as new plant emerge. Furthermore, the type of materials and method of application that the contractors select will dictate the plant required.
- (f) Office/workshop facilities: local office required and yard facilities available.
- (g) Others: piling system to be registered: method statement, typical calculations, acceptable reference and satisfactory demonstration on site.

Registration under the Approved Specialist List (Land Piling — Group II) covers 12 kinds of piling systems, including, Barrette Pile, Large Diameter Bored Pile (with bell-out); Large Diameter Bored Pile, Minipile, Rock-socketed Steel H-pile in Pre-bored Hole, Hand Dug Caisson, Precast Concrete Pile, Precast Prestressed Tubular Pile (PPTP), Steel H Pile, Steel Tubular Pile, Non-Percussion Cast-in-situ Concrete Pile and Percussion Cast-in-situ Concrete Pile. The requirements for registration

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under each kind of piling system are basically the same except the contractor seeking registration will have to provide the method statement, typical calculations, acceptance reference and satisfactory demonstration on site in respect of that particular kind of piling system.

During the Track Record Period and as at the Latest Practicable Date, Wise Trend Engineering has satisfied the above requirements for the admission and retention on the Approved Specialist List for Land Piling (Group II) in Steel H-Pile and Rock-socketed Steel H-pile in Pre-bored Hole, including possessing the quality management system certificates, the particulars of which are set out in the section headed “Business — Recognitions — Certificates for compliance with ISO/OHSAS requirements” in this prospectus.

Regulatory actions against contractors by the Development Bureau

The Development Bureau may take regulatory actions against contractors for failure to meet the financial criteria within prescribed time, unsatisfactory performance, misconduct or suspected misconduct, poor site safety record, and poor environmental performance, court convictions such as contravention of site safety legislation and the Employment Ordinance for employment of illegal workers, etc.. For instance, according to the Technical Circular (Works) No. 3/2009 issued by the Development Bureau, if a qualified contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the Government may take regulatory actions against the responsible contractor, which include the removal, suspension (which means a contractor is prohibited from tendering for works of the relevant category during the suspension period) and downgrading (which includes downgrading or demoting the contractor’s qualification to a lower status or class in all or any specified category) of the contractor’s licence, depending on the seriousness of the incident triggering the regulatory actions.

During the Track Record Period and as at the Latest Practicable Date, Wise Trend Engineering has not been subject to any regulatory action taken by the Development Bureau in relation to our registrations. Further, as advised by the Legal Counsel, despite the court convictions of Wise Trend Engineering during the Track Record Period, the convictions did not and will not have adverse effect on the maintenance of registration of Wise Trend Engineering on the Approved Contractor List and the Approved Specialist List.

B. Laws and regulations in relation to Construction Labour, Health and Safety

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

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

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persons employed by him at the industrial undertaking. The duties of a proprietor extend to include:

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

A proprietor who contravenes any of these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor who contravenes any of these requirements wilfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for 6 months. Our Group may be considered to be regarded as a proprietor as our operations encompass management or control of the projects which we carry on in the construction works, and any breach of duty as a proprietor under the Factories and Industrial Undertakings Ordinance may render our Group liable to a fine of HK\$500,000.

Subsidiary regulations of the Factories and Industrial Undertakings Ordinance, include, among others, the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear Regulations (Chapter 59J of the Laws of Hong Kong), Factories and Industrial Undertakings (Protection of Eyes) Regulations (Chapter 59S of the Laws of Hong Kong).

The Construction Sites (Safety) Regulations provide for (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) safety of excavations; (vi) the duty to comply with miscellaneous safety requirements; and (vii) provision of first aid facilities. Non-compliance with any of these rules 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 imprisonment up to 12 months. As the Construction Sites (Safety) Regulation is applicable to all construction work, all construction sites and all machine, plant and materials which construction work is carried on and we are a contractor responsible for the construction site we undertake the construction work, or a contractor responsible for the plant located at a construction site for which we are responsible for, we are required to comply with the Construction Sites (Safety) Regulations.

In relation to our construction works, we have set up an occupational health and safety system to promote safe working practices among all employees to prevent the occurrence of accidents. For details, please refer to the section headed “Business — Occupational health and safety” in this prospectus.

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

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

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

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

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

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

As our Group employs workers to carry out works at the workplaces, such as construction sites, our Group is subject to the Occupational Safety and Health Ordinance to, as far as reasonably practicable, ensure the safety and health protection to our workers. We have set up an occupational health and safety system to promote safe working practices among all employees to prevent the occurrence of accidents. For details, please refer to the section headed "Business — Occupational health and safety" in this prospectus.

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

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

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

According to section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any work accident by submitting Form 2 (within 14 days for general work accidents and within 7 days for fatal accidents), irrespective of whether the accident gives rise to any liability to pay compensation. If the happening of such accident was not brought to the notice of the employer or did not otherwise come to his knowledge within such periods of 7 or 14 days (as the case may be) then such notice shall be given not later than 7 days or, as may be appropriate, 14 days after the happening of the accident is first brought to the notice of the employer or otherwise came to his knowledge.

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

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

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

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As our Group is mainly the main contractor in the projects that we are engaged in, and we employ workers and staff members who may be exposed to injuries whilst in the course of their works, our Group shall comply with the Employees' Compensation Ordinance in taking out insurance policy to cover the Group's and the subcontractors' liabilities in the event of injury occurred to employees of our Group and the subcontractors in the course of their works. Please refer to the section headed "Business — Insurance — i. Employees' compensation insurance" in this prospectus for our insurance coverage in this regard. Please also refer to the section headed "Business — Litigation and potential claims" in this prospectus for information regarding employees' compensation claims and common law personal injuries claims experienced by our Group during the Track Record Period and up to the Latest Practicable Date.

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

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

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

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

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

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As our Group subcontracts works to subcontractors, our Group as a main contractor or a superior subcontractor (as the case may be) may be subject to claim(s) by the workers of our subcontractors and be held liable for wages of workers of the subcontractors if any of the subcontractors fails to pay wages to its employees.

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

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

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

Industry Scheme

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

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

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

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

As our Group retains regular and casual employees, our Group is obliged to make MPF contributions for our employees and has participated the Industry Schemes under the MPF system for our casual employees.

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

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

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

During the Track Record Period and up to the Latest Practicable Date, we have secured insurance coverage to cover our potential liability in this regard. For details, please refer to the section headed “Business — Insurance” in this prospectus.

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

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

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

Our Directors confirmed that (i) we had not employed any illegal immigrants or any illegal workers who are not lawfully employable in Hong Kong; and (ii) our Group had not been subject to any prosecution or legal action under the Immigration Ordinance in the past and up to the Latest Practicable Date.

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

The Construction Workers Registration Ordinance provides, among others, for registration and regulation of construction workers. The principal objective of the Construction Workers Registration Ordinance is to establish a system of registration of construction workers and to regulate construction workers who personally carry out construction work on construction sites.

Under section 3(1) and section 5 of the Construction Workers Registration Ordinance, a person shall not personally carry on a construction site construction work unless the person is a registered construction worker of the Register of Construction Workers. Hence, the principal contractors/subcontractors/employers/controllers of construction sites are required to employ only registered construction workers to personally carry out construction works on construction sites.

Under section 58 of the Construction Workers Registration Ordinance, a main contractor for a construction site is required to provide device(s) that enables the data stored in a registration card in electronic form to be retrieved, and the main contractor may apply for exemption of the above requirement from the Construction Industry Council. Section 58 of the Construction Workers Registration Ordinance further requires a controller of a construction site to:

- (a) establish and maintain a daily record in the specified form that contains information of the registered construction workers who are employed by the controller or a subcontractor of the controller and personally carrying out on the site construction work; and
- (b) furnish the Registrar of Construction Workers in such manner as directed by the Registrar of Construction Workers with a copy of the record (i) for the period of seven days after any construction work begins on the site; and (ii) for each successive period of seven days, within two Business Days following the last day of the period concerned.

A person who, without reasonable excuse, contravenes section 58 of the Construction Workers Registration Ordinance commits an offence and is liable on conviction to a fine at level 3, which is currently fixed at HK\$10,000.

Under the Construction Workers Registration Ordinance, “construction work” means, inter alia, any building operation involved in preparing for any operation such as laying of foundations, excavation of earth and rock before laying of foundations, site clearance, site investigation, site restoration, earthmoving, tunnelling, boring, scaffolding and provision of access. “Construction site” means (subject to certain exceptions) a place where construction works is, or is to be, carried out.

As our Group is the main contractor who undertakes construction works under a contract, our Group is required to establish and maintain a daily record of the registered construction workers who are employed by our Group or our subcontractors. Our Directors confirm that our Group has complied with the relevant requirement of establishing and maintaining such daily record during the Track Record Period and up to the Latest Practicable Date. In addition, as at the Latest Practicable Date, all our employees carrying out construction works on construction sites were registered as registered construction workers under the Construction Workers Registration Ordinance.

C. Laws and regulations in relation to Environmental Protection

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

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

The Air Pollution Control Ordinance provides that the owner of any premises, which includes a contractor who has possession of a site for the purpose of construction work, used for conduct of any process specified in the Air Pollution Control Ordinance shall use best practicable means for preventing the emission of noxious or offensive emissions from such premises.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including without limitation the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong), the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong) and the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong). The contractor responsible for a construction site shall devise, arrange methods of working and carry out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

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

Under section 3 of the Air Pollution Control (Construction Dust) Regulation, the contractor responsible for a construction site where any notifiable work is proposed to be carried out shall give notice to the public officer appointed under the Air Pollution Control Ordinance of the proposal to carry out the work. Such “notifiable work” include site formation, reclamation, demolition of a building, work carried out in any part of a tunnel that is within 100m of any exit to the open air, construction of the foundation of a building, construction of the superstructure of building or road construction work.

Under section 4(1) of the Air Pollution Control (Construction Dust) Regulation, the contractor responsible for the construction site where a notifiable work is being carried out shall ensure that the work is carried out in accordance with the Schedule of the Air Pollution Control (Construction Dust) Regulation. Any person who contravenes with section 4(1) of the Air Pollution Control (Construction Dust) Regulation commits an offence and is liable to a fine at level 5 (which is currently fixed at HK\$50,000) on conviction of a first offence and to a fine at level 6 (which is currently fixed at HK\$100,000) and to imprisonment for 3 months on conviction of a second or subsequent offence, and in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during the whole or any part of which the offence continues.

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We have set up an environmental management system to comply with the regulations in relation to the air pollution control. For details, please refer to the section headed “Business — Environmental protection” in this prospectus.

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

The Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery (the “NRMMs”), including non-road vehicles and regulated machines such as crawler cranes, excavators and air compressors. Our Directors confirmed that such regulated machines also include site equipment such as generators, hydraulic truck crane, vibrating rollers and aerial working platforms which are subject to the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation.

Unless exempted, NRMMs which are regulated under this provision are required to comply with 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, 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 location without exemption or the Environmental Protection Department’s approval 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 (Works) No. 1/2015 (the “**Technical Circular**”), pursuant to which the Government has promulgated an implementation 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 values 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. Pursuant to the phase out plan detailed in 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.

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As at the Latest Practicable Date, our Group has 6 regulated machines with an aggregate carrying value of HK\$1.5 million as at 30 September 2017, out of which 5 machines were exempted and 1 hydraulic hammer was approved with a proper label in a prescribed format issued by the Hong Kong Environmental Protection Department under the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation.

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

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

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

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

We have set up an environmental management system to comply with the regulations in relation to the noise control. For details, please refer to the section headed “Business — Environmental protection” in this prospectus.

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

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

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

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

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unpolluted water, into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for 6 months and (a) for a first offence, a fine of HK\$200,000; (b) for a second or subsequent offence, a fine of HK\$400,000 and (c) in addition, if the offence is a continuing offence, a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

During the Track Record Period, our Group has applied to and obtained from the Environmental Protection Department for licences to discharge industrial trade effluent from construction sites under the Water Pollution Control Ordinance. Our Directors confirm that our Group has complied with the relevant requirement during the Track Record Period and up to the Latest Practicable Date.

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

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

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

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

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

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

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As our Group acts as main contractor who undertakes construction works, our Group is responsible for establishing a billing account in respect of a particular contract with the Director of the Environmental Protection Department to pay any disposal charges for the construction waste generated from the construction work under that particular contract. Our Directors confirm that our Group has complied with the relevant requirement during the Track Record Period and up to the Latest Practicable Date.

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

The Public Health and Municipal Services Ordinance regulates, amongst other things, activities that are carried out in Hong Kong that may be considered a nuisance or injurious or dangerous to health, including construction works.

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

Any person by reason of whose act, default or sufferance the nuisance arose or continues, or, if that person cannot be found, the occupier or owner of the premises on which the nuisance exists, who does not observe and comply with the nuisance notice could be held liable, where the premises is found to be in such a state so as to be a nuisance and injurious to health, or where the emission of dust from any building under construction or demolition is found to be in such a manner so as to be a nuisance, to a fine of up to HK\$10,000 and a daily fine of HK\$200.

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

Further, pursuant to section 27 of the Public Health and Municipal Services Ordinance, it provides that if any larvae or pupae of mosquitoes are found on any premises consisting of a building site of which there is the appointed contractor, the appointed contractor of the site shall be guilty of an offence. The appointed contractor in relation to the site means the person who is the registered contractor appointed in respect of the site in accordance with the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) or where the site is owned by the Government, the person who has been appointed the contractor in respect of the site, if he has entered on the site at the relevant time. Pursuant to section 150 and the Ninth Schedule of the Public Health and Municipal Services Ordinance, any person who is guilty of an offence shall be liable on summary conviction to the level 4 penalty (currently fixed at HK\$25,000) and where the offence is a continuing offence, the person shall be liable, in addition, to a fine of HK\$450 for each day during which it is proved to the satisfaction of the court that the offence has continued.

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D. Laws and Regulations in relation to Levy

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

According to section 32 of the Construction Industry Council Ordinance, construction industry levy (“CIL”) is payable by registered contractors appointed under section 9 of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) or any persons who carry out construction operations in Hong Kong to the Construction Industry Council. “Construction operation” is exhaustively defined under Schedule 1 of the Construction Industry Council Ordinance, which include building works and street works as defined in section 2(1) of the Building Ordinance.

The CIL chargeable is 0.5% of the total value of the construction operation (as defined under section 53 of the Construction Industry Council Ordinance). Pursuant to section 32 and Schedule 5 of the Construction Industry Council Ordinance, no CIL is chargeable for any construction operation not exceeding HK\$1,000,000.

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

Pursuant to section 35 of the Construction Industry Council Ordinance, a contractor is required to give a notice of payment in a specified form (Form 2) to the Construction Industry Council within 14 days after the contractor receives a payment in respect of the construction operation. It is an offence if a person without reasonable excuse fails to give the notice of payment and liable to a fine at level 3, which is currently fixed at HK\$10,000.

Pursuant to section 36 of the Construction Industry Council Ordinance, a contractor is required to give a notice of completion in a specified form (Form 3) to the Construction Industry Council within 14 days after the completion of the construction operation. It is an offence if a person without reasonable excuse fails to give the notice of completion and liable to a fine at level 3, which is currently fixed at HK\$10,000.

The Construction Industry Council shall assess the CIL payable upon receiving the notice of payment or notice of completion and give a notice of assessment in writing specifying the amount of CIL. The Construction Industry Council can also make the assessment notwithstanding no notice of payment or notice of completion has been given. According to section 41 of Construction Industry Council Ordinance, if a contractor fails to give notice of payment or notice of completion without a reasonable excuse, a surcharge not exceeding twice the amount of the CIL payable may be imposed and a notice of surcharge in writing shall be given by the Construction Industry Council.

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According to section 46 of the Construction Industry Council Ordinance, if the contractor fails to pay in full the amount of levy or surcharge within 28 days after the notice of assessment or notice of surcharge is given, a 5% penalty of the unpaid amount shall be imposed. If the contractor still fails to pay the unpaid amount within 3 months after the expiry of 28 days, a further 5% penalty of the unpaid amount shall be imposed.

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

- (a) 2 years after the completion of all construction operation under the contract, or without term contract, 2 years after the completion of the construction operations;
- (b) 2 years after the expiry of the period within which the contract stipulates that all such construction operations have to be completed; and
- (c) one year after evidence, sufficient in the opinion of the Construction Industry Council to justify the making of the assessment, comes to its knowledge.

During the Track Record Period and up to the Latest Practicable Date, our Group has paid construction industry levy to the Construction Industry Council for the projects that we undertook that exceeds HK\$1 million.

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

According to section 35 of the PMCO, pneumoconiosis compensation fund levy (“PCFL”) is imposed in respect of construction operations carried out in Hong Kong. PCFL is rated at 0.15% of the value of the construction operations and not chargeable if the total value (as defined under section 39D of PMCO) do not exceed HK\$1,000,000. Pursuant to section 39A of the PMCO, PMCO does not apply to construction operations for domestic unit, or for the sole and principal purpose of renovation.

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

Contractors are required to:

- (a) in accordance with regulation 4 of the PMCALR, inform the Pneumoconiosis Compensation Fund Board the commencement of construction operation within 14 days thereafter by a notice of commencement (Form 1). Failure to comply without reasonable excuse is liable for a fine at level 2, which is currently fixed at HK\$5,000;

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- (b) in accordance with regulation 5 of the PMCALR, inform the Pneumoconiosis Compensation Fund Board within 14 days after the contractor receives a payment in respect of the construction operation by a notice of payment (Form 2). Failure to comply without reasonable excuse is liable for a fine at level 2, which is currently fixed at HK\$5,000; and
- (c) in accordance with regulation 5A of the PMCALR, inform the Pneumoconiosis Compensation Fund Board the completion of the construction operations within 14 days by a notice of completion (Form 3). Failure to comply without reasonable excuse is liable for a fine at level 2, which is currently fixed at HK\$5,000.

According to regulation 6 of the PMCALR, the Pneumoconiosis Compensation Fund Board shall assess the PCFL payable upon receiving the notice of payment or notice of completion and give a notice of assessment in writing specifying the amount of PCFL. The Pneumoconiosis Compensation Fund Board can make assessment notwithstanding no notice of payment or notice of completion has been given. If a contractor fails to give the notice of payment or notice of completion, a surcharge not exceeding twice the amount of the PCFL payable may be imposed and a notice of surcharge in writing shall be given by the Pneumoconiosis Compensation Fund Board.

According to section 37 of the PMCO and regulation 11 of the PMCALR, if the contractor fails to pay in full the amount of levy or surcharge within 28 days after the notice of assessment or notice of surcharge is given, a 5% penalty of the unpaid amount shall be imposed. If the contractor still fails to pay the unpaid amount within 3 months after the expiry of 28 days, a further 5% penalty of the unpaid amount or HK\$1,000 whichever is greater shall be imposed.

The time limits for the Pneumoconiosis Compensation Fund Board to make assessment or imposing the surcharge under regulations 6E to 6H of the PMCALR are, whichever is the last of the following periods:

- (a) 2 years after the completion of all construction operations under the contract, or without term contract, 2 years after the completion of the construction operations;
- (b) 2 years after the expiry of the period within which the contract stipulates that all such construction operations have to be completed; and
- (c) one year after evidence, sufficient in the opinion of the Pneumoconiosis Compensation Fund Board to justify the making of the assessment, comes to its knowledge.

During the Track Record Period and up to the Latest Practicable Date, our Group has paid the PCFL for the projects that we undertook that exceed HK\$1 million.

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E. Proposed Legislation on Security of Payment for the Construction Industry

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

The Government has consulted the public on the proposed introduction of the SOPL to address unfair payment terms, payment delays and disputes. The rationale behind the new legislation is to improve payment practice and enable rapid dispute resolution in the construction industry.

Based on the consultation document of the SOPL, when it comes into force, the SOPL will apply to all written and oral contracts where construction works or plant and materials are being supplied for works in Hong Kong. All public sector construction contracts will be caught by the legislation, whereas only construction and supply contracts for a “new building” (as defined in the Buildings Ordinance) which has an original value in excess of HK\$5 million (or HK\$0.5 million for professional services and supply only contracts) will be caught in the private sector contracts. However, where the SOPL applies to the main contract, it will automatically apply to all subcontracts in the contractual chain.

Based on the consultation document of the SOPL, the SOPL will include the following key obligations, rights and limits:

- (a) The SOPL will prohibit “pay when paid” and similar clauses in contracts. Payers will not be able to rely on such clauses in dispute resolution forums.
- (b) The SOPL will prohibit payment periods of more than 60 calendar days for interim payments or 120 calendar days for final payments.
- (c) The SOPL will provide a party who is entitled to a claim under a contract with a right to claim the payment by means of a statutory payment claim, 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 which is a process for decision in 55 working days from the date of appointment of an adjudicator.
- (d) The SOPL will give parties who have not been paid amounts admitted as due the right to suspend or reduce the rate of progress of work until payment is made.

Possible impact on our Group

During the Track Record Period, all of our Group’s revenue was derived from public sector projects or from private sector projects that would have been caught by the SOPL had the SOPL been effective at the start of the Track Record Period. The proposed legislation does not have retrospective effect. Therefore, it will not have any legal implication on our Group even though our Group had been offered with credit periods which exceeded 60 days from two of our subcontractors during the Track Record Period. Our Group had negotiated with the two subcontractors and mutually agreed that the payment periods in relation to the two subcontractors will be in accordance with the requirements of the proposed SOPL for all new upcoming projects since October 2017. In addition, during the Track Record Period and up to the Latest Practicable

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Date, our contracts with our subcontractors do not provide with a “pay when paid” or similar clauses. Therefore, our Directors are of the view that the implementation of the SOPL will not have any significant impact on our business or cash management.

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OUR CORPORATE HISTORY

Overview

We operate our business through our three principal operating subsidiaries, namely, Wise Trend Engineering, Wise Trend Construction & Engineering and Wise Trend Construction. Wise Trend Engineering, Wise Trend Construction & Engineering and Wise Trend Construction are companies incorporated in Hong Kong with limited liability.

Our Group was founded by Mr. Ng Wong Kwong (a member of our senior management and the husband of Ms. KY Tsui who is the Chairman of our Board, a non-executive Director and one of our Controlling Shareholders), Mr. Benjamin Ng (our Chief Executive Officer, an executive Director and one of our Controlling Shareholders) and Mr. Tsui Ka Keung Victor (the younger brother of Ms. KY Tsui) with the incorporation of Wise Trend Engineering in July 1996.

Over the years, Wise Trend Engineering has positioned itself as a contractor in the field of foundation and site formation works, both in the design and construction aspects, specialising in private sector projects. Since about May 2006 and by the establishment of Wise Trend Construction & Engineering, our Group has expanded the business to superstructure building works, mainly in private sector projects.

Wise Trend Engineering is currently registered with the Buildings Department as a registered general building contractor and specialist contractor in foundation, site formation and demolition works. It is also on the Approved Contractor List in the building category (Group A) (probationary status) and Approved Specialists List in the category of land piling (Group II).

Our Company was incorporated in the Cayman Islands with limited liability on 29 March 2017. Our Company completed the Reorganisation on 8 March 2018 in preparation for the Listing pursuant to which our Company became the holding company of our Group. Details of the Reorganisation are set out in the paragraph headed “Reorganisation” in this section.

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Major developments and milestones

The following table sets out the major developments and milestones of our Group since establishment:

Date	Event
July 1996	Wise Trend Engineering was incorporated in Hong Kong on 11 July 1996. In the same year, it commenced business operations, which initially included, among others, the provision of engineering designs for foundation and other construction works, including site formation and demolition works, mainly for private sector projects in Hong Kong.
November 2000	Wise Trend Engineering was registered as a specialist contractors with the Buildings Department in the foundation works category, and it started undertaking foundation and other construction works as a contractor afterwards.
April 2001	Wise Trend Engineering was registered as a specialist contractors with the Buildings Department in the site formation works category.
April 2001	Wise Trend Engineering was registered as a general building contractor with the Buildings Department.
January 2002	Wise Trend Engineering was registered as a specialist contractor with the Buildings Department in the demolition works category.
December 2002	Wise Trend Engineering was first awarded the ISO 9001:2008 certificate by the Hong Kong Quality Assurance Agency.
May 2006	Wise Trend Construction & Engineering was incorporated on 3 May 2006, initially mainly for undertaking construction works as a subcontractor that required no specific licences or registrations, as well as for handling the administrative matters of both Wise Trend Engineering and Wise Trend Construction.
November 2010	Wise Trend Engineering was first awarded the ISO 14001:2004 and OHSAS 18001:2007 certificates by Hong Kong Quality Assurance Agency.
March 2011	Wise Trend Engineering was first included in the Approved Specialist List in the category of land piling (Group II) maintained by the Development Bureau for steel H-pile piling system.
May 2011	Wise Trend Engineering was first included in the Approved Contractor List in the building category under Group A (probationary status) maintained by the Development Bureau.

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Date	Event
July 2013	Wise Trend Engineering's status in the Approved Specialist List of the Development Bureau in the category of Land Piling (Group II) was extended to "rock-socketed steel H-pile in pre-bored hole" piling system.
May 2014	Wise Trend Construction was incorporated on 12 May 2014, so as to enable Wise Trend Construction & Engineering to change its principal activity to solely focusing on handling human resources and related administrative matters of our operating companies, while the principal activity of Wise Trend Construction has been undertaking construction works as a subcontractor that required no specific licences or registrations since its commencement of business operations in May 2014.
December 2016	Wise Trend Construction first undertook the public sector project for the foundation works in relation to the Hong Kong-Zhuhai-Macao Bridge construction as a subcontractor.
March 2017	Our Company was incorporated on 29 March 2017 as part of the Reorganisation for the purpose of the Listing.

Our principal operating subsidiaries

The following describes the corporate history of Wise Trend Engineering, Wise Trend Construction & Engineering and Wise Trend Construction, our principal operating subsidiaries.

Wise Trend Engineering

Wise Trend Engineering was incorporated in Hong Kong with limited liability on 11 July 1996. Upon the incorporation of Wise Trend Engineering, two ordinary shares of Wise Trend Engineering were allotted and issued to two initial subscribers of one share each at the par value of each share.

Upon the appointment of the then directors of Wise Trend Engineering on 15 September 1996, 1,499 ordinary shares of Wise Trend Engineering were allotted and issued to Mr. Ng Wong Kwong (a member of our senior management team and the husband of Ms. KY Tsui who is the Chairman of our Board, a non-executive Director and one of the Controlling Shareholders), 3,999 shares were allotted and issued to Mr. Benjamin Ng and 4,500 shares were allotted and issued to Mr. Tsui Ka Keung Victor (the younger brother of Ms. KY Tsui). Further, the initial subscribers transferred their respective one share to Mr. Ng Wong Kwong and Mr. Benjamin Ng on 20 September 1996 at a nominal consideration of HK\$1.00 each with reference to the then par value of each of such shares.

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The authorised share capital of Wise Trend Engineering was increased to HK\$1,000,000 by the creation of 990,000 ordinary shares of HK\$1.00 each on 5 October 2002 and was further increased to HK\$10,000,000 by the creation of 9,000,000 ordinary shares of HK\$1.00 each on 11 March 2011.

Since the incorporation and with the increases in the authorised share capital of Wise Trend Engineering, a number of share transfers had taken place. Consequently, the shareholdings of Wise Trend Engineering as at 1 April 2014 (being the commencement of the Track Record Period) were as follows:

- 6,000,000 ordinary shares (representing 60% of the entire issued share capital) of Wise Trend Engineering were legally and beneficially held by Ms. KY Tsui;
- 2,500,000 ordinary shares (representing 25% of the entire issued share capital) of Wise Trend Engineering were legally and beneficially held by Mr. Benjamin Ng;
- 1,250,000 ordinary shares (representing 12.5% of the entire issued share capital) of Wise Trend Engineering were legally and beneficially held by Ms. May Ng; and
- 250,000 ordinary shares (representing 2.5% of the entire issued share capital) of Wise Trend Engineering were held by Ms. Li Wai Kuen (our current employee and who is otherwise an independent third party). As evidenced by a declaration of trust executed by Ms. Li Wai Kuen dated 28 March 2008, the said 250,000 ordinary shares of Wise Trend Engineering were held by Ms. Li Wai Kuen on trust for Ms. KY Tsui since the date of the trust.

As advised by Ms. KY Tsui, the trust arrangement with Ms. Li Wai Kuen for the 250,000 ordinary shares was put in place upon the request by Ms. Li Wai Kuen which was agreed by Ms. KY Tsui, as Ms. Li Wai Kuen believed that being named as a registered shareholder would increase her recognition and reputation. On 16 June 2017, Ms. Li Wai Kuen transferred by vesting her interests of and in the said 250,000 ordinary shares in Wise Trend Engineering to Ms. KY Tsui.

Accordingly, the beneficial shareholdings of Wise Trend Engineering from the commencement of the Track Record Period and up to immediately prior to the Reorganisation were as follows:

Name of Shareholders	Shareholding
Ms. KY Tsui	62.5%
Mr. Benjamin Ng	25%
Ms. May Ng	<u>12.5%</u>
	<u><u>100%</u></u>

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Wise Trend Construction & Engineering

Wise Trend Construction & Engineering was incorporated in Hong Kong with limited liability on 3 May 2006. Upon incorporation of Wise Trend Construction & Engineering, one ordinary share was allotted and issued to the initial subscriber at the par value of such share.

Upon the appointment of the then first directors of Wise Trend Construction & Engineering on 3 May 2006, 6,500 ordinary shares of Wise Trend Construction & Engineering were allotted and issued to Wise Trend Engineering, 2,249 ordinary shares were allotted and issued to Mr. Chan Chi Wai (our current employee and who is otherwise an independent third party) and 1,250 ordinary shares were allotted and issued to Ms. Li Wai Kuen (our current employee and who is otherwise an independent third party). Further, the initial subscriber transferred its one share to Mr. Chan Chi Wai on 17 May 2006 at a nominal consideration of HK\$1.00 with reference to the then par value of such share.

Since the incorporation of Wise Trend Construction & Engineering, a number of share transfers had taken place, following which the shareholdings of Wise Trend Construction & Engineering as at 1 April 2014 (being the commencement of the Track Record Period) were as follows:

- 3,000 ordinary shares (representing 30% of the entire issued share capital) of Wise Trend Construction & Engineering were legally and beneficially held by Mr. Benjamin Ng;
- 4,000 ordinary shares (representing 40% of the entire issued share capital) of Wise Trend Construction & Engineering were held by Ms. Li Wai Kuen (our current employee and who is otherwise an independent third party). As evidenced by 2 declarations of trusts dated 3 May 2006 and 12 December 2008 respectively, Ms. Li Wai Kuen held the shares of and in Wise Trend Construction & Engineering on trust for Ms. KY Tsui since the dates of the trusts;
- 1,000 ordinary shares (representing 10% of the entire issued share capital) of Wise Trend Construction & Engineering were held by Mr. Chan Chi Wai (our current employee and who is otherwise an independent third party). As evidenced by a declaration of trust executed by Mr. Chan Chi Wai dated 17 May 2006, Mr. Chan Chi Wai held the shares of and in Wise Trend Construction & Engineering on trust for Ms. KY Tsui since the date of the trust;
- 250 ordinary shares (representing 2.5% of the entire issued share capital) of Wise Trend Construction & Engineering were held by Mr. Poon Tak Wah (our current employee, a member of our senior management and who is otherwise an independent third party). As evidenced by a declaration of trust dated 30 November 2011, Mr. Poon Tak Wah held the shares of and in Wise Trend Construction & Engineering on trust for Ms. KY Tsui since the date of the trust;
- 250 ordinary shares (representing 2.5% of the entire issued share capital) of Wise Trend Construction & Engineering were held by Mr. Fung Hing Yip David (our current employee, a member of our senior management and who is otherwise an independent

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third party). As evidenced by a declaration of trust dated 30 November 2011, Mr. Fung Hing Yip David held the shares of and in Wise Trend Construction & Engineering on trust for Ms. KY Tsui since the date of the trust;

- 250 ordinary shares (representing 2.5% of the entire issued share capital) of Wise Trend Construction & Engineering were held by Mr. Ho Ching Leung (our current employee and who is otherwise an independent third party). As evidenced by a declaration of trust dated 30 November 2011, Mr. Ho Ching Leung held the shares of and in Wise Trend Construction & Engineering on trust for Ms. KY Tsui since the date of the trust;
- 250 ordinary shares (representing 2.5% of the entire issued share capital) of Wise Trend Construction & Engineering were held by Mr. Leung Kin Pong Bronson (our current employee, a member of our senior management and who is otherwise an independent third party). As evidenced by a declaration of trust dated 30 November 2011, Mr. Leung Kin Pong Bronson held the shares of and in Wise Trend Construction & Engineering on trust for Ms. KY Tsui since the date of the trust; and
- 1,000 ordinary shares (representing 10% of the entire issued share capital) of Wise Trend Construction & Engineering were held by Mr. Poon Chi Man (our then employee and who is otherwise an independent third party). As evidenced by a declaration of trust dated 12 December 2008, Mr. Poon Chi Man held the shares of Wise Trend Construction & Engineering on trust for Ms. KY Tsui since the date of the trust.

The beneficial shareholdings of Wise Trend Construction & Engineering as at the 1 April 2014, being the date of commencement of the Track Record Period, were as follow:

Name of Shareholders	Shareholding
Ms. KY Tsui	70%
Mr. Benjamin Ng	<u>30%</u>
	<u><u>100%</u></u>

On 29 May 2014, at the instructions of Ms. KY Tsui as the beneficial owner, the following transfers of legal interests of the shares of Wise Trend Construction & Engineering took place:

- (a) Mr. Poon Chi Man transferred all the 1,000 ordinary shares (representing 10% of the entire issued share capital) of Wise Trend Construction & Engineering which he held on trust for Ms. KY Tsui to Mr. Poon Tak Wah; and
- (b) Ms. Li Wai Kuen transferred 2,500 ordinary shares of Wise Trend Construction & Engineering which she held on trust for Ms. KY Tsui to the following persons:
 - (i) 250 ordinary shares (representing 2.5% of the entire issued share capital) were transferred to Mr. Poon Tak Wah;
 - (ii) 750 ordinary shares (representing 7.5% of the entire issued share capital) were transferred to Mr. Fung Hing Yip David;

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- (iii) 750 ordinary shares (representing 7.5% of the entire issued share capital) were transferred to Mr. Ho Ching Leung; and
- (iv) 750 ordinary shares (representing 7.5% of the entire issued share capital) were transferred to Mr. Leung Kin Pong Brondson.

Simultaneously upon the completion of the transfer of the aforesaid 1,250 ordinary shares from Mr. Poon Chi Man and Ms. Li Wai Kuen, Mr. Poon Tak Wah executed a declaration of trust dated 29 May 2014 confirming that he held the 1,250 ordinary shares on trust for Ms. KY Tsui since the date of the trust. Further, simultaneously upon completion of the transfers of the respective 750 ordinary shares from Ms. Li Wai Kuen to Mr. Fung Hing Yip David, Mr. Ho Ching Leung and Mr. Leung Kin Pong Brondson, 3 declarations of trusts dated 29 May 2014 were executed by Mr. Fung Hing Yip David, Mr. Ho Ching Leung and Mr. Leung Kin Pong Brondson, pursuant to which each of Mr. Fung Hing Yip David, Mr. Ho Ching Leung and Mr. Leung Kin Pong Brondson confirmed they held their respective 750 shares on trust for Mr. KY Tsui since the date of the trusts of 29 May 2014.

After the transfers of the legal interests of the shares of Wise Trend Construction & Engineering which took place on 29 May 2014, the shareholdings of Wise Trend Construction & Engineering were as follows:

- 3,000 ordinary shares (representing 30% of the entire issued share capital) of Wise Trend Construction & Engineering were legally and beneficially held by Mr. Benjamin Ng;
- 1,500 ordinary shares (representing 15% of the entire issued share capital) of Wise Trend Construction & Engineering were held by Ms. Li Wai Kuen on trust for Ms. KY Tsui pursuant to the declarations of trusts dated 3 May 2006 and 12 December 2008;
- 1,000 ordinary shares (representing 10% of the entire issued share capital) of Wise Trend Construction & Engineering were held by Mr. Chan Chi Wai on trust for Ms. KY Tsui pursuant to the declaration of trust dated 17 May 2006;
- 1,500 ordinary shares (representing 15% of the entire issued share capital) of Wise Trend Construction & Engineering were held by Mr. Poon Tak Wah on trust for Ms. KY Tsui pursuant to the declarations of trusts dated 30 November 2011 and 29 May 2014;
- 1,000 ordinary shares (representing 10% of the entire issued share capital) of Wise Trend Construction & Engineering were held by Mr. Fung Hing Yip David on trust for Ms. KY Tsui pursuant to the declarations of trusts dated 30 November 2011 and 29 May 2014;
- 1,000 ordinary shares (representing 10% of the entire issued share capital) of Wise Trend Construction & Engineering were held by Mr. Ho Ching Leung on trust for Ms. KY Tsui pursuant to the declarations of trusts dated 30 November 2011 and 29 May 2014; and

HISTORY AND DEVELOPMENT

- 1,000 ordinary shares (representing 10% of the entire issued share capital) of Wise Trend Construction & Engineering were held by Mr. Leung Kin Pong Brondson on trust for Ms. KY Tsui pursuant to the declarations of trusts dated 30 November 2011 and 29 May 2014.

On 16 June 2017, Ms. Li Wai Kuen, Mr. Chan Chi Wai, Mr. Poon Tak Wah, Mr. Fung Hing Yip David, Mr. Ho Ching Leung and Mr. Leung Kin Pong Brondson transferred by vesting their respective interests of and in the total 7,000 ordinary shares in Wise Trend Construction & Engineering to Ms. KY Tsui.

As advised by Ms. KY Tsui, the shareholdings of Wise Trend Construction & Engineering were placed under trusts with the aforesaid 7 trustees, namely, Ms. Li Wai Kuen, Mr. Chan Chi Wai, Mr. Poon Tak Wah, Mr. Fung Hing Yip David, Mr. Ho Ching Leung, Mr. Leung Kin Pong Brondson and Mr. Poon Chi Man upon the requests of the trustees which were agreed by Ms. KY Tsui, as the trustees believed that being named as a registered shareholder would increase their recognition and reputation.

As such, the beneficial shareholdings of Wise Trend Construction & Engineering from the commencement of the Track Record Period and up to immediately prior to the Reorganisation were as follows:

Name of Shareholders	Shareholding
Ms. KY Tsui	70%
Mr. Benjamin Ng	<u>30%</u>
	<u><u>100%</u></u>

Wise Trend Construction

Wise Trend Construction was incorporated in Hong Kong with limited liability on 12 May 2014. Upon incorporation of Wise Trend Construction on 12 May 2014, 500,000 ordinary shares at the par value of HK\$1.00 each were allotted and issued to Ms. KY Tsui; 250,000 ordinary shares at the par value of HK\$1.00 each were allotted and issued to Ms. Chan Yin Ki Cubie (the daughter of Mr. Chan Tai Wai who is our current employee, a director of Wise Trend Construction, one of the Authorised Signatories of Wise Trend Engineering in the register of general building contractor and register of specialist contractors of the Buildings Department, and who is otherwise an independent third party) and 250,000 ordinary shares at the par value of HK\$1.00 each were allotted and issued to Mr. Poon Chi Man (our then employee and who is otherwise an independent third party).

As evidenced by a declaration of trust executed by Ms. Chan Yin Ki Cubie dated 12 May 2014, the 250,000 ordinary shares held by Ms. Chan Yin Ki Cubie were held by her on trust for Mr. Benjamin Ng since 12 May 2014. As evidenced by a declaration of trust executed by Mr. Poon Chi Man dated 12 May 2014, the 250,000 ordinary shares held by Mr. Poon Chi Man were held by him on trust for Ms. KY Tsui since 12 May 2014.

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As advised by Mr. Benjamin Ng, the 250,000 ordinary shares of Wise Trend Construction were placed under trust to Ms. Chan Yin Ki Cubie at the request of Mr. Chan Tai Wai (the father of Ms. Chan Yin Ki Cubie, our current employee, a director of Wise Trend Construction and one of the Authorised Signatories of Wise Trend Engineering in the register of general building contractor and register of specialist contractors of the Buildings Department) which was agreed by Mr. Benjamin Ng, as Mr. Chan Tai Wai believed that having a family member named as a registered shareholder would increase his own recognition and reputation in our Group. On 16 June 2017, Ms. Chan Yin Ki Cubie transferred by vesting her interests of and in the 250,000 ordinary shares to Mr. Benjamin Ng.

Besides, as advised by Ms. KY Tsui, the 250,000 ordinary shares of Wise Trend Construction were placed under trust to Mr. Poon Chi Man upon the request of Mr. Poon Chi Man which was agreed by Ms. KY Tsui, as Mr. Poon Chi Man believed that being named as a registered shareholder would increase his recognition and reputation. On 19 January 2017, Mr. Poon Chi Man transferred by vesting his interests of and in the 250,000 ordinary shares to Ms. KY Tsui.

Accordingly, the beneficial shareholdings of Wise Trend Construction since its incorporation on 12 May 2014 and up to immediately prior to Reorganisation were as follows:

Name of Shareholders	Shareholding
Ms. KY Tsui	75%
Mr. Benjamin Ng	<u>25%</u>
	<u><u>100%</u></u>

Incorporation of Prosperous Contractors

Prosperous Contractors was incorporated on 9 January 2017 in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. Its principal business is for handling administrative matters of our Company and the BVI companies in our Group.

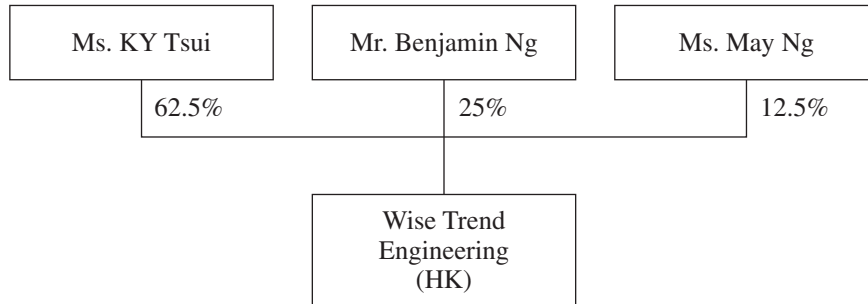
On 9 January 2017, one fully paid ordinary share, representing the entire issued share capital of Prosperous Contractors, was allotted and issued to Ms. KY Tsui at par. Accordingly, Prosperous Contractors was 100% beneficially owned by Ms. KY Tsui since its incorporation and up to immediately prior to the Reorganisation.

HISTORY AND DEVELOPMENT

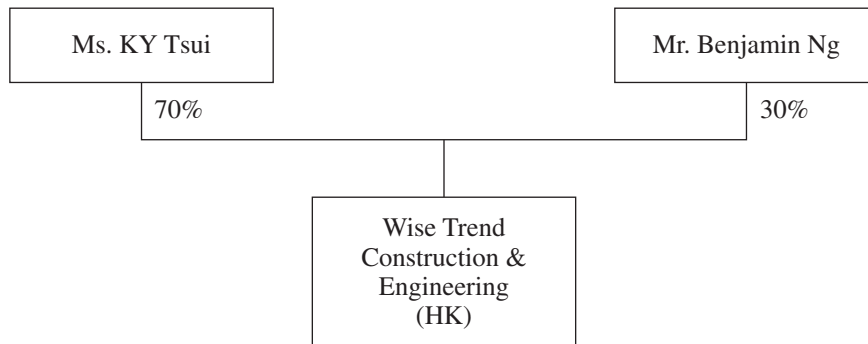
REORGANISATION

The following charts set forth the beneficial shareholding structure of our Group immediately prior to the Reorganisation:

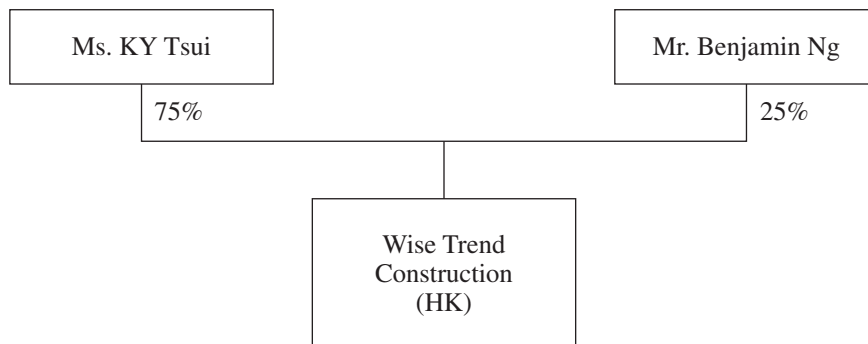
Wise Trend Engineering:



Wise Trend Construction & Engineering:

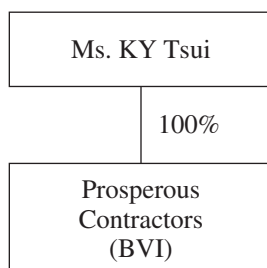


Wise Trend Construction:



HISTORY AND DEVELOPMENT

Prosperous Contractors:



In preparing for the Listing, our Group underwent the Reorganisation, the major steps of which include:

Incorporation of our Company

Our Company was incorporated on 29 March 2017 in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 per share. One nil-paid share was allotted and issued to the subscriber to the memorandum and articles of association of the Company, which was subsequently transferred to Profound Contractors on the same day. After the aforesaid share transfer, the then issued share capital of our Company was wholly-owned by Profound Contractors.

Incorporation of 5 BVI companies

Profound Contractors was incorporated on 16 March 2017 in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 16 March 2017, 625 fully paid ordinary shares, representing 62.5% of the issued share capital of Profound Contractors, were allotted and issued to Ms. KY Tsui at par, 250 fully paid ordinary shares, representing 25% of the issued share capital of Profound Contractors, were allotted and issued to Mr. Benjamin Ng at par and 125 fully paid ordinary shares, representing the remaining 12.5% of the issued share capital of Profound Contractors, were allotted and issued to Ms. May Ng at par. Profound Contractors became the holding vehicle of Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng and is wholly-owned by them.

Steer Vision was incorporated on 29 March 2017 in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 29 March 2017, one fully paid ordinary share, representing the entire issued share capital of Steer Vision, was allotted and issued to Profound Contractors at par. After the aforesaid allotment and issue of share, the then entire issued share capital of Steer Vision was owned by Profound Contractors.

Build Wise was incorporated on 21 April 2017 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 21 April 2017, one fully paid ordinary share, representing the entire issued share capital of Build Wise, was allotted and issued to Steer Vision at par. After the aforesaid allotment and issue of share, the then entire issued share capital of Build Wise was owned by Steer Vision.

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United Prosperous was incorporated on 21 April 2017 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 21 April 2017, one fully paid ordinary share, representing the entire issued share capital of United Prosperous, was allotted and issued to Steer Vision at par. After the aforesaid allotment and issue of share, the then entire issued share capital of United Prosperous was owned by Steer Vision.

Grand Basework was incorporated on 21 April 2017 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 21 April 2017, one fully paid ordinary share, representing the entire issued share capital of Grand Basework, was allotted and issued to Steer Vision at par. After the aforesaid allotment and issue of share, the then entire issued share capital of Grand Basework was owned by Steer Vision.

Acquisitions of Wise Trend Engineering, Wise Trend Construction & Engineering, Wise Trend Construction and Prosperous Contractors

On 27 June 2017, the following share transfers took place:

1. Ms. KY Tsui transferred her 6,250,000 ordinary shares in Wise Trend Engineering (representing 62.5% of its then entire issued share capital) to Build Wise as directed by Profound Contractors and in consideration of the above, Profound Contractors allotted and issued 2,000 shares of Profound Contractors, credited as fully paid, to Ms. KY Tsui; Mr. Benjamin Ng transferred his 2,500,000 ordinary shares in Wise Trend Engineering (representing 25% of its then entire issued share capital) to Build Wise as directed by Profound Contractors and in consideration of the above, Profound Contractors allotted and issued 1,500 shares of Profound Contractors, credited as fully paid, to Mr. Benjamin Ng; Ms. May Ng also transferred her 1,250,000 ordinary shares in Wise Trend Engineering (representing 12.5% of its then entire issue share capital) to Build Wise as directed by Profound Contractors and in consideration of the above, Profound Contractors allotted and issued 1,125 shares of Profound Contractors, credited as fully paid, to Ms. May Ng. After the aforesaid transfers, Wise Trend Engineering became a wholly-owned subsidiary of Build Wise;
2. Ms. KY Tsui transferred her 7,000 ordinary shares in Wise Trend Construction & Engineering (representing 70% of its then entire issued share capital) to United Prosperous as directed by Profound Contractors and in consideration of the above, Profound Contractors allotted and issued 1,750 shares of Profound Contractors, credited as fully paid, to Ms. KY Tsui; Mr. Benjamin Ng also transferred his 3,000 ordinary shares in Wise Trend Construction & Engineering (representing 30% of its then entire issued share capital) to United Prosperous as directed by Profound Contractors and in consideration of the above, Profound Contractors allotted and issued 375 shares of Profound Contractors, credited as fully paid, to Mr. Benjamin Ng. After the aforesaid transfers, Wise Trend Construction & Engineering became a wholly-owned subsidiary of United Prosperous;
3. Ms. KY Tsui transferred her 750,000 ordinary shares in Wise Trend Construction (representing 75% of its then entire issued share capital) to Grand Basework as directed by Profound Contractors and in consideration of the above, Profound Contractors allotted and issued 1,750 shares of Profound Contractors, credited as fully paid, to Ms. KY Tsui; Mr. Benjamin Ng also transferred his 250,000 ordinary shares in Wise Trend Construction

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(representing 25% of its then entire issued share capital) to Grand Basework as directed by Profound Contractors and in consideration of the above, Profound Contractors allotted and issued 375 shares of Profound Contractors, credited as fully paid, to Mr. Benjamin Ng. After the aforesaid transfers, Wise Trend Construction became a wholly-owned subsidiary of Grand Basework;

4. Ms. KY Tsui transferred her 1 ordinary share in Prosperous Contractors (representing its then entire issued share capital) to Steer Vision as directed by Profound Contractors and in consideration of the above, Profound Contractors allotted and issued 125 shares of Profound Contractors, credited as fully paid, to Ms. KY Tsui. After the aforesaid transfer, Prosperous Contractors became a wholly-owned subsidiary of Steer Vision;
5. After the aforesaid transfers,
 - (a) each of Wise Trend Engineering, Wise Trend Construction & Engineering and Wise Trend Construction became a wholly-owned subsidiary of Build Wise, United Prosperous and Grand Basework respectively;
 - (b) each of Wise Trend Engineering, Wise Trend Construction & Engineering and Wise Trend Construction became an indirect wholly-owned subsidiary of Steer Vision;
 - (c) each of Wise Trend Engineering, Wise Trend Construction & Engineering, Wise Trend Construction and Prosperous Contractors became an indirect wholly-owned subsidiary of Profound Contractors; and
 - (d) the total number of issued shares of Profound Contractors was 10,000, of which, 6,250 shares (representing 62.5% of its entire issued share capital) were owned by Ms. KY Tsui, 2,500 shares (representing 25% of its entire issued share capital) were owned by Mr. Benjamin Ng and 1,250 shares (representing 12.5% of its entire issued share capital) were owned by Ms. May Ng.

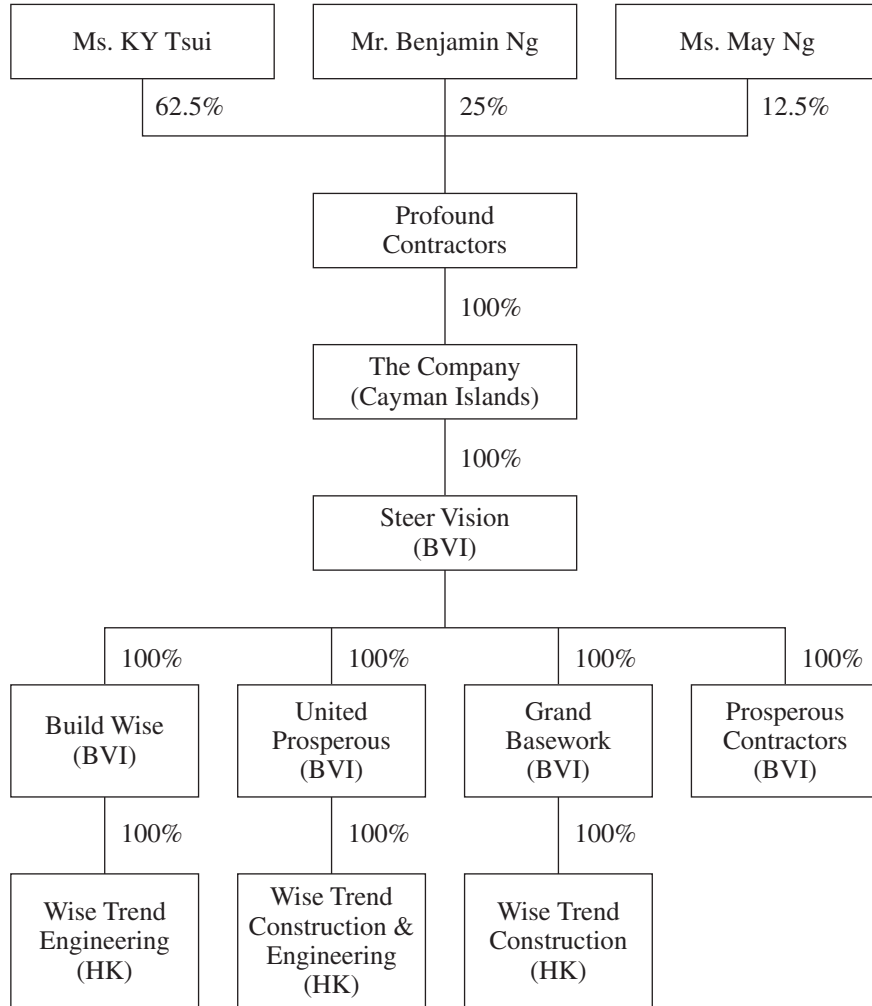
Acquisition of Steer Vision by our Company

On 8 March 2018, Profound Contractors as vendor and our Company as purchaser entered into a sale and purchase agreement, pursuant to which our Company acquired one share of Steer Vision (representing the then entire issued share capital of Steer Vision) from Profound Contractors, and as consideration, (i) the one nil-paid Share held by Profound Contractors was credited as fully-paid; and (ii) 9,999 Shares of our Company, all credited as fully paid, were allotted and issued to Profound Contractors.

After completion of the aforesaid share transfer, our Company held one share of Steer Vision (representing the then entire issued share capital of Steer Vision), and our Company became the holding company of other members of our Group.

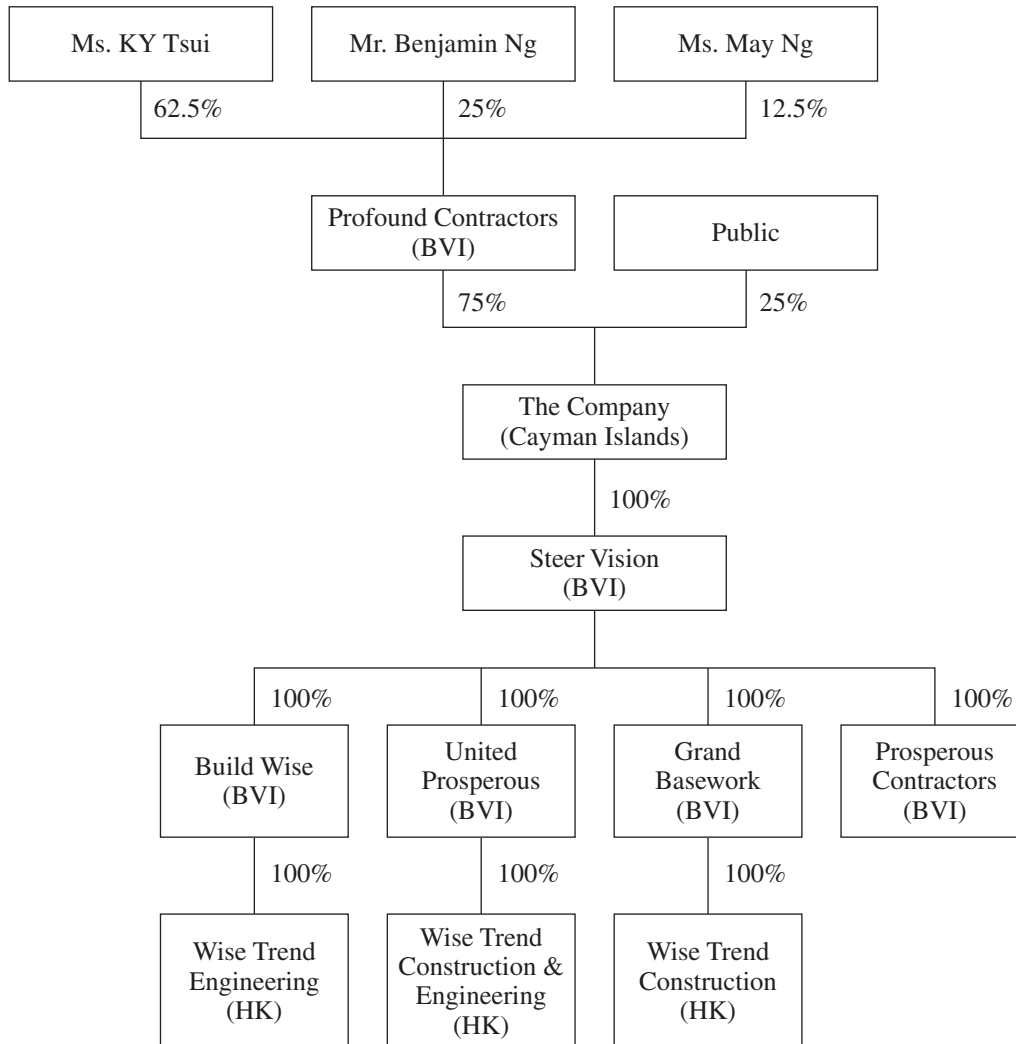
HISTORY AND DEVELOPMENT

The following chart sets forth our corporate and shareholding structure immediately following completion of the Reorganisation but before completion of the Capitalisation Issue and the Share Offer:



HISTORY AND DEVELOPMENT

The following chart sets forth our cooperate and shareholding structure immediately following completion of the Capitalisation Issue and the Share Offer (taking no account of any Shares that may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme):



CONCERT PARTY DEED

As shown in the shareholding structure of our Group immediately prior to the Reorganisation, Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng were respectively interested in, and are in aggregate entitled to exercise the voting rights attaching to, the entire equity interests of Wise Trend Engineering, while Ms. KY Tsui and Mr. Benjamin Ng were also interested in and are in aggregate entitled to exercise the voting rights attaching to the entire equity interests of Wise Trend Construction & Engineering and Wise Trend Construction. Immediately after completion of the Reorganisation, our Company became the holding company of the members of our Group, and Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng, through Profound Contractors, were respectively interested in and were in aggregate entitled to exercise voting control of 100% of the issued Shares.

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Ms. KY Tsui is the mother of Mr. Benjamin Ng and Ms. May Ng. During the Track Record Period and up to the Latest Practicable Date, Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng held regular meetings, reached consensus on key decisions of Wise Trend Engineering, and had unanimous voting patterns, which demonstrated that they had consolidated their management and control of Wise Trend Engineering and acted as a unit in doing so. The same voting arrangement applies to Wise Trend Construction & Engineering and Wise Trend Construction since their establishments. In the course of the Reorganisation, Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng, through their unanimous voting patterns in Profound Contractors, had consolidated their control and management of our Group. Furthermore, none of Ms. KY Tsui, Mr. Benjamin Ng nor Ms. May Ng ever attempted to exercise his/her voting rights in our Group independently without concurrence of the others.

On 17 July 2017, Ms. KY Tsui, Mr. Benjamin Ng, Ms. May Ng and Profound Contractors executed the Concert Party Deed, pursuant to which,

- (i) Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng confirmed that, among other things, during the Track Record Period:
 - (a) they had acted in concert and collectively for all material decisions, including but not limited to financial and operational matters of Wise Trend Engineering, Wise Trend Construction & Engineering and Wise Trend Construction;
 - (b) they had given unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of Wise Trend Engineering, Wise Trend Construction & Engineering and Wise Trend Construction;
 - (c) they had casted vote collectively for or against all resolutions in all board and shareholders' meetings and discussions of Wise Trend Engineering, Wise Trend Construction & Engineering and Wise Trend Construction; and
 - (d) they had cooperated with each other to obtain and maintain and consolidate control and the management of Wise Trend Engineering, Wise Trend Construction & Engineering and Wise Trend Construction as an integrated unit;
- (ii) Ms. KY Tsui, Mr. Benjamin Ng, Ms. May Ng and Profound Contractors confirmed that, among other things, in the course of the Reorganisation and until the date of any written termination by them:
 - (a) they have acted and shall continue to act in concert and collectively for all material decisions, including but not limited to financial and operational matters of our Group;
 - (b) they have given and shall continue to give unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of our Group;
 - (c) they have casted and shall continue to cast unanimous vote collectively for or against all resolutions in all board and shareholders' meetings and discussions of our Group; and

HISTORY AND DEVELOPMENT

- (d) they have cooperated and shall continue to cooperate with each other to obtain and maintain and consolidate control and the management of our Group as an integrated unit.

BUSINESS

OVERVIEW

We are a contractor in Hong Kong undertaking (i) foundation works which include piling works, ELS works and pile cap construction; (ii) superstructure building works which include building works in relation to the parts of the structure above the ground level; and (iii) other construction works such as demolition works, site formation works, ground investigation works, minor works, hoarding works, A&A works and fitting-out works. The following table sets forth a breakdown of our revenue by types of works during the Track Record Period:

	FY2014/15		FY2015/16		FY2016/17		For the six months ended 30 September 2017	
	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue
Foundation works	103,654	58.7	91,555	43.1	120,900	65.6	87,027	81.3
Superstructure building works	68,127	38.6	111,118	52.3	43,645	23.7	10,912	10.2
Other construction works (<i>Note</i>)	<u>4,674</u>	<u>2.7</u>	<u>9,815</u>	<u>4.6</u>	<u>19,818</u>	<u>10.7</u>	<u>9,128</u>	<u>8.5</u>
Total:	<u>176,456</u>	<u>100.0</u>	<u>212,488</u>	<u>100.0</u>	<u>184,363</u>	<u>100.0</u>	<u>107,067</u>	<u>100.0</u>

Note: Other construction works include demolition works, site formation works, ground investigation works, minor works hoarding works, A&A works and fitting-out works.

We are registered as a general building contractor and also a specialist contractor in the categories of foundation works, site formation works and demolition works with the Buildings Department. In addition, we are registered on the Approved Specialist List in the category of land piling (Group II) and Approved Contractors List in the category of building (Group A) maintained by the Development Bureau.

During the Track Record Period, we have undertaken an aggregate of 46 projects with revenue contribution to us. Among such projects, we principally carry out foundation works and superstructure building works as a main contractor. Most of our revenue during the Track Record Period was derived from projects of which we were engaged as main contractor. We mostly engage subcontractors to carry out the site works under close supervision and management by our project management team. We oversee and supervise the works carried out by our subcontractors to ensure that the works completed conform to customers' requirements, specifications and timeframe. The works we subcontract to our subcontractors are generally labour intensive or require specific skill sets, such as foundation works, site formation works, plumbing and drainage installation, fitting-out works and electrical and mechanical works. We did not own substantial amount of machinery during the Track Record Period, as further discussed in the paragraph headed "Machinery owned by our Group" in this section. Having considered the number and the availability of our owned machinery during the Track Record Period, we require our subcontractors to equip themselves with necessary machinery to carry out their works. In general, the subcontractors charge us a fee for the provision of their machinery and such cost is included in the subcontracting fee. Please refer to the paragraph headed "Operation flow — Planning and administration phase — Selection and appointment of subcontractors" in this section below for further details.

BUSINESS

Depending on the contract terms agreed with our customers or subcontractors, construction materials may be procured by us on our own account or provided by our customers or subcontractors to us at our cost or at the cost of our customers or subcontractors. Construction materials procured by us on behalf of our subcontractors are purchased on a project-by-project basis and we do not maintain any inventory of construction materials.

During the Track Record Period, we acted as a subcontractor in four projects, in which we undertook foundation works in relation to (i) the Hong Kong-Zhuhai-Macao Bridge construction; (ii) universal access facilities for footbridge in Causeway Bay; (iii) pedestrian connectivity facilities at Anderson Road Quarry Site and (iv) property redevelopment in Fanling. The table below sets out a breakdown of our Group's revenue by our role as main contractor or subcontractor during the Track Record Period:

	FY2014/15		FY2015/16		FY2016/17		For the six months ended 30 September 2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor	171,256	97.1	212,488	100	144,814	78.5	67,798	63.3
Subcontractor	<u>5,200</u>	<u>2.9</u>	<u>—</u>	<u>—</u>	<u>39,549</u>	<u>21.5</u>	<u>39,269</u>	<u>36.7</u>
	<u>176,456</u>	<u>100.0</u>	<u>212,488</u>	<u>100.0</u>	<u>184,363</u>	<u>100.0</u>	<u>107,067</u>	<u>100.0</u>

Our Group principally provides services to private sector customers including private property developers, construction companies and other entities which require foundation works services and/or superstructure building works services. During the Track Record Period, we only undertook three public sector projects, where we acted as a subcontractor in relation to the construction of (i) Hong Kong-Zhuhai-Macao Bridge; (ii) universal access facilities for footbridge in Causeway Bay; and (iii) pedestrian connectivity facilities at Anderson Road Quarry Site. For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, revenue derived from our five largest customers amounted to approximately 82.5%, 88.7%, 68.9% and 70.9%, respectively, of our total revenue. The percentage of our revenue attributable to our largest customer amounted to approximately 32.7%, 29.9%, 21.6% and 28.0% respectively, for the same periods. For further information regarding our customers, please refer to the paragraph headed "Customers" in this section.

According to the Ipsos Report, industry drivers for the foundation and superstructure building works industries in Hong Kong include the Government's initiatives to increase land and housing supply, continuous implementation of large scale infrastructure projects and the new development area projects, which in turn are expected to drive up local construction activities and hence demand for foundation and superstructure building works services. Riding on our track record, experience, licences and qualifications, our Directors believe that we are well-positioned to capture the growing demand for foundation, superstructure building and other construction works services in Hong Kong. For details on the market drivers relating to our Group, please refer to the section headed "Industry overview — Industry drivers of the foundation industry and the superstructure building works industry" in this prospectus.

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths:

Well established presence and proven track record in the foundation and superstructure building works industry in Hong Kong

We are an experienced contractor focusing on foundation and superstructure building works in Hong Kong. During the Track Record Period and up to the Latest Practicable Date, we have completed 33 projects, comprising 14 foundation works projects, 3 superstructure building works projects and 16 other construction works projects in Hong Kong. We had 19 projects on hand as at 1 October 2017 (including projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced) and 3 projects that were awarded to us from 1 October 2017 to the Latest Practicable Date, details of which are set out in the paragraph headed “Backlog and projects on hand” in this section. Over the years, we have established ourselves as a dedicated foundation and superstructure building works contractor and developed business relationship with our existing and potential customers and our suppliers. We believe that we have a well-established presence in the Hong Kong foundation and superstructure building works industries, which are crucial to our day-to-day business operations and our future business development.

Experienced and professional management team and in-house site staff in carrying out construction works

Our management team has extensive industry knowledge and project experience in the construction industry. Mr. Benjamin Ng, our executive Director, our chief executive officer and one of our Controlling Shareholders, has over 20 years of experience in the construction industry. Mr. Ng Wong Kwong, our Technical Director, has over 55 years of experience in practising as an engineer in the construction industry. Mr. Fung Hing Yip David, our technical manager, has been a Chartered Civil Engineer since 2000. Their experience and extensive knowledge of the industry in Hong Kong enable our Group to understand market dynamism and industry practice for foundation and superstructure building works. For details of the qualification and experience of our Directors and senior management, please refer to the section headed “Directors and senior management” in this prospectus. Our Directors believe that their qualifications and experience can facilitate the formulation of competitive tenders, which are essential in securing new business opportunities, and in carrying out efficient and timely execution and management of our projects. Our Directors also believe that the combination of our management team’s expertise and industry knowledge have been and will continue to be our Group’s valuable assets and strive our Group towards greater success.

Stringent quality control, high safety standard and environmental impact control

We place emphasis to maintaining high safety standard and quality control. Our management system was certified to be in accordance with the standard required under ISO 9001:2008 (quality management), ISO 14001:2004 (environmental management) and OHSAS 18001:2007 (occupational health and safety management). Our Directors believe that our stringent quality assurance system and our commitment to occupational health, safety and environment management

BUSINESS

systems will allow us to be better positioned to deliver quality works on time and within budget, thereby strengthening our position as an established contractor for foundation and superstructure building works in Hong Kong.

Ability to tender for and undertake “design and build” contracts

According to the Ipsos Report, some of the property developers may prefer to engage contractors who are able to provide alternative design proposal or make appropriate adjustments to the engineering design. As at the Latest Practicable Date, our Group has four professional engineers responsible for preparing engineering designs suited for the conditions and limitations of different sites and requirements from our customers. Our ability to provide engineering designs enables us to tender for and undertake “design and build” projects. Our Directors believe that our capability in providing engineering designs gives us a competitive advantage because (i) this enables us to tender for different types of projects (both “design and build” and “build only”); and (ii) when evaluating tender submissions, customers may assess the cost effectiveness and other technical aspects of the engineering designs submitted by tenderers, and a good design may increase the likelihood of being awarded a contract. Our Directors believe that our experience and expertise of preparing engineering designs and our team of professional engineers have been and will continue to be our Group’s valuable assets.

BUSINESS STRATEGIES

Our principal business objective is to further solidify our market position as established foundation and superstructure building works contractor in Hong Kong and to create long-term Shareholder’s value. To this end, we intend to expand our market share and compete for more foundation and superstructure building works projects by the following business strategies:

Further enhancing our machinery

Most of the works involved in our works projects require the use of machinery and equipment. During the Track Record Period, as we did not possess a strong fleet of machinery, we principally rely on our subcontractors and, to a lesser extent, external machinery and equipment rental services providers, to provide the necessary machinery such as excavator, crawler cranes, bored pile machines, hydraulic pile driving rig and air compressors for carrying out the works. As such, the rental costs for renting such machinery could represent a considerable portion of the subcontracting charges payable to these subcontractors and a considerable portion of our direct costs. Based on the subcontractors’ fee quotations, the machinery costs included in the subcontracting charges amounted to approximately HK\$28.8 million in aggregate during the Track Record Period. In addition, we also incurred rental costs of approximately HK\$4.5 million in aggregate during the Track Record Period from external machinery and equipment rental services providers.

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During the Track Record Period, although our purchase of machinery amounted to only approximately HK\$1.9 million (mainly on purchasing a hydraulic hammer), our Directors believe that it is imperative to establish a stronger machinery fleet by substantial capital investment in machinery and avoid over-reliance on machinery leasing in the long run because:

- (i) our demand for machinery is projected to increase in order to capture the market opportunities driven by the continuous growth in the foundation and general building construction industries in Hong Kong. Please refer to the section headed “Industry overview — Industry drivers of the foundation industry and the superstructure building works industry” of this prospectus for further details of the growth drivers;
- (ii) we consider that it is not entirely feasible to rely on renting machinery to cater for our business expansion in the long run. There is no guarantee that our Group can invariably lease machinery of good quality on commercially acceptable terms. Such lack of direct control over machinery could restrain our flexibility to undertake more projects in accordance with our customers’ requirements. On the other hand, having our own machinery and equipment allows us to devise suitable works schedules tailored to the different needs and requirements of different customers, enhance our flexibility to schedule our projects and deploy our manpower more efficiently and effectively and minimise the risk of delay in work progress; and
- (iii) in tendering for new projects, availability of machinery is among the customers’ key assessment criteria for a foundation contractor. To increase our tender success rate for the projects to be tendered, our Directors believe it is necessary for us to enhance our competitiveness by establishing a strong machinery fleet for works projects for which we plan to tender.

To this end, we expect to utilise approximately HK\$54.9 million of the proceeds from the Share Offer to finance the acquisition of machinery and equipment, details of which are set out in the section headed “Future plans and use of proceeds” in this prospectus.

Further strengthening our manpower

We consider that a team of strong workforce equipped with appropriate knowledge and experience is crucial to our continuing success. To ensure that we have sufficient manpower for undertaking additional projects and to enhance our overall project implementation capability, we plan to utilise approximately HK\$11.6 million of the proceeds from the Share Offer to hire additional staffs. Please refer to the section headed “Future plans and use of proceeds” in this prospectus for further details.

In addition, we also intend to provide more training to our existing and newly recruited staff on occupational health and safety. Such training courses would include internal training as well as courses organised by external parties and training institutions.

Our Directors believe that by pursuing our business strategies as mentioned above, we can (i) have sufficient resources to manage newly awarded projects; (ii) participate in more foundation, superstructure building and other construction works projects; (iii) increase customer’s trust and recognition of our Group and (iv) maintain adequate liquidity to cover our operating cash flow,

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project expenditures and administrative expenses which are of utmost importance to our Group's competitiveness and ongoing business development. Leveraging our track record, our reputation and solid experience in foundation works and superstructure building works and our prudent financial management, our Directors are of the view that we are well positioned to capture the emerging business opportunities for foundation and superstructure building works projects in the future.

For further details on the implementation of the above-mentioned business strategies, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

DESCRIPTION OF OUR WORKS

We undertake (i) foundation works which include piling works, ELS works and construction of pile caps; (ii) superstructure building works which include building works in relation to the parts of the structure above the ground level and (iii) other construction works such as demolition works, site formation works, ground investigation works, minor works, hoarding works, A&A works and fitting-out works.

Foundation works

The major types of foundation works undertaken by us (with illustrative diagram, where applicable) are set out below:

Piling works

Piles are columnar elements, which are used to support a structure by transferring the load of a structure to the strong ground below, such as rock or stronger subsoil. When determining the appropriate pile type, a number of factors such as ground conditions, nature of loading, effects on surrounding structures and environment, site constraints, safety, cost and programme, etc. are considered.



ELS works

Excavation is an early stage in building and construction. It involves loosening and taking materials out of the ground and then shoring up support in the excavated area with piles. Excavation provides larger construction space, and during the process, the sides of the sites require proper support and ground water control.

Lateral support works include ground anchor, ground water control and dewatering. Grouting ground anchor involves pouring cement into soil and rocks to create an embedded anchor, increasing the resistance of the foundation to structural movements. The design of lateral support works is subject to, among others, the soil and ground-water conditions as well as the depth and width of the excavation area.



Pile cap construction

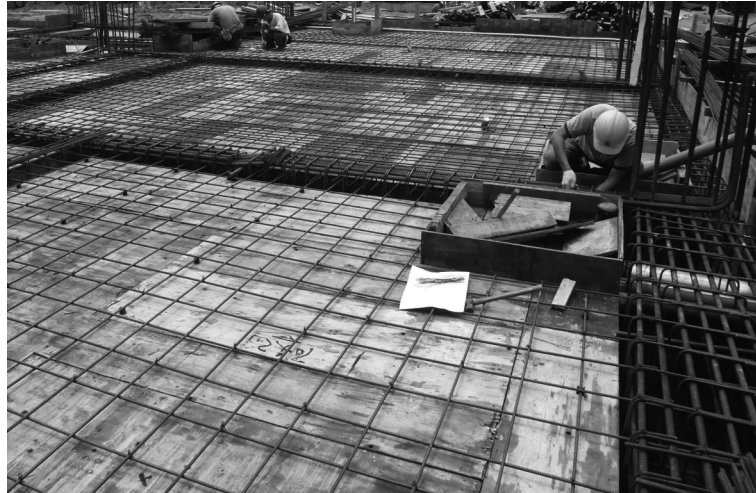
A pile cap is a concrete block that is placed on the top of piles to provide a suitable and stable foundation. It usually forms part of the foundation of a building, typically a multi-story building, structure or support base for heavy equipment. The pile cap distributes the load of the building to the piles. ELS works may be carried out beforehand to facilitate pile cap construction works.



Superstructure building works

Superstructure building works refer to building works in relation to the parts of the structure above the ground level. The scope of our superstructure building works projects mostly consists of development and redevelopment projects for residential and commercial buildings. During the Track Record Period, the principal types of superstructure building works undertaken by us included but not limited to:

- structural concrete construction for superstructure on typical floor;
- both internal and external finishing works undertaken during the structural concrete construction;
- roofing works including top roof and flat roofs construction after completing structural concrete works;
- installation of window wall, curtain wall and glass railing after completing structural concrete work; and
- installation of building services works.



Other construction works

Site formation works

Site formation works includes excavations on sloping land, filling, landslip preventive works, landslip remedial works and ground water drainage works.

Demolition works

Demolition works include dismantling, razing, destroying or wrecking any building or structure or any part thereof by pre-planned and controlled methods.

Ground investigation works

Ground investigation works include the investigation of the physical characteristics of the site and, documentary studies and site surveys. These works are carried out to obtain adequate geotechnical and other relevant data for the design and construction of building works such as foundation and site formation works.

Minor works

Minor works are defined under Building (Minor Works) Regulation (Cap 123N) which include repairing structures, constructing supporting frames for windows and air conditioner, projecting signboards and erecting drainage, etc.

Hoarding works

Hoarding works refer to the works of building a temporary fence enclosure erected along the site boundary to separate the site from the adjacent properties.

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A&A works

A&A works refer to alteration and addition works to an existing building including structural alteration, building maintenance, refurbishment, modification, installation of hardware and equipment, removal of partitions and doors, construction of staircase and other works that improve the general condition of buildings and their facilities.

Fitting-out works

Fitting out works include the works that are performed to make interior spaces suitable for occupation.

PROJECTS UNDERTAKEN DURING THE TRACK RECORD PERIOD

During the Track Record Period, we have undertaken (i) foundation works which include piling works, ELS works, construction of pile caps; (ii) superstructure building works which include building works in relation to the parts of the structure above the ground level, and (iii) other construction works such as demolition works, site formation works, ground investigation works, minor works, hoarding works, A&A works and fitting-out works. The following table sets forth a breakdown of our revenue by types of works during the Track Record Period:

	FY2014/15		FY2015/16		FY2016/17		For the six months ended 30 September 2017	
	Revenue	% of total	Revenue	% of total	Revenue	% of total	Revenue	% of total
	(HK\$'000)	revenue	(HK\$'000)	revenue	(HK\$'000)	revenue	(HK\$'000)	revenue
Foundation works	103,654	58.7	91,555	43.1	120,900	65.6	87,027	81.3
Superstructure building works	68,127	38.6	111,118	52.3	43,645	23.7	10,912	10.2
Other construction works <i>(Note)</i>	4,674	2.7	9,815	4.6	19,818	10.7	9,128	8.5
Total:	<u>176,456</u>	<u>100.0</u>	<u>212,488</u>	<u>100.0</u>	<u>184,363</u>	<u>100.0</u>	<u>107,067</u>	<u>100.0</u>

Note: Other construction works include demolition works, site formation works, ground investigation works, minor works hoarding works, A&A works and fitting-out works.

The following table sets forth a breakdown of our revenue during the Track Record Period by type of buildings:

	FY2014/15		FY2015/16		FY2016/17		For the six months ended 30 September 2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Residential building	50,775	28.8	132,693	62.4	73,954	40.1	38,075	35.6
Commercial building	12,963	7.3	12,750	6.0	18,354	10.0	2,699	2.5
Industrial building	45,906	26.0	—	—	—	—	—	—
Hotel	52,036	29.5	57,917	27.3	48,840	26.5	22,748	21.2
Public facilities	14,750	8.4	9,128	4.3	39,549	21.5	39,270	36.7
Others	25	Negligible	—	—	3,666	2.0	4,274	4.0
Total:	<u>176,456</u>	<u>100.0</u>	<u>212,488</u>	<u>100.0</u>	<u>184,363</u>	<u>100.0</u>	<u>107,067</u>	<u>100.0</u>

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“Design and build” contracts and “build only” contracts

A “design and build” contract normally involves both the preparation of a engineering design according to the specifications set out in the tender documents, as well as carrying out the actual construction works. For certain “design and build” contracts where a preliminary design proposal is provided by the customer, we are engaged to prepare an alternative design proposal or otherwise make appropriate adjustments to the engineering design in order to comply with the technical requirements and/or enhance cost efficiency. For “build only” contracts, we carry out the construction works strictly according to the design provided by the customers.

The table below sets out a breakdown of our Group’s revenue by type of contracts awarded during the Track Record Period:

	FY2014/15		FY2015/16		FY2016/17		For the six months ended 30 September 2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Build only contracts	68,152	38.6	114,331	53.8	127,175	69.0	81,744	76.3
Design and build contracts	<u>108,304</u>	<u>61.4</u>	<u>98,157</u>	<u>46.2</u>	<u>57,188</u>	<u>31.0</u>	<u>25,323</u>	<u>23.7</u>
	<u>176,456</u>	<u>100.0</u>	<u>212,488</u>	<u>100.0</u>	<u>184,363</u>	<u>100.0</u>	<u>107,067</u>	<u>100.0</u>

According to the Ipsos Report, some of the property developers may prefer to engage contractors who is able to provide alternative design proposal or make appropriate adjustments to the engineering design. As such, our Directors believe that our capability in engineering design is crucial because it may increase the likelihood of being awarded the contract. As at the Latest Practicable Date, our Group has four professional engineers responsible for preparing engineering designs suited for the conditions and limitations of different sites and requirements from our customers. In view of our availability or the complexity of a project, we may engage third parties to assist us for the preparation of engineering designs for our “design and build” contracts. For further details on the preparation and submission of tender documents for “design and build” and “build only” contracts, please refer to the paragraph headed “Operation flow” in this section below.

Projects as main contractor and as subcontractor

We principally carry out foundation works and superstructure building works as a main contractor. During the Track Record Period, we only acted as a subcontractor in four projects, in which we undertook foundation works in relation to (i) the Hong Kong-Zhuhai-Macao Bridge construction; (ii) universal access facilities for footbridge in Causeway Bay; (iii) pedestrian connectivity facilities at Anderson Road Quarry Site and (iv) property redevelopment in Fanling. The table below sets out a breakdown of our Group’s revenue by our role as main contractor or subcontractor during the Track Record Period:

	FY2014/15		FY2015/16		FY2016/17		For the six months ended 30 September 2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor	171,256	97.1	212,488	100.0	144,814	78.5	67,798	63.3
Subcontractor	<u>5,200</u>	<u>2.9</u>	<u>—</u>	<u>—</u>	<u>39,549</u>	<u>21.5</u>	<u>39,269</u>	<u>36.7</u>
	<u>176,456</u>	<u>100.0</u>	<u>212,488</u>	<u>100.0</u>	<u>184,363</u>	<u>100.0</u>	<u>107,067</u>	<u>100.0</u>

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Projects from private sector and public sector

Our Group principally provides foundation works, superstructure building works and other construction works services to private sector customers. Our private sector customers include private property developers, construction companies and other entities which require foundation works services and/or superstructure building works services. During the Track Record Period, we undertook three public sector projects, in which we undertook foundation works in relation to (i) the Hong Kong-Zhuhai-Macao Bridge construction; (ii) universal access facilities for footbridge in Causeway Bay; and (iii) pedestrian connectivity facilities at Anderson Road Quarry Site. The following table sets out a breakdown of our revenue during the Track Record Period attributable to private and public sector projects:

	FY2014/15		FY2015/16		FY2016/17		For the six months ended 30 September 2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private sector projects	176,456	100	212,488	100.0	144,814	78.5	67,798	63.3
Public sector projects	—	—	—	—	39,549	21.5	39,269	36.7
	<u>176,456</u>	<u>100.0</u>	<u>212,488</u>	<u>100.0</u>	<u>184,363</u>	<u>100.0</u>	<u>107,067</u>	<u>100.0</u>

Our projects

The following table sets out the number projects that have been awarded to our Group during the Track Record Period and the corresponding aggregate amount of original contract sum in respect of such projects:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2017
	Number of projects awarded ^(Note 1)	<u>7</u>	<u>5</u>	<u>16</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Corresponding aggregate amount of original contract sum in respect of such projects ^(Note 2)	<u>196,309</u>	<u>44,995</u>	<u>253,631</u>	<u>122,096</u>

Notes:

- Number of projects awarded for each financial year includes all projects with respect to which our engagement was confirmed during the financial year, regardless of whether or not our tender was submitted during the same financial year.
- Such amount excludes any subsequent changes due to variation orders (see the paragraph headed "Customers — Major terms of engagement with our customers — Variation orders" below in this section).

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The following tables set out the nature of our five largest projects for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 in terms of revenue contribution to our Group:

FY2014/15

Rank	Type of works	Customer	Date of commencement of our works	Date of completion of our works (Note 2)	Amount of revenue recognised for the year (HK\$'000)	% of total revenue of our Group
1	Superstructure	Customer A (Note 1)	November 2013	June 2018	51,036	28.9
2	Foundation	Customer B (Note 1)	March 2014	January 2015	40,706	23.1
3	Superstructure	Maxon Properties Limited (Note 1)	December 2012	January 2015	16,643	9.4
4	Foundation	Customer Zen (Note 1)	March 2014	March 2015	15,261	8.6
5	Foundation	Caritas — Hong Kong (Note 1)	June 2014	September 2015	14,750	8.4

FY2015/16

Rank	Type of works	Customer	Date of commencement of our works	Date of completion of our works (Note 2)	Amount of revenue recognised for the year (HK\$'000)	% of total revenue of our Group
1	Superstructure	Customer Zen (Note 1)	March 2015	May 2016	53,004	24.9
2	Superstructure	Customer A (Note 1)	November 2013	June 2018	48,673	22.9
3	Foundation	Customer F (Note 1)	January 2015	August 2016	43,887	20.7
4	Foundation	Lee Chan Land Investment Company, Limited (Note 1)	August 2009	March 2018	12,750	6.0
5	Foundation	Caritas — Hong Kong (Note 1)	June 2014	September 2015	9,128	4.3

FY2016/17

Rank	Type of works	Customer	Date of commencement of our works	Date of completion of our works (Note 2)	Amount of revenue recognised for the year (HK\$'000)	% of total revenue of our Group
1	Foundation	Sheung Ying Construction Limited (Note 1)	December 2016	September 2017	39,549	21.5
2	Superstructure	Customer A (Note 1)	November 2013	June 2018	20,615	11.2
3	Foundation	Lee Chan Land Investment Company, Limited (Note 1)	August 2009	March 2018	16,374	8.9
4	Superstructure	Customer A (Note 1)	February 2016	December 2018	16,032	8.7
5	Foundation	Two Thumbs Up Company Limited (Note 1)	August 2014	June 2018	15,852	8.6

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For the six months ended 30 September 2017

Rank	Type of works	Customer	Date of commencement of our works	Date of completion of our works (Note 2)	Amount of revenue recognised for the period (HK\$'000)	% of total revenue of our Group
1	Foundation	Sheung Ying Construction Limited	December 2016	September 2017	30,014	28.0
2	Foundation	Jaylord Company Limited	June 2016	May 2018	12,986	12.1
3	Foundation	Customer K	March 2017	September 2018	12,233	11.4
4	Foundation and Superstructure	Customer L	August 2016	June 2018	9,940	9.3
5	Foundation	Customer M	July 2017	April 2019	7,462	7.0

Note 1: This is one of our top five customers during the Track Record Period and for further details, please refer to the paragraph headed “Customers — Major customers ” of this section.

Note 2: Where applicable, future completion dates represent our management’s best estimates according to the expected completion dates specified in the relevant contracts (if any), the extension period granted by customers (if any), and the actual work schedule up to the Latest Practicable Date.

COMPLETED PROJECT DURING THE TRACK RECORD PERIOD

During the Track Record Period, we completed 31 contracts with a total contract sum of approximately HK\$463.9 million. The following table sets out a list of our contracts completed during the Track Record Period:

Project No.	Location of the projects	Sector of customer	Type of works	Approximate contract duration		Awarded contract sum	Accumulated revenue recognised during the Track Record Period
				From	To	(Note 1) HK\$'000	HK\$'000
1	51-57 Maidstone Road, Kowloon	Private	Foundation	May 2009	September 2016	7,494	536 (Note 2)
2	Lot 535 in D.D. 210, Pak Sha Wan, N.T.	Private	Foundation	February 2010	February 2015	8,500	921 (Note 2)
3	No. 6-16 Peel Rise, The Peak, Hong Kong	Private	Foundation	October 2012	January 2015	50,871	10,823 (Note 2)
4	Nos. 1-3 Sheung Hei Street, San Po Kong, Kowloon	Private	Foundation	July 2012	September 2014	24,000	7,564 (Note 2)

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Project No.	Location of the projects	Sector of customer	Type of works	Approximate contract duration		Awarded contract sum (Note 1) HK\$'000	Accumulated revenue
				From	To		Track Record Period HK\$'000
5	33 Kadoorie Avenue, KLN No. 4003, Kowloon	Private	Superstructure	December 2012	January 2015	54,993	26,192 (Note 2)
6	25 La Salle Road, Kowloon Tong, Kowloon	Private	Foundation	March 2014	March 2015	17,272	15,261 (Note 2)
7	No. 1 On Kui Street, Fanling on FSSTL 252, N.T.	Private	Foundation	April 2014	June 2014	5,200	5,200
8	No. 37-53 Wang Lok Street, Yuen Long Industrial Estate, Yuen Long, N.T.	Private	Foundation	March 2014	January 2015	43,300	40,706 (Note 2)
9	Lot Nos. 11RP, 11SA, 13SA, 13RP, 14, 15, 16 & 17 in D.D. 33 Tsung Tsai Yuen, Tai Po, New Territories	Private	Site Formation	November 2014	December 2016	11,981	13,243 (Note 3)
10	Lot No. 604, Mei Tin Road, Tai Wai, Shatin, N.T.	Private	Foundation	October 2015	September 2016	10,200	10,200
11	Lot No. 57 in D.D. 175 and the Extension thereto in Hung Kiu Lan, Kau To Shan, Shatin, N.T.	Private	Superstructure	July 2011	February 2016	24,650	2,529 (Note 2)
12	Nos. 6-16 Peel Rise, The Peak Hong Kong	Private	Foundation	February 2016	November 2016	4,209	6,982 (Note 3)

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Project No.	Location of the projects	Sector of customer	Type of works	Approximate contract duration		Awarded contract sum (Note 1) HK\$'000	Accumulated revenue
				From	To		Track Record Period HK\$'000
13	No.9 Shing Mun Road, Tsuen Wan, N.T.	Private	Foundation	June 2014	September 2015	25,100	23,879 (Note 2)
14	Lot Nos. 10, 72 & 73 in D.D. 33 Tsung Tsai Yuen, Tai Po, New Territories	Private	Foundation	November 2014	April 2016	7,819	9,830 (Note 3)
15	Lot 1001 in D.D. 40, Sha Tau Kok	Private	Foundation	January 2015	August 2016	53,500	53,500
16	No. 25 La Salle Road, Kowloon Tong	Private	Superstructure	March 2015	May 2016	58,084	59,151 (Note 3)
17	54-56 Granville Road, Tsim Sha Tsui, Kowloon	Private	Demolition	March 2016	January 2017	2,900	2,700 (Note 2)
18	25 La Salle Road, Kowloon Tong, Kowloon	Private	Fitting-out works	August 2016	May 2017	9,880	10,656 (Note 3)
19	P1 Level, Kerry Cargo Centre, N.T.	Private	Renovation works	April 2016	September 2017	1,332	1,210 (Note 2)
20	146A Waterloo Road, Kowloon Tong, Kowloon	Private	Demolition works	January 2017	June 2017	2,150	2,150
21	251 Queen's Road Central, Hong Kong	Private	Renovation works	December 2016	September 2017	2,900	3,538 (Note 3)

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Project No.	Location of the projects	Sector of customer	Type of works	Approximate contract duration From To		Awarded contract sum	Accumulated revenue recognised during the Track Record Period
						(Note 1) HK\$'000	(Note 3) HK\$'000
22	Hong Kong-Zhuhai-Marco Bridge Hong Kong Link Road section between scenic Hill & Hong Kong boundary	Public	Foundation	December 2016	September 2017	35,049	69,563 (Note 3)
Sub-total:						461,384	376,335
9 projects with contract sum under HK\$1 million						2,562	2,438
Total:						<u>463,946</u>	<u>378,773</u>

Notes:

1. The contract sum is based on the initial agreement between our customer and us and may not include additions and modifications due to subsequent variation orders, such that the final revenue recognised from a contract may differ from the contract sum.
2. The contract value is greater than the amount of revenue recognised during the Track Record Period because a portion of the revenue has been recognised before the Track Record Period, or the actual amount of work done under the contract is lower than initially envisaged under the contract.
3. The contract value is lower than the amount of revenue recognised during the Track Record Period because of the additional variation orders placed by our customer, or the actual amount of work done under the contract is higher than initially envisaged under the contract.

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BACKLOG AND PROJECTS ON HAND

Set out below is a table showing the number of foundation works, superstructure building works and other construction works projects completed and awarded to us and the aggregate contract sum during the Track Record Period and as at the Latest Practicable Date:

	Number of projects	Original contract sum <i>(Note)</i> HK\$'000
<i>As at 1 April 2014</i>		
Existing projects	12	439,217
<i>During FY2014/15</i>		
Projects completed	8	204,161
New projects awarded	7	<u>196,309</u>
<i>As at 31 March 2015</i>		
Existing projects	11	431,365
<i>During FY2015/16</i>		
Projects completed	2	49,750
New projects awarded	5	<u>44,995</u>
<i>As at 31 March 2016</i>		
Existing projects	14	426,610
<i>During FY2016/17</i>		
Projects completed	14	157,788
New projects awarded	16	<u>253,631</u>
<i>As at 31 March 2017</i>		
Existing projects	16	522,453
<i>During the six months ended 30 September 2017</i>		
Projects completed	7	52,247
New projects awarded	10	<u>122,096</u>
<i>As at 30 September 2017</i>		
Existing projects	19	592,302
<i>From 1 October 2017 up to the Latest Practicable Date</i>		
Projects completed	2	1,832
New projects awarded	3	134,540
<i>As at the Latest Practicable Date</i>		
Existing projects	20	725,010

Note: Such amount excludes any subsequent changes due to variation orders (see the paragraph headed “Customers — Major terms of engagement with our customers — Variation orders” below in this section).

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We had 19 projects on hand as at 1 October 2017 (including projects that have commenced but not completed as well as a project that has been awarded to us but not yet commenced) and 3 project that was awarded to us from 1 October 2017 to the Latest Practicable Date. The following sets forth a full list of such 22 projects from which revenue has been or is expected to be derived for FY2017/18 and/or thereafter:

Project	Sector of customer	Type of works	Location of the project	Actual/expected project commencement date <small>(Note 1)</small>	Actual/expected project completion date <small>(Note 2)</small>	Awarded contract sum <small>(Note 3)</small> HK\$'000	Accumulated revenue recognised during the Track Record Period HK\$'000	Estimated revenue for FY2017/18 and thereafter HK\$'000
1	Private	Foundation	Nos. 6, 6A, 8 & 8A Austin Avenue, Kowloon	August 2009	March 2018	44,678	34,999	FY2017/18: 6,460 After FY2017/18: —
2	Private	Foundation	No. 12 Hereford Road, Kowloon Tong, Kowloon	March 2012	March 2018	15,260	7,612	FY2017/18: 5,042 After FY2017/18: —
3	Private	Superstructure	Lot 535 in D.D. 210, Pak Sha Wan, New Territories	November 2013	June 2018	143,000	125,037	FY2017/18: 11,213 After FY2017/18: 4,617
4	Private	Foundation	No. 11 & 13 Ko Shing Street, Sheung Wan, Hong Kong	August 2014	June 2018	39,800	29,982	FY2017/18: 9,129 After FY2017/18: 2,776
5	Private	Superstructure	Lot Nos. 10, 72 & 73 in D.D. 33 Tsung Tsai Yuen, Tai Po, New Territories	February 2016	December 2018	23,965	20,894	FY2017/18: 4,044 After FY2017/18: 4,365
6	Private	Foundation	7-11 Jervois Street, Sheung Wan, Hong Kong	June 2016	May 2018	35,068	22,901	FY2017/18: 19,769 After FY2017/18: 4,156
7	Private	Foundation and Superstructure	146 Waterloo Road, Kowloon Tong, Kowloon	August 2016	June 2018	74,921	22,067	FY2017/18: 36,116 After FY2017/18: 26,677
8 <small>(Note 4)</small>	Private	A&A	TMTL 422 Tsing Lung Road, Area 58, Siu Lam, Tuen Mun	May 2015	March 2018	5,962	6,405	FY2017/18: 2,875 After FY2017/18: —
9	Private	Foundation	43 Island Road, Hong Kong	March 2017	September 2018	51,000	13,233	FY2017/18: 30,100 After FY2017/18: 19,900
10	Private	Foundation	Lot No. 3578 in DD 129 Lau Fau Shan, Yuen Long, New Territories	November 2016	June 2018	7,914	6,530	FY2017/18: 3,330 After FY2017/18: 1,384
11	Private	Foundation and superstructure	146A Waterloo Road, Kowloon Tong, Kowloon	December 2017	February 2019	72,921	—	FY2017/18: 17,611 After FY2017/18: 55,310
12	Public	Foundation	Percival Street, Causeway Bay, Hong Kong	April 2017	October 2017	1,740	1,793	FY2017/18: 2,455 After FY2017/18: —
13	Public	Foundation	Anderson Road, Quarry Site, Kowloon	July 2017	April 2019	12,270	7,462	FY2017/18: 7,462 After FY2017/18: 4,809
14	Private	Fitting out works	88 Tai Tam Reservoir Road, Hong Kong	April 2017	June 2018	3,346	1,095	FY2017/18: 1,595 After FY2017/18: 1,751

BUSINESS

Project	Sector of customer	Type of works	Location of the project	Actual/expected project commencement date <small>(Note 1)</small>	Actual/expected project completion date <small>(Note 2)</small>	Awarded contract sum <small>(Note 3)</small> HK\$'000	Accumulated	Estimated revenue for FY2017/18 and thereafter HK\$'000
							revenue recognised during the Track Record Period HK\$'000	
15	Private	Foundation	10-12A La Salle Road and 168 Boundary Street, Homantin, Kowloon	July 2017	July 2018	21,300	1,591	FY2017/18: 8,594 After FY2017/18: 12,706
16	Private	Superstructure	Lot no. 3578 in D.D.129, Lau Fau Shan, Yuen Long, New Territories	August 2017	June 2018	9,524	—	FY2017/18: 3,750 After FY2017/18: 5,774
17	Private	A&A	40 Stubbs Road, Hong Kong	April 2018	May 2018	318	—	FY2017/18: — After FY2017/18: 318
18	Private	A&A	251 Queen's Road Central, Hong Kong	September 2017	October 2017	92	—	FY2017/18: 92 After FY2017/18: —
19	Private	A&A	39A Peel Street Central, Hong Kong	September 2017	March 2018	130	—	FY2017/18: 130 After FY2017/18: —
20	Private	Superstructure	Nos. 6, 6A, 8 & 8A, Austin Avenue, Kowloon	January 2018	May 2019	133,200	—	FY2017/18: 3,500 After FY2017/18: 129,700
21	Private	A&A	EVA Level, TMTL 422, Tsing Lung Road, Area 58, Siu Lam, Tuen Mun, New Territories	February 2018	May 2018	1,247	—	FY2017/18: — After FY2017/18: 1,247
22	Private	A&A	CPI Level, TMTL 422, Tsing Lung Road, Area 58, Siu Lam, Tuen Mun, New Territories	February 2018	May 2018	93	—	FY2017/18: — After FY2017/18: 93
Total								FY2017/18: 173,267 After FY2017/18: 275,583

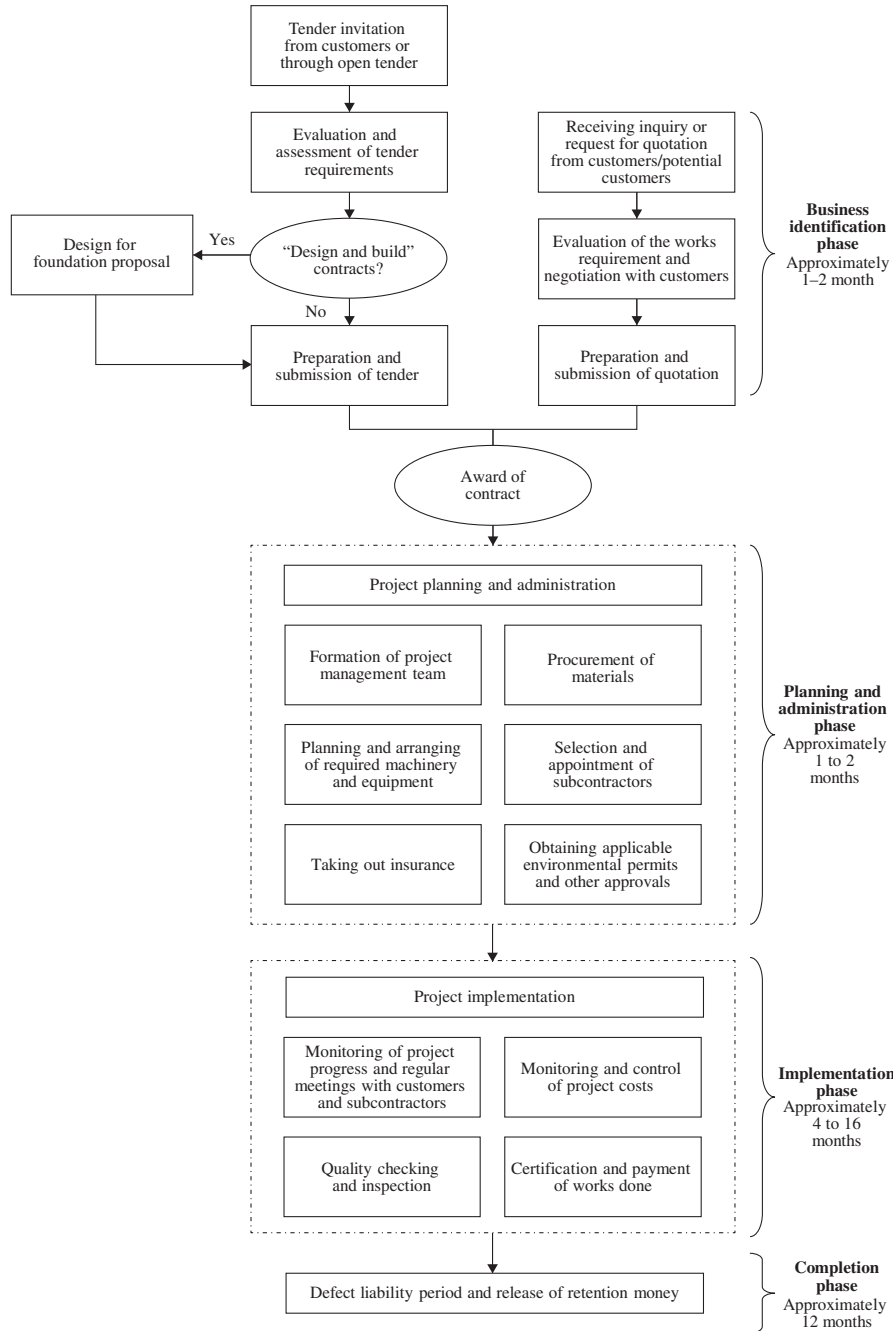
Notes:

- Expected commencement dates are based on our management's best estimates according to the expected commencement date specified in the relevant contract (if any) and any dates which are mutually agreed by us and our customers.
- The expected completion date for a particular project is provided based on our management's best estimation. In making the estimation, our management takes into account factors including the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule.
- The contract sum is based on the agreement between our customer and us and may not include additions and modifications due to subsequent variation order. As such, the final revenue recognised from a contract may differ from the contract sum.
- The project includes eight work order contracts between a customer and our Group.

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OPERATION FLOW

The requisite technical expertise and relevant regulatory licences and qualifications relating to each individual project may be different. Nevertheless, the relevant project workflows and our procedures for project management and execution for such works are substantially the same. The following diagram summarises the principal steps of our workflow of a typical project:



Note: The time frame may vary for different contracts depending on various factors such as the terms of contract, the nature of works to be performed, presence of variation orders and/or our agreement with the customer on the timeframe for the principal steps to be undertaken.

Business identification phase

Project identification

In general, we secured new businesses mainly through direct invitation for tender by customer. Apart from such invitations, we also identify projects through our management's connections in the construction industry or notices of open tenders from the market. Letters of invitation or open tender documents normally include brief description of the works required, contact details of the office and the closing time and date of the tender.

Apart from tendering process, sometimes, we are approached by customers which request for quotations for providing other construction works without going through a tendering process. For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, our revenue recognised from other construction works projects as a result of quotation acceptance amounted to HK\$25,000, HK\$2.2 million, HK\$14.8 million and HK\$6.7 million, representing approximately 0.01%, 1.0%, 8.0% and 6.2% of our total revenue, respectively.

During the Track Record Period, we secured all of our contracts through tenders and quotations competitively.

Evaluation and assessment of tender requirements

Our tendering team is led by Mr. Benjamin Ng, our chief executive officer and one of our executive Directors whose background and experience are set out in the section headed "Directors and Senior Management" in this prospectus. Our tendering team is responsible for reviewing and evaluating tender documents and preparing tender submissions. Generally, we review and evaluate the commercial viability of potential projects based on factors including the scope, complexity, technicality and particular specifications of the projects, site conditions, achievability of the specified timetable, prior experience, availability of machinery, human resources and expertise, prevailing market conditions, estimated costs of the project and our competitiveness and financial conditions. When we decide that a potential project is commercially viable, our tendering team will proceed to prepare the tender proposal.

Preparation and submission of tender or quotation

Any quotation or tender submission is only prepared after we have carried out an analysis of the work to be undertaken. This includes assessing conditions of the site, obtaining suppliers' quotations for cost of raw materials and quotations from subcontractors, as well as assessing our available labour and management resources and our machinery and equipment. On some occasions, our project managers or engineers will also visit the site at which the project is to be undertaken in order to conduct a better assessment on the complexity of the work to be involved. Subject to the conditions of the site, we may consider specific factors including (a) the conditions of the structures adjacent to the site; (b) the nature of the locality of the site; and (c) whether there are any potential difficulties in carrying out the work, such as the size and landscape of the site restricting the accessibility of required machinery. All these factors may increase our project cost.

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“Design and build” contracts and “build only” contracts

A “design and build” contract normally involves both the preparation of an engineering design according to the specifications set out in the tender documents, as well as carrying out the actual construction works. For certain “design and build” contracts where a preliminary design proposal is provided by the customer, we are engaged to prepare an alternative design proposal or otherwise make appropriate adjustments to the engineering design in order to comply with the technical requirements and/or enhance cost efficiency. For such “design and build” contract, our design team will be involved in the early stage of the tendering process. Based on the site investigation report provided by the potential customer and other factors such as the loading requirements of the superstructure, limitations and constraints of the site, plant availability, cost, contract period and safety concerns, our design team will formulate appropriate design proposal which satisfies the specific requirements of the customer. These design drawings will be submitted to the project owner’s or the customer’s project architect or consultant for review and subsequently submitted to the relevant customers for tender assessment. During the tendering process, our design team works closely with our tendering team to work out various details of tender such as costs, the availability of our human resources and the expected time required for completion of the project. In view of the availability of our design team and/or the complexity of a project, we may engage third parties to assist us in the preparation of engineering designs for our “design and build” contracts.

The time required to prepare a tender varies from case to case and depends on the specific requirements of each project. Generally, it takes about one to two months from receipt of the tender documents to submission of the tender proposal for a “design and build” contract.

For “build only” contracts in which we carry out the construction works strictly according to the design provided by the customer, we will prepare and submit tenders or quotations on the basis of a piling layout design provided by the project consultant. Generally, it takes about one to four weeks from receipt of the tender documents to submission of the tender proposal for a “build only” contract.

Pricing strategy

Our executive Directors and senior management play an active role in the tender review procedure. They are responsible for reviewing tender documents, formulating bidding strategies and ensuring that bids are both competitive and profitable. Based on the experience of our executive Directors and senior management, we will consider the potential difficulty and risk factors in estimating the total cost of each project. We will then determine the tender price based on our estimated project costs (which mainly include direct labour costs, subcontracting charges, construction material costs and the cost of rental of machinery and equipment) plus a mark-up margin at the time when we submit our tender or our initial proposal to our potential customer. Depending on the complexity or scale of the project, sometimes we may obtain quotations from our subcontractors and suppliers of raw materials prior to submitting a tender proposal and reflect the estimated construction material costs and subcontracting charges in our tender price.

Upon finalising the bill of quantities and other documents required for tender submission, our Group will submit the tender documents to the potential customers. After submitting tender, we may be required to answer queries or invited to attend interviews with the potential customers to clarify certain

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aspects of our submitted tender, demonstrate our understanding on the project, discuss availability of our resources and our estimated project costs. We will follow up with the potential customers on their requirements and details of our tender.

Tender success rate

The following table summarises our overall tender success rate for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2017
Number of tender invitations received	27	33	54	33
Number of tenders submitted	21	26	38	22
Number of projects awarded in respect of tenders submitted during the year/period	5	7	9	3
Success rate (%)	23.8	26.9	23.7	13.6%

Note: In the above table, success rate for a financial year is calculated based on the number of projects awarded (whether awarded in the same financial year or subsequently) in respect of the tenders submitted during that financial year.

We may from time to time respond to our customers' invitations by submitting tenders after taking into account our pricing strategy instead of turning them down. Our Directors believe such strategy allows us to (i) maintain our relationship with customers; (ii) maintain our presence in the market; and (iii) be informed of the latest market developments and pricing trends which are useful for tendering projects in the future. The number of tenders submitted by us increased from 21 in FY2014/15 to 26 in FY2015/16 and further increased to 38 in FY2016/17, mainly because (i) we aim to maintain a tender submission rate (i.e. the number of tenders submitted by us over the number of tender invitations received by us) at a level of between approximately 65% to 80% having regard to our aforesaid tender strategy; and (ii) there has been an increase in the number of tender invitations received by us during the Track Record Period, which, in the opinion of our Directors, was mainly due to and consistent with the growth in the general building construction industry in Hong Kong (as supported by the Ipsos Report and discussed in the section headed "Industry overview" in this prospectus). Due to such strategy and subject to the tender strategy of our competitors from time to time, we may submit tenders which are less competitive for projects, thereby leading to fluctuations in our overall tender success rates from period to period. Given our tender strategy and in view of our performance over the Track Record Period and our projects on hand as of the Latest Practicable Date (see the paragraph headed "Backlog and projects on hand" in this section), our Directors consider that our overall tender success rate during the Track Record Period has been satisfactory in general.

Planning and administration phase

Generally, once our tender proposal is accepted by our customer, a letter of award or letter of acceptance will be issued to us by our customer which forms part of the contract. We will commence the implementation of the project which includes formation of a project management team, procurement of materials, planning and arranging the required equipment to be delivered to the site, selection and appointment of subcontractors, and inspecting and surveying the condition of work sites.

Formation of project management team

Our project management team generally comprises the following key members: project manager, site foreman, engineer, quantity surveyor and safety officer. Set out below are the main responsibilities of each key member in a project team:

- Our project manager is mainly responsible for supervising our overall workforce on site, monitoring work efficiency and performance of site workers, communicating with our customers, subcontractors and other members of the project team on the project status.
- Our engineer is responsible for overseeing the engineering and technical aspects of the project such as designing the whole site operation and suitable methodology and procedures.
- Our site foreman is responsible for coordinating and supervising site workers for day-to-day site operations.
- Our quantity surveyor is responsible for inspecting the work progress on site and preparing payment application.
- Our safety officer is responsible for supervising implementation of site safety measures and monitoring the work safety on site.

Procurement of materials

Depending on the contract terms agreed with our customers or subcontractors, construction materials may be procured by us on our own account or provided by our customers or subcontractors to us at our cost or at the cost of our customers or subcontractors. We source construction materials from our approved list of suppliers. We perform testing and checking of the quality of our procured materials. Our subcontractors are responsible for procurement of other construction materials required for them to complete their works.

Selection and appointment of subcontractors

During the Track Record Period, we normally engage subcontractors to carry out the site works. The works we subcontract to our subcontractors are generally labour intensive or require specific skill sets, such as foundation works, site formation works, plumbing and drainage installation, fitting-out works and electrical and mechanical works. We normally require our subcontractors to equip themselves with necessary machinery such as excavator, crawler crane, bored pile machines and hydraulic pile driving rig. In general, the subcontractors charge us a fee for the provision of their machinery and such cost is included in the subcontracting fee.

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We oversee and supervise the process of the carrying out of the works by our subcontractors in order to ensure the works completed are in accordance with the specifications, requirement and time-frame under the relevant contract. With the engagement of subcontractors, we are able to focus on quality assurance and overall project management without the need for keeping a significant pool of workers and technical staff under permanent employment, which in turn allow us to deploy our resources in a more cost-effective manner. For further details on selections of subcontractors and our subcontracting arrangement, please refer to the paragraph headed “Suppliers” in this section.

Implementation phase

Monitoring of project progress and regular progress meetings with customers

We believe that our quality of work and reputation are crucial to winning future tenders and securing future business opportunities. As such, we place strong emphasis on quality control of our work to ensure that our work meets with the required standards. Our project management team holds regular meetings with our customers and our subcontractors to review the progress of the project and to resolve any problems which may arise. Progress reports and site photos are submitted to our customers during such meetings, if required. Upon completion of our work, various tests will be performed to confirm that the specified standards have been met. For further details, please refer to the paragraph headed “Quality control” in this section below.

Variation order

Under the usual terms of our works contracts, variation by executing additional or modification works may be ordered by our customers. Any additional work carried out which is similar in character to and executed under similar conditions to any item of work priced in the original contract shall be valued at the rate set out in the original contract for such item of work.

The table below sets out a breakdown of revenue and gross profit margin derived from the original contracts and subsequent variation orders during the Track Record Period:

	FY2014/15		FY2015/16		FY2016/17		For the six months ended 30 September 2017	
	Revenue <i>HK\$'000</i>	Gross profit margin %	Revenue <i>HK\$'000</i>	Gross profit margin %	Revenue <i>HK\$'000</i>	Gross profit margin %	Revenue <i>HK\$'000</i>	Gross profit margin %
Original contracts	167,571	12.5	199,039	23.5	165,075	26.0	71,423	28.4
Variation orders	<u>8,885</u>	30.6	<u>13,449</u>	28.9	<u>19,288</u>	33.3	<u>35,644</u>	7.0
	<u>176,456</u>	13.4	<u>212,488</u>	23.9	<u>184,363</u>	26.7	<u>107,067</u>	21.3

Our revenue derived from original contracts increased from approximately HK\$167.6 million for FY2014/15 to approximately HK\$199.0 million for FY2015/16, mainly due to an increase in the number of projects with revenue contribution to us, an increase in our revenue derived from projects of relatively larger scales and higher income, as well as an increase in demand for our services. Our revenue derived from original contracts decreased to approximately HK\$165.1 million for FY2016/17, mainly because certain projects with substantial revenue contribution for FY2015/16 were completed during FY2016/17, while new projects commenced during FY2016/17 were at their initial startup stage resulting in lesser actual work done during FY2016/17.

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Our gross profit margin derived from original contracts increased from approximately 12.5% for FY2014/15 to approximately 23.5% for FY2015/16, mainly because (i) we undertook a project during FY2014/15 with substantial revenue contribution to us for that year where we subcontracted out substantial amount of works to subcontractors, which led to a lower profit margin for the project and thus contributed to our lower gross profit margin for FY2014/15; (ii) we increased our use of direct casual employees instead of engaging subcontractor in FY2015/16; and (iii) there has been a decrease in price of steel, which was one of the major construction materials procured by us for use in our projects. Our gross profit margin derived from original contracts increased from approximately 23.5% for FY2015/16 to approximately 26.0% for FY2016/17, mainly due to the more-than-proportionate decrease in our direct costs as compared with the decrease in our revenue, which in turn was mainly because there was a proportionally higher amount of materials costs which was borne by us for FY2016/17 and the price of reinforcement steel and cement (which is a major ingredient of concrete) has decreased in the same period (as supported by the Ipsos report).

Our revenue derived from variation orders increased from approximately HK\$8.9 million for FY2014/15 to HK\$ 13.4 million for FY2015/16 and further increased to approximately HK\$19.3 million for FY2016/17 was mainly due to the increase in the amount of works we performed for variation orders as requested by customers. We recorded the revenue of variation orders of approximately HK\$35.6 million for the six months ended 30 September 2017. Such amount was mainly derived from the variation order in relation to the Hong Kong-Zhuhai-Macao Bridge project. The fluctuation of our gross profit margin of variation orders during the Track Record Period was mainly due to the different nature, different complexity and different time schedule of our works. We recorded a lower gross profit margin of variation orders for the six months ended 30 September 2017 was mainly because lower profit margin was derived from Hong Kong-Zhuhai-Macao Bridge project. Our Directors consider that undertaking the Hong Kong-Zhuhai-Macao Bridge project will increase the recognition and reputation of our Group as it is a well-known project in Hong Kong and hence our Directors are willing to accept a lower profit margin for such project.

Monitoring and control of project costs

Our results of operations are impacted in part by our ability to control project costs within our budget, which, however, will be dependent on a number of factors including but not limited to the scope and complexity of the projects, site conditions, project time frame, estimated construction material costs and labour cost. We may also be subject to liquidated damages due to delay in completing the project if extension of time is not granted by our customers. Please refer to the paragraph headed “Risk factors — Risks relating to our business” in this prospectus for further details. In response to the above-mentioned risks in our operations, we implement certain cost-control measures. Our project manager will prepare a budget plan for each construction project. The budget plan will be reviewed and approved by our executive Directors taking account of the following factors:

- scope and complexity of the construction works to be carried out;
- duration of the construction contract;
- quotation obtained from our suppliers and subcontractors; and
- the resources of our Group, such as manpower and machinery and equipment, to be allocated to the project.

BUSINESS

The budget plan for each of our projects will be reviewed and monitored with actual incurred costs. Our accounts department prepares reports and meets with our project manager on a monthly basis. Any material deviation from the estimated budget will be highlighted in the reports so as to determine possible follow-up actions for cost control purpose.

In order to mitigate the risk of delay in completing our projects, our project manager will review the progress of our projects on a weekly basis. Any sites that fall behind the construction schedule will be discussed to seek possible remedial actions such as allocating more manpower.

Certification and payment of works done

Our Group's foundation works, superstructure building works and other construction works contracts normally require our customers to make progress payments on a monthly basis or based on the phases of our works. Once our Group has submitted a bill or payment application, the consultant or architect appointed by our customer will certify the amount of work done. Our customers will normally make payment to us after the progress certification.

Completion phase

Practical completion and release of retention money

In general, there is a contract term for the customer to hold up retention money from the progress payment. Retention money is normally 10% of the value of work done, subject to a maximum rate of 5% of the total contract value. Upon satisfactory completion of the contract, a practical completion certificate will be issued by the architect. The terms and conditions on release of retention money also vary from contract to contract, which may be subject to completion of contract works or a pre-agreed time period after completion of the contract works. As at 30 September 2017, the aggregate retention money held by our customers for contracted works included in our retention receivables amounted to approximately HK\$27.0 million. Furthermore, the amount of retention money held by our Group from subcontractors is normally 10% of the monthly payment and subject to a mutually agreed cap (which is normally 5% of the total subcontract sum).

Defects liability period

Our customers would normally require a defects liability period, during which we are responsible for rectifying any construction defects. The defects liability period usually lasts for 12 months after our completion of the contracted works. Under usual terms of our contracts, we are liable to rectify all defective works (if any) during the defects liability period. During the Track Record Period, we did not experience any material claim by our customers in respect of defective works, and have not made provision for any repair and maintenance cost in respect of defective works during the defects liability period.

CUSTOMERS

Characteristics of our customers

During the Track Record Period, our customers primarily included the following:

- *Private sector customers:* Our private sector customers include private property developers, construction companies and other entities (including, for example, a charity organisation in a social centre redevelopment project, and a hydraulic technology company in a research and development centre construction project) which require foundation works services and/or superstructure building works services. During the Track Record Period, approximately 100%, 100%, 78.5% and 63.3% of our total revenue was derived from private sector customers for FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, respectively.
- *Public sector customer:* During the Track Record Period, we undertook three public sector projects, in which we undertook foundation works in relation to (i) the Hong Kong-Zhuhai-Macao Bridge construction; (ii) universal access facilities for footbridge in Causeway Bay; and (iii) pedestrian connectivity facilities at Anderson Road Quarry Site as a subcontractor.

During the Track Record Period, the number of customers with revenue contribution to our Group was 14, 13, 24 and 20 for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, respectively. During the Track Record Period, all of our customers were located in Hong Kong and all of our revenue were denominated in HK\$.

Major customers

For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, the percentage of our total revenue attributable to our largest customer amounted to approximately 32.7%, 29.9%, 21.6% and 28.0%, respectively, while the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 82.5%, 88.7%, 68.9% and 70.9%, respectively.

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Set out below is a breakdown of our revenue by our five largest customers during the Track Record Period and their respective background information:

For FY2014/15:

Rank	Customer	Background and principal business of the customer	Type of works undertaken by us	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
						HK\$000	%
1.	Customer A	Two private companies in Hong Kong which are under common management of an independent third party and are engaged in property development	Superstructure and foundation works for hotel and residential development	10	Within 30 days from the issue of payment certificate; By cheque	57,789	32.7
2.	Customer B	A private hydraulic technology company in Hong Kong principally engaged in the manufacturing of hydraulic operating system for high voltage switchgears, multi-channel valve for engineering machinery and oil pressure vibration damper for high-speed railway in China and the Southeast Asia	Foundation works for the construction of a research and development centre	3	Within 30 days from the issue of payment certificate; By cheque	40,706	23.1
3.	Maxon Properties Limited	A private property developer in Hong Kong	Superstructure works for residential development	6	Within 28 days from the issue of payment certificate; By cheque	16,643	9.4
4.	Customer Zen	An individual who is an independent third party and a private company of which the said individual is a director and shareholder. The principal business of such private company include property development	Superstructure and foundation works for residential development	7	Within 30 days from the issue of payment certificate; By cheque	15,662	8.9
5.	Caritas — Hong Kong	A charity organisation in Hong Kong	Foundation works for redevelopment of a social centre	3	Within 14 days from the issue of payment certificate; By cheque	14,750	8.4
Five largest customers combined						145,550	82.5
All other customers						30,906	17.5
Total revenue						<u>176,456</u>	<u>100.0</u>

BUSINESS

For FY2015/16:

Rank	Customer	Background and principal business of the customer	Type of works undertaken by us	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
						HK\$'000	%
1.	Customer A	Two private companies in Hong Kong which are under common management of an independent third party and are engaged in property development	Superstructure and foundation works for hotel and residential development	10	Within 30 days from the issue of payment certificate; By cheque	63,606	29.9
2.	Customer Zen	An individual who is an independent third party and a private company of which the said individual is a director and shareholder. The principal business of such private company include property development	Superstructure and foundation works for residential development	7	Within 30 days from the issue of payment certificate; By cheque	55,126	25.9
3.	Customer F	Subsidiaries of a listed company which is engaged in property development, hospitality and car parking venture business worldwide, and the shares of which are listed on the Main Board of the Stock Exchange. The principal business of such subsidiaries include property development	Foundation works for residential development	6	Within 30 days from the issue of payment certificate; By cheque	47,947	22.6
4.	Lee Chan Land Investment Company, Limited	A private property developer in Hong Kong	Foundation works for commercial building development	8	Within 28 days from the issue of payment certificate; By cheque	12,750	6.0
5.	Caritas — Hong Kong	A charity organisation in Hong Kong	Foundation works for the redevelopment of a social centre	3	Within 14 days from the issue of payment certificate; By cheque	9,128	4.3
Five largest customers combined						188,557	88.7
All other customers						23,931	11.3
Total revenue						<u>212,488</u>	<u>100.0</u>

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For FY2016/17:

Rank	Customer	Background and principal business of the customer	Type of works undertaken by us	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
						HK\$'000	%
1.	Customer A	Two private companies in Hong Kong which are under common management of an independent third party and are engaged in property development	Superstructure and foundation works for hotel and residential development	10	Within 30 days from the issue of payment certificate; By cheque	39,785	21.6
2.	Sheung Ying Construction Limited (<i>Note 1</i>)	A private construction company in Hong Kong	Foundation works for the construction of Hong Kong-Zhuhai-Macao Bridge	1	Within 30 days from the issue of payment certificate; By cheque	39,549	21.5
3.	Lee Chan Land Investment Company, Limited	A private property developer in Hong Kong	Foundation works for commercial building development	8	Within 28 days from the issue of payment certificate; By cheque	16,374	8.9
4.	Two Thumbs Up Company Limited	A private property developer in Hong Kong	Foundation works for hotel development	3	Within 28 days from the issue of payment certificate; By cheque	15,852	8.6
5.	Customer F	Subsidiaries of a listed company which is engaged in property development, hospitality and car parking venture business worldwide, and the shares of which are listed on the Main Board of the Stock Exchange. The principal business of such subsidiaries include property development	Foundation works for residential development	6	Within 30 days from the issue of payment certificate; By cheque	15,429	8.4
Five largest customers combined						126,989	68.9
All other customers						57,374	31.1
Total revenue						184,363	100.0

Note 1: Due to the contra-charge arrangement, Sheung Ying Construction Limited is considered as one of our suppliers. For details of the contra-charge arrangement, please refer to the paragraph headed “Contra-charge arrangements with our customers which are also our suppliers” in this section. Sheung Ying Construction Limited was one of our top suppliers for FY2016/17 as a result of the contra-charge arrangement with our Group.

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For the six months ended 30 September 2017:

Rank	Customer	Background and principal business of the customer	Type of works undertaken by us	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
						HK\$'000	%
1.	Sheung Ying Construction Limited (<i>Note 1</i>)	A private construction company in Hong Kong	Foundation works for the construction of Hong Kong-Zhuhai-Macao Bridge	1	Within 30 days from the issue of payment certificate; By cheque	30,014	28.0
2.	Jaylord Company Limited	A private property developer in Hong Kong	Foundation works for hotel development	1	Within 28 days from the issue of payment certificate; By cheque	12,986	12.1
3.	Customer K	A private property developer in Hong Kong. The principal business of such property developer includes property investment and development	Foundation works for residential development	1	Within 30 days from the issue of payment certificate; By cheque	12,233	11.4
4.	Customer L	Two private companies in Hong Kong which are under common management of an independent third party and are engaged in property development	Foundation, superstructure building, hoarding and demolition works for residential development	1	Within 28 days from the issue of payment certificate; By bank transfer	11,437	10.7
5.	Customer M (<i>Note 2</i>)	Subsidiary of a listed company, the shares of which are listed on the Main Board of the Stock Exchange. The principal business of such subsidiary include the provision of (i) waterworks engineering services; (ii) road works and drainage services and site formation works; (iii) upgrading of slopes and retaining walls and (iv) building works in Hong Kong	Foundation works for barrier-free access facilities for footbridge and pedestrian connectivity facilities	1	Within 30 days from the issue of payment certificate; By cheque	9,255	8.6
Five largest customers combined						75,925	70.9
All other customers						31,142	29.1
Total revenue						107,067	100.0

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Notes:

1. Due to the contra-charge arrangement, Sheung Ying Construction Limited is considered as one of our suppliers. For details of the contra-charge arrangement, please refer to the paragraph headed “Contra-charge arrangements with our customers which are also our suppliers” in this section. Sheung Ying Construction Limited was one of our top suppliers for the six months ended 30 September 2017 as a result of the contra-charge arrangement with our Group.
2. Due to the contra-charge arrangement, Customer M is considered as one of our suppliers. For details of the contra-charge arrangement, please refer to the paragraph headed “Contra-charge arrangements with our customers which are also our suppliers” in this section.

During the Track Record period and up to the Latest Practicable Date, we have not experienced any significant disputes with our major customers and the settlement status with our major customers is in good order, save as disclosed in the paragraph headed “Litigation and potential claims” in this section. Furthermore, our Directors confirm that as at the Latest Practicable Date, they were not aware of any circumstances or information that would adversely affect the credit quality of our major customers.

None of our Directors, their close associates, or any Shareholders who owned more than 5% of the issued Shares 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.

Customer concentration

For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 82.5%, 88.7%, 68.9% and 70.9% respectively. The percentage of our total revenue attributable to our largest customer amounted to approximately 32.7%, 29.9%, 21.6% and 28.0% respectively for the same periods. Our Directors consider, as supported by the Ipsos Report, that such customer concentration is not uncommon for construction companies in Hong Kong. Our Directors also consider that our Group’s business model is sustainable despite such customer concentration due to the following factors:

- Except for Customer A (which remained as our top customer for each of FY2014/15, FY2015/16 and FY2016/17 in terms of revenue contribution), the ranking and combination of our top five customers during the Track Record Period were substantially different. This suggests that we did not place undue reliance on any particular one of them throughout the Track Record Period for revenue generation.
- It is not uncommon for a single project to have a large contract sum such that a small number of projects can contribute to a substantial amount of our revenue. In addition, a project of sizeable scale can have a contract period of two to three years. Therefore, if we decide to undertake a certain project with large contract sum, the relevant customer may easily become our major customer in terms of revenue contribution to us for more than one financial year.
- We are an active player in the foundation and superstructure industry. In the event that any of our major customers substantially reduce the number of contracts placed with us, our Directors consider that we would have the capacity to handle other potential projects from other customers in view of the expected growth of the foundation industry and superstructure building works industry in Hong Kong as per the Ipsos Report and our competitive strengths

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as detailed in the paragraph headed “Competitive strengths” in this section. For further details of the growth of demand for foundation and superstructure building works in Hong Kong, please refer to the section headed “Industry overview — Industry drivers of the foundation industry and the superstructure building works industry” in this prospectus.

- We experienced a strong demand for our services from a wide range of customers during the Track Record Period as evidenced by the number of tender invitations that we received from customers during the Track Record Period. During the Track Record Period, over 90% of the tender invitations received by us were from customers other than Customer A. Please refer to the paragraph headed “Operation flow — Business identification phase — Tenders success rate” of this section for further details. In addition, there has been a decreasing trend in the percentage of revenue derived from Customer A to our total revenue, from approximately 32.7% for FY2014/15 to approximately 29.9% for FY2015/16, and further to approximately 21.6% for FY2016/17 and approximately 8.2% for the six months ended 30 September 2017.
- Some of our major customers (including Customer A, Maxon Properties Limited, Customer Zen, Customer F and Lee Chan Land Investment Company, Limited) had business relationship with us for over 6 years and we will therefore endeavour to accommodate their demands for our services to the extent our resources allow in order to maintain our relationships instead of turning down their requests, resulting in them being our top customers.
- Our Directors consider that our business relationship with major customers, industry experience of our management and our track record in handling foundation and superstructure projects are valuable to our customers to ensure their projects are executed on time, within budget and in accordance with their quality standards.

Contra-charge arrangements with our customers which are also our suppliers

Our Directors confirm, and as supported by the Ipsos Report, that it is common in the construction industry that a contractor may pay on behalf of its subcontractor for certain expenses incurred in a construction project. Such expenses are typically deducted from its payments to the relevant subcontractors in settling its service fees 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 Sheung Ying Construction Limited and Customer M, which, as confirmed by our Directors, were conducted on normal commercial terms. Sheung Ying Construction Limited is a contractor in relation to the Hong Kong — Zhuhai — Macao Bridge project and Customer M is a contractor in relation to a foundation works project in Percival Street, Causeway Bay. Pursuant to the contra-charge arrangement set out in the contracts, upon receipt of our written request, Sheung Ying Construction Limited may purchase materials such as concrete and reinforced steel, for our use and make payments on our behalf, where we settled such cost with Sheung Ying Construction Limited through contra-charge arrangement. On the other hand, Customer M may make payments of materials such as concrete and steel and other miscellaneous site expenses on our behalf and for our use, while we settled such cost with Customer M through contra-charge arrangement. Therefore, we regard each of Sheung Ying Construction Limited and Customer M as our supplier. Effectively, the payments due to us from Sheung Ying Construction Limited and Customer M will be settled after netting off such contra-charge amounts. For each of the

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three years ended 31 March 2017 and the six months ended 30 September 2017, our contra-charge incurred amounted to nil, nil, HK\$20.5 million and HK\$18.6 million, respectively, representing approximately nil, nil, 15.3% and 22.1% of our total direct cost. As we settled such costs by way of contra-charge by netting off with the payments due from Sheung Ying Construction Limited and Customer M, both cash inflows from the project works done and cash outflows from the purchases were reduced by the same amount. Therefore, the contra-charge arrangements had no material effect on our Group's cashflow positions during the Track Record Period.

Marketing activities

During the Track Record Period, we secured new businesses mainly through direct invitations for tender by customers. Our Directors consider that due to our proven track record and our relationship with our existing customers, we are able to leverage our existing customer base, reputation and our experience in foundation and superstructure building works such that we do not rely heavily on marketing and promotional activities other than liaising with existing and potential customers from time to time for relationship building and management. Our executive Directors are generally responsible for liaising and maintaining our relationship with customers and keeping abreast of market developments and potential business opportunities.

Major terms of engagement with our customers

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

- Contract period* : Contract period refers to the period within which the contract works have to be completed. Depending on the nature and complexity of a project as well as the existence of any unforeseen circumstances (such as bad weather conditions, industrial accidents, variation orders requested by customers, etc., if any), the duration of our contracts (from the date of engagement to the date of completion) generally range from approximately 1 month to 3 years. The contract period may be extended pursuant to the terms of the relevant contract.
- Scope of works* : This term identifies the types and scope of the works in detail which we are engaged to perform under the contracts. For details, please refer to paragraph headed "Description of our works" in this section.
- Contract sum* : The contract contains a contract sum, which is calculated by applying the agreed unit rates of each type of works to the total quantities of work done based on the contract design and specifications. The final contract sum may change as a result of variation orders arising from modifications to the original contract design.

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- Bills of quantities or schedule of rates* : Most of our contracts would include the bills of quantities or schedule of rates which generally contain the description of the types of work, specifications, quantities of works to be done and the unit rates for each type of works under the project.
- Payment terms* : We generally provide our customers with a written statement of the value of works done under the contract on a monthly basis or based on the phases of works as specified in the contract. The credit period offered to our customers generally ranges from 14 to 30 days from the date of issue of the payment certificate by the customer's consultant or architect or the invoice date (as the case may be).
- Variation orders* : We may be required to execute additional or modification works as may be ordered by the customer. Any additional work carried out which is similar in character to and executed under similar conditions to any item of work priced in the original contract shall be valued at the rate set out in the original contract for such item of work.
- Retention money* : Our customers are generally entitled to withhold 10% of the value of work done, subject to a maximum retention of 5% of the total contract value, as retention money. Please refer to the paragraph headed "Operation flow — Completion phase — Practical completion and release of retention money" in this section above for further details.
- Deposit* : Some of our customers may give a deposit to us at or before the commencement of our works. Such deposit normally amount to 10% of the original contract sum of the contract and is normally paid to us within 28 days from the date of written instruction from the architect. Such deposit shall be deducted from interim payments in proportion to the work done by us.
- Insurance* : In general, it is the obligation of the main contractor of the foundation works and superstructure building works project to effect proper insurance policies against damages, claims and compensation in respect of the persons who are employed to work at the construction sites. Depending on the terms of the relevant contracts, such insurances are taken out either by ourselves (in the case where we act as a main contractor) or by the main contractors (in the case where we act as a subcontractor). Please refer to the paragraph headed "Insurance" in this section below for further details.

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- Surety bonds* : Surety bond refers to a bond issued by a bank or an insurance company as arranged by a contractor so as to guarantee the satisfactory completion of a project by the contractor such that if the contractor fails to perform according to requirements in the contract, the contractor's customer is guaranteed compensation for any monetary loss up to the amount of the surety bond. Depending on the customers' requirements, a surety bond of up to 10% of the contract sum may be required by our customers to secure our Group's due performance of the contract.
- Liquidated damages* : A contract may contain clauses on liquidated damages to protect our customers against any delay in completion of works awarded to us. We may be liable to pay liquidated damages to our customers if we are unable to meet the time schedules specified in the contracts and/or extended time granted by the customers (if any). Liquidated damages are typically calculated on the basis of a fixed sum per day as stipulated under the contract.
- Default and termination* : We may be held in default of the contract if we, among other things:
- abandon the contract; or
 - without reasonable cause wholly suspend the carrying out of the works before completion; or
 - fail to proceed regularly and diligently with the works.
- Defects liability period* : Our customers normally require a defects liability period which normally lasts for 12 months after completion of our projects. Please refer to the paragraph headed "Operation flow — Completion phase — Defects liability period" in this section above for further details.

Credit policy

Before deciding whether to submit a tender proposal, we normally consider factors such as the creditworthiness of the relevant customer and the key contract terms stipulated in the relevant tender document. Further details in respect of the factors considered in the course of preparation of a tender proposal are set out under the paragraph headed "Operation flow" in this section above.

After entering into a formal contract, our quantity surveying department will monitor payments from the customer. For outstanding balances overdue, our management and project team will be alerted and appropriate follow-up actions will be taken.

Credit terms given to our customers are generally set out in the relevant contract. The credit period offered to our customers generally ranges from 14 to 30 days from the date of issue of the payment certificate by the customer's consultant or architect or the invoice date (as the case may be). Settlement

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is normally made by cheque. Our trade receivable turnover days is approximately 20.2 days, 19.7 days, 51.0 days and 65.5 days for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, respectively. Further details on our trade receivable turnover days are set out in the paragraph headed “Financial Information — Net current assets — Trade and other receivables” in this prospectus.

Material overdue payments are monitored continuously and evaluated on a case-by-case basis as to the appropriate follow-up actions having regard to the customer’s normal payment processing procedures, our relationship with the customer, its history of making payments, its financial position as well as the general economic environment. During the Track Record Period, our follow-up actions for recovering long-overdue payment included active communications with the customers as well as sending written settlement reminders to our customers.

In FY2016/17, we experienced a dispute with Customer F in relation to outstanding payment and alleged liquidated damages. For further details, please refer to “Litigation and potential claims” in this section.

Seasonality

Our Directors believe that the industry in which we operate does not exhibit any significant seasonality.

SUPPLIERS

Characteristics of 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, piles and reinforcement steel; (iii) machinery and equipment rental service providers; and (iv) suppliers of other miscellaneous services such as insurance, security and materials testing.

We generally engage the subcontractors and order the relevant construction materials and services on project-by-project basis and therefore do not enter into any long-term supply agreements with our suppliers. Our Directors believe that we have maintained good business relationships with our suppliers. As at the Latest Practicable Date, there were approximately 308 suppliers on our list of approved suppliers, which is reviewed and updated periodically. The admission of suppliers onto our approved list is subject to assessment of various factors including track record, pricing, product quality, market reputation, timeliness of delivery, financial conditions and after-sales services.

During the Track Record Period, in two projects in which we acted as a subcontractor, we are provided with materials (such as concrete and reinforced steel) by our customers pursuant to the contra-charge arrangements, details of which are set out in the paragraph headed “Customers — Contra-charge arrangements with our customers which are also our suppliers” above in this section.

During the Track Record Period, we did not experience any material shortage or delay in the supply of goods and services that we required. Our Directors consider that the possibility of a material shortage or delay in the supply of goods and services required by us is low given the abundance of suppliers of the same kind in the market. Our Directors also consider that we are generally able to pass

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on substantial increase in purchase costs to our customers as we generally take into account our overall costs of undertaking a project when determining our pricing. For a discussion on the historical price fluctuation of the main types of goods and services that we require, please refer to the section “Industry overview” in this prospectus.

The following table sets out a breakdown of our total purchases by type during the Track Record Period:

	FY2014/15		FY2015/16		FY2016/17		For the six months ended 30 September 2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Subcontracting charges	104,329	72.1	115,171	77.7	83,008	66.7	51,684	65.6
Materials costs	27,380	18.9	20,886	14.1	28,056	22.5	23,594	30.0
Machinery and equipment rental expenses (<i>Note</i>)	1,546	1.1	1,897	1.3	721	0.6	347	0.4
Other miscellaneous services	11,360	7.9	10,305	6.9	12,686	10.2	3,102	4.0
Total	144,615	100.0	148,259	100.0	124,471	100.0	78,727	100.0

Note: Machinery and equipment rental expenses shown in the above table include those charged by machinery and equipment rental service providers only. During the Track Record Period, we normally required our subcontractors to arrange for the necessary machinery and equipment for carrying out the subcontract works. Our subcontractors generally charged us a fee for arranging the necessary machinery and equipment, which are included in the subcontracting charges in the above table.

Please refer to the section headed “Financial information — Period-to-period comparison of results of operations” in this prospectus for a discussion of the fluctuation in our purchases from our suppliers during the Track Record Period as shown in the above table as well as relevant sensitivity analyses in this connection.

Major suppliers

For FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, the percentage of our total purchases incurred from our largest supplier amounted to approximately 29.6%, 27.1%, 16.4% and 22.4% of our total purchases incurred, respectively, while the percentage of our total purchases incurred from our five largest suppliers combined amounted to approximately 54.3%, 48.8%, 54.9% and 58.6% of our total purchases incurred, respectively. During the Track Record Period, our suppliers were located in Hong Kong and our purchases were denominated in HK\$.

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Set out below is a breakdown of our total purchases incurred from our five largest suppliers during the Track Record Period and their respective background information:

For FY2014/15:

Rank	Supplier	Background and principal business of the supplier	Type of goods or services purchased by us from the supplier	Year(s) of business relationship	Typical credit terms and payment method	Purchases by us from the supplier	
						HK\$'000	%
1	Supplier A	A private company in Hong Kong, the principal business of which mainly include provision of foundation works services	Subcontracting of foundation works services	11	Within 90 days from the issue of payment certificate; By cheque	42,790	29.6
2	Supplier B	A private company in Hong Kong, the principal business of which mainly include provision of electrical and mechanical services	Subcontracting of building services including electrical and mechanical works	3	Within 30 days from the issue of payment certificate; By cheque	13,467	9.3
3	Supplier C	A private company in Hong Kong, the principal business of which mainly include supplying of steel	Supply of construction materials such as H-pile, sheet pile and casing	9	Within 30 days from the issue of invoice; By cheque	9,802	6.8
4	Supplier D	A private company in Hong Kong, the principal business of which mainly include provision of foundation works services	Subcontracting of foundation works services	9	Within 30 days from the issue of payment certificate; By cheque	6,243	4.3
5	Supplier E	A sole proprietorship registered in Hong Kong, the principal business of which mainly include provision of renovation works, plattering and painting services	Subcontracting of interior fitting-out works services	8	Within 30 days from the issue of payment certificate; By cheque	6,204	4.3
Five largest suppliers combined						78,506	54.3
All other suppliers						66,109	45.7
Total purchases						<u>144,615</u>	<u>100.0</u>

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For FY2015/16:

Rank	Supplier	Background and principal business of the supplier	Type of goods or services purchased by us from the supplier	Year(s) of business relationship	Typical credit terms and payment method	Purchases by us from the supplier	
						HK\$'000	%
1	Supplier A	A private company in Hong Kong, the principal business of which mainly include provision of foundation works services	Subcontracting of foundation works services	11	Within 90 days from the issue of payment certificate; By cheque	40,247	27.1
2	Supplier E	A sole proprietorship registered in Hong Kong, the principal business of which mainly include provision of renovation works, plastering and painting services	Subcontracting of interior fitting works	8	Within 30 days from the issue of payment certificate; By cheque	8,596	5.8
3	Supplier F	A private company in Hong Kong, the principal business of which mainly include provision of stone cladding installation services	Subcontracting of stone cladding installation services	9	Within 30 days from the issue of payment certificate; By cheque	8,131	5.5
4	Supplier G	A private company in Hong Kong, the principal business of which mainly include provision of electrical and mechanical services	Subcontracting of superstructure works services including electrical and mechanical works	2	Within 30 days from the issue of payment certificate; By cheque	7,729	5.2
5	Supplier H	Two private companies in Hong Kong, the principal business of which mainly include provision of design and installation of curtain wall services	Subcontracting of superstructure works services	4	Within 30 days from the issue of payment certificate; By cheque	7,616	5.1
Five largest suppliers combined						72,319	48.8
All other suppliers						75,940	51.2
Total purchases						148,259	100.0

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For FY2016/17:

Rank	Supplier	Background and principal business of the supplier	Type of goods or services purchased by us from the supplier	Year(s) of business relationship	Typical credit terms and payment method	Purchases by us from the supplier	
						HK\$'000	%
1	Sheung Ying Construction Limited (<i>Note</i>)	A construction company in Hong Kong	Supply of construction materials for foundation works	1	Within 30 days from the issue of payment certificate; By cheque	20,451	16.4
2	Supplier I	A private company in Hong Kong, the principal business of which mainly include provision of reinforced concrete structure works	Subcontracting of foundation works services	1	Within 30 days from the issue of payment certificate; By cheque	13,631	11.0
3	Supplier J	A private company in Hong Kong, the principal business of which mainly include provision of foundation works services	Subcontracting of foundation works services	9	Within 30 days from the issue of payment certificate; By cheque	13,086	10.5
4	Supplier A	A private company in Hong Kong, the principal business of which mainly include provision of foundation works services	Subcontracting of foundation works services	11	Within 90 days from the issue of payment certificate; By cheque	11,250	9.0
5	Supplier K	A private company and a sole proprietorship registered in Hong Kong which are under common management, the principal business of which mainly include provision of interior fitting-out works services	Subcontracting of interior fitting-out works services	3	Within 30 days from the issue of payment certificate; By cheque	9,924	8.0
Five largest suppliers combined						68,342	54.9
All other suppliers						56,129	45.1
Total purchases						124,471	100.0

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For the six months ended 30 September 2017:

Rank	Supplier	Background and principal business of the supplier	Type of goods or services purchased by us from the supplier	Year(s) of business relationship	Typical credit terms and payment method	Purchases by us from the supplier	
						HK\$'000	%
1	Sheung Ying Construction Limited (<i>Note</i>)	A construction company in Hong Kong	Supply of construction materials for foundation works	1	Within 30 days from the issue of payment certificate; By cheque	17,609	22.4
2	Supplier L	A construction company in Hong Kong	Subcontracting of foundation works services	1	Within 30 days from the issue of payment certificate; By cheque	10,797	13.7
3	Supplier I	A private company in Hong Kong, the principal business of which mainly include provision of reinforced concrete structure works	Subcontracting of foundation works services	1	Within 30 days from the issue of payment certificate; By cheque	10,262	13.0
4	Supplier M	Subsidiary of a listed company, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange. The principal business of such subsidiary includes provision of foundation, site formation works and other geotechnical engineering works	Subcontracting of foundation works services	1	Within 30 days from the issue of payment certificate; By cheque	3,810	4.8
5	Supplier N	A construction company in Hong Kong	Subcontracting of demolition works	3	Within 60 days from the issue of payment certificate; By cheque	3,638	4.6
Five largest suppliers combined						46,116	58.6
All other suppliers						<u>32,611</u>	<u>41.4</u>
Total purchases						<u><u>78,727</u></u>	<u><u>100.0</u></u>

Note: Due to the contra-charge arrangement, Sheung Ying Construction Limited is considered as one of our suppliers. For details of the contra-charge arrangement, please refer to the paragraph headed "Contra-charge arrangements with our customers which are also our suppliers" in this section.

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None of our Directors, their close associates, or any Shareholders who owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the five largest suppliers of our Group during the Track Record Period.

Reason for subcontracting arrangement

As the entire process of a foundation or superstructure building works project involves different kinds of works procedures, it may not be cost effective for us to undertake each part of the works involved directly. In addition, subcontractors can provide additional labours with different skills without the need for us to keep them under our employment. As such, for most of our projects, we act as a main contractor and delegate works to our subcontractors under close supervision and management by our project management team to ensure that the projects conform to customers' requirements and are completed on time and within budget. Our Directors believe that our practice to engage subcontractors to carry out the site works when acting as a main contractor is in line with the usual practices of the construction industry in Hong Kong. Our Directors consider that such subcontracting arrangement is in the interest of our Group because it allows us to (i) select from a pool of subcontractors with different skillsets that suit the requirements of different projects without the need to retain all of them as our employees; (ii) focus on the project management and supervision functions; and (iii) deploy our resources in a more cost-effective manner and without the need to maintain a large workforce of regular full-time staff.

For FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, we incurred subcontracting charges of approximately HK\$104.3 million, HK\$115.2 million, HK\$83.0 million and HK\$51.7 million, respectively. Please refer to the section headed "Financial information — Principal components of results of operation — Direct costs" in this prospectus for the relevant sensitivity analysis.

Criteria for selecting subcontractors

Our Group maintains an approved list of subcontractors, which are selected based on their past track records, qualifications, quality of work, reputation in the industry, capability, price competitiveness, and credit-worthiness. As at the Latest Practicable Date, we had 95 subcontractors on our approved list of subcontractors. We believe that our relationship with our subcontractors enables us to have a thorough understanding and assessment of their performance, which in turn allows us to ensure their quality of works. We will review and update our approval list from time to time. When subcontractors are needed for a particular project, we select subcontractors from our list based on their experience relevant to the particular project as well as their availability and fee quotations.

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Major terms of engagement with our subcontractors

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

- | | | |
|--|---|--|
| <i>Contract period</i> | : | The duration of the subcontracting agreement is in line with the duration of the main contract between us and our customer. |
| <i>Rights and obligations of the subcontractor</i> | : | 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. |
| <i>Subcontracting fee and payment terms</i> | : | The subcontracting fee to be received by the subcontractor is usually represented in a provisional sum, which may vary due to any variation orders or additional works to be performed by the subcontractors with our prior consent. In general, the subcontracting fee is determined with reference to (i) the nature of works to be performed by the subcontractors; (ii) the amount of labour resources required from the subcontractors; and (iii) the machinery rental costs if the subcontractors are required to provide the necessary machinery for carrying out the foundation works delegated to them. |

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During the Track Record Period, the credit period offered by our subcontractors generally ranges from 7 to 90 days upon issuance of invoice. It is generally our policy that the credit period offered by our subcontractors should not exceed 60 days upon issuance of invoice. Although the longest credit period granted by two of our subcontractors was 90 days during the Track Record Period, our Directors consider that the length of such credit period was exceptional because more time was required to gather supporting documents from the relevant subcontractors in order to certify their work done. Save as disclosed above, we paid our subcontractors within 60 days upon issuance of invoice during the Track Record Period. Furthermore, our Group has entered into new quotations with the aforesaid two subcontractors in October 2017 and the credit period offered by them were within 60 days for interim payments. Therefore, our Directors consider that our current payment arrangement with our subcontractors typically does not deviate from the requirements stipulated in the proposed SOPL. Going forward, our Group will continue adhering to our policy that the credit period offered by our subcontractors should not exceed 60 days upon issuance of invoice and strictly comply with the requirements stipulated in the SOPL if it becomes effective in the future. As such, our payment practice, liquidity and cash management will not be materially affected by the SOPL if it becomes effective in the future.

- Site utilities* : Water, electricity and lighting are provided by our Group for site operations.
- Retention monies and maintenance period* : We may hold up a certain percentage of each interim payment made to the subcontractors as retention money. Such percentage generally ranges from 5% to 10% of the value of work done by the subcontractors, subject to a ceiling of up to 5% of the total contract sum of the projects. Unless otherwise agreed, the retention monies or such portion thereof shall be held for twelve months after the satisfactory completion of the subcontracting works. During this period, the subcontractor shall keep its work in repair or make good any faulty work at its own expense.
- Insurance* : In general, it is the obligation of the main contractor of the project to effect proper insurance policies against damages, claims and compensation in respect of the persons who are employed to work at the construction sites. Please refer to the paragraph headed “Insurance” in this section below for further details.

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- Liquidated damages* : A subcontractor is required to pay liquidated damages to us for any significant delay in completion of works subcontracted to them, subject to any extension of time as may be granted by us.
- Termination* : If the subcontractor leaves the work uncompleted, fails to complete the work on the date for completion or, if in the opinion of our project manager 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.
- Management and supervision* : The subcontractor is required to designate a representative at the works site to supervise the works and liaise with our site foreman and project manager.
- 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 subcontractor and/or its employees. We are entitled to hold our subcontractors liable for any loss and damage suffered by our Group if their works are not performed in accordance with the requirements set out in the main contract.

Control over subcontractors

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. During project implementation, our project team regularly meets with our subcontractors and closely monitors their performance and work progress as well as their 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 protection” in this section.

In addition, depending on our agreements with our subcontractors, we may hold up a certain percentage of each interim payment made to our subcontractors as retention money, such that if the subcontractors fail to deliver the works or rectify any defects in a timely manner, any expenses or losses incurred by us may be charged against the retention money held up from our subcontractors.

MACHINERY

Machinery used by us

Most of the works involved in our works projects require the use of machinery and equipment. During the Track Record Period, we either used our owned machinery or the machinery provided by our subcontractors or rented the required machinery from machinery and equipment rental services providers.

During the Track Record Period, our subcontractors are normally required by us to arrange for the necessary machinery and equipment such as excavator, crawler crane, bored pile machines and hydraulic pile driving rig by themselves for carrying out the works delegated to them and provide the necessary workers for operating such machinery and equipment. Our subcontractor generally charged us a fee for arranging such machinery and equipment and such fee are generally included in the subcontracting charges. Based on the fee quotations from our subcontractors, the machinery costs included in the subcontracting charges was approximately HK\$28.8 million during the Track Record Period. In addition, we also incurred rental costs of approximately HK\$4.5 million in aggregate during the Track Record Period from external machinery and equipment rental services providers.

The major types of machinery needed by our Group for our foundation and superstructure works include:

- air compressor, which is mainly used in conjunction with pre-boring plant for cleaning the debris inside the pre-bored holes during the pre-boring operation;
- hydraulic hammer, which is mainly used for driving piles into the ground;
- pile driver, which is mainly used for carrying a hammer to drive piles into the ground;
- excavator, which is mainly used for digging of trenches, holes and trial pits;
- crawler crane, which is mainly used for lifting and moving heavy materials;
- casing oscillator, which is mainly used for driving or extracting a large diameter steel casing;
- reverse circulation drilling, which is mainly used for crushing hard materials and overcoming underground obstruction;
- under reamer, which is mainly used for increasing the drilling diameter during hard rock drilling;
- bell-out bit, which is mainly used for creating bell-out shape at the bottom of a pile;
- hammer grab, which is mainly used for breaking up boulders;
- hydraulic pile driving rig, which is mainly used for creating holes in the earth sub-surface;
- boom lift, which is mainly used for workers when working at height;

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- tower cranes, which is mainly used for lifting and installation; and
- truck cranes, which is mainly used for lifting and installation.

Machinery owned by our Group

The principal machinery owned by our Group as at 30 September 2017 include the following:

Machinery	Number of units	Function and usage	Appropriate weighted average remaining useful life (years) <i>(Note)</i>	Acquisition costs <i>HK\$'000</i>	Carrying value as at 30 September 2017 <i>HK\$'000</i>
Crawler crane	2	Used for lifting and lowering materials and to transport heavy things with it	0.35	3,500	245
Pile driver	1	Used for carrying a hammer to drive piles into the ground	0	1,850	—
Hydraulic hammer	1	A percussion hammer mounted on a pile driver powered by hydraulic system to drive piles into ground	3.16	1,830	1,159
Air compressor	1	Used in conjunction with pre-boring plant to flush clean the debris inside the pre-bored holes during the pre-boring operation	0.58	500	58
Total:				7,680	1,462

Notes: The average remaining useful life of our machinery as set out in the above table is based on the weighted average of the remaining depreciable period of each unit of machinery determined in accordance with our applicable accounting policies, under which the depreciation is calculated using the straight line method to allocate their costs to their residual values over the estimated useful lives. The principal annual rates used for calculation of depreciation for our machinery is 20%. When the machinery is fully depreciated, the remaining useful life will be zero and results in a lower weighted average remaining useful life.

Our Directors consider that as at the Latest Practicable Date, our existing machinery and equipment were in operating conditions in general. We do not have a pre-determined or regular replacement 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 and the cost effectiveness of replacing only the malfunctioning parts. We replace aged machinery and equipment when it is imperative to do so with reference to factors such as their operating condition and the cost effectiveness of such replacement. Our Group will continue to evaluate the operating condition, effectiveness and efficiency of our machinery and equipment and assess our need for additional machinery and equipment in view of our business development.

During the Track Record Period, the machinery we purchased mainly include a hydraulic hammer of approximately HK\$1.8 million which is used for carrying out foundation works. Our Directors consider that it is necessary to enhance our investment in machinery for our business expansion. Having considered the cost and benefit between purchasing machinery and renting machinery, our Directors plan to spend approximately HK\$54.9 million to purchase machinery to be financed by the net proceeds from

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the Share Offer. Please refer to the section headed “Future plans and use of proceeds” for details of the reasons for purchase of machinery, the types of machinery to be purchased and the intended timing of deployment of the proceeds in this regard.

Safekeeping of machinery and equipment

Machinery and equipment that are deployed to work sites are kept under the general management of the respective work sites. We have engaged service providers to provide security services for our construction sites when we acted as main contractor. As at the Latest Practicable Date, all of our machinery and equipment are fully deployed in construction sites and no storage of idle machinery and equipment is required.

Repair and maintenance

We perform checks on our machinery prior to sending them to the required site and replace consumable parts after completion of works. In general, machinery that are found to be malfunctioning or out of order are sent to other third party repair companies for repair and maintenance.

Service capacity and utilisation rate

Due to the nature of our foundation business and operations, our Directors consider that it is not feasible and not practicable to quantify and disclose detailed utilisation rate of our machinery for the following reasons:

- The utilisation rate of individual machinery cannot be clearly defined. A typical foundation project requires the use of different machinery at different stages, and machinery from time to time are left unused in active sites pending completion of other stages. In addition, different types of machinery have different functions, usages, sizes and capacity and it is not entirely feasible to quantify the service capacity and utilisation rate of each piece of machinery by reference to a common comparable and objective scale or standard of measurement or quantifiable measurement unit.
- Machinery are also sometimes left unused for repairing, assembling or disassembling in sites.

Hence, our Directors are of the view that it would be difficult and even infeasible to define accurate utilisation rate of machines in general. Although 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 anticipated need for our different types of machinery and formulate acquisition plan based on the status of our projects on hand, the number of our projects in the pipeline and their specific requirements, and our assessment on the availability and condition of our existing machinery.

QUALITY CONTROL

To maintain consistent quality services for our customers, we have established a quality management system which is certified to be in compliance with the requirements of ISO 9001:2008 since December 2002. We have in-house quality assurance requirements that conform to the ISO 9001:2008 quality standards specifying, among other things, specific work procedures for performing different

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types of site works, management process, responsibilities of personnel of different levels, tendering process, cost control, project planning, project management and supervision, quality inspection procedures and standards, subcontracting requirements and accident reporting and complaints. Our workers and our subcontractors are required to follow such procedures. Mr. Benjamin Ng, our executive Director and chief executive officer, and Mr. Leung Kin Pong Brondson, our senior project manager, are responsible for managing our quality management system. For the background and industry experience of Mr. Benjamin Ng and Mr. Leung Kin Pong Brondson, please refer to the section headed “Directors and senior management” in this prospectus.

Quality control on our services

Our executive Directors, with the assistance of our project managers and site agents, closely monitor the progress of each project to ensure that our service (i) meets our customer’s requirements; (ii) are completed within the time stipulated in the contract and the budget allocated for the project; and (iii) comply with all relevant rules and regulations. In particular, we implement the following quality control measures:

- Our site agents assist our project managers and our executive Directors to monitor overall work quality and project progress, perform on-site inspections and supervise site workers on a daily basis. They will timely inform our project managers and our executive Directors of the project status and any quality issues arising from project execution.
- We also closely supervise the work quality of our subcontractors. For our quality control measures over our subcontractors, please refer to the paragraph headed “Suppliers — Control over subcontractors” of this section.

Quality control on construction materials

We closely monitor the quality of purchased materials. To ensure the quality of supplies, prior to ordering, our quantity surveyors will ensure that the materials are sourced from our approved suppliers to ensure overall quality of supplies. Upon arrival of the ordered materials, all materials are sent directly to the relevant work sites for inspection by our foremen and engineers before use. During the inspection, we will check whether the quantity is correct and whether there are any observable defects. Any defective materials or materials that fall short of the product specifications would be returned to the suppliers for replacement. Our customers would also inspect the materials used by us at project sites and verify the specifications from time to time.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not received any complaint or claim for compensation from our customers due to quality issue in relation to the services performed by us or works performed by our subcontractors.

OCCUPATIONAL HEALTH AND SAFETY

We place emphasis on occupational health and work safety during the delivery of our services as it is our concern not to put our employees, our subcontractors and the general public in hazards. We have established an occupational health and safety system which follows the OHSAS 18001 standards and is managed by our safety and environmental team. Our occupational health and safety management system

is certified to be in compliance with the standard required under OHSAS 18001:2007 since November 2010 as a recognition of the policies and procedures undertaken by our Group to address potential health and safety issues on our sites.

Occupational health and work safety measures

Due to the nature of works in the foundation and superstructure building works industries, workers at the sites are prone to safety hazards. In order to provide a safe and healthy working environment for our employees and our subcontractors and to ensure compliance with the applicable laws and regulations in Hong Kong, we implement our safety control policy at the commencement and during the implementation period of each project.

Our safety control policy is documented in writing and supplemented with instructions, training and demonstrations. We require strict implementation of and adherence to our safety control policy. We will continue to put adequate resources and effort to uphold and improve our safety management in order to reduce our risks related to safety issues.

Our safety control policy adopted and used during the Track Record Period sets out work safety measures to prevent accidents which could happen at sites. Our work safety measures include:

- Effective promotion and communication of safety procedures are maintained through, among others, establishing safety bulletin and detailed record of accident statistics, holding regular internal and external safety meetings, and documenting safety measures and issues identified for each project by preparing safety reports and training record.
- Risk assessments are generally conducted to identify the potential hazards and accidents and provide suggestion on proper preventive measures prior to commencement of works.
- Site inspections are carried out at least once a week to ensure strict compliance with the statutory occupational health and safety laws, rules and regulations.

In addition, as disclosed in the paragraph headed “Operation flow — Planning and administration phase — Selection and appointment of subcontractors” of this section above, we normally require our subcontractors to equip themselves with the machinery required for carrying out the works delegated to them and provide the necessary workers for operation of the machinery. Where the use of the machinery is required in performing the works delegated and our subcontractors are responsible for providing such machinery, they are required under the subcontracting agreement to ensure that all machinery used complied with the relevant statutory safety requirements and the subcontractors are fully liable for all personal injuries and penalties due to the breach of the statutory safety requirements.

System of recording and handling accidents and our safety compliance record

For project that we act as main contractor, when there is an accident at our works site, we require any injured worker or person who witnessed the accident to report to our site representative or safety officer for the purposes of collecting information for processing employees' compensation claims as well as compliance with the relevant regulations in Hong Kong regarding the reporting of all work injuries at our sites to the Labour Department. To ensure proper recording and handling of work injuries, we follow a general procedure as below:

- Fact finding and follow-up actions
 - Our safety officer will investigate the accident by visiting the accident scene, examining the equipment and/or material involved and taking statements from the injured worker, witness(es) of the accident and other personnel in relation to the project.
 - Remedial actions will be taken by our project management team to remove imminent danger and to prevent occurrence of similar accidents in the future. Our safety officer will also carry out follow-up inspection to ensure that remedial works are implemented.
- Reporting
 - Our safety officer will prepare a work injury report and, if it is an employee injury reportable case, submit it to the Labour Department within the period as specified under the relevant laws and regulations.
 - Our administrative department will report to the insurance company and, where the claim is significant, consult external legal adviser (if necessary).
- Settlement or litigation
 - Settlement of any claim will be handled by the insurance company. If the insurance company and the injured person (or their respective representatives) do not agree on the settlement amount, the matter may be litigated.

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During the Track Record Period and up to the Latest Practicable Date, there were 16 accidents that resulted in injuries of our employees or our subcontractors' employees. Out of the 16 accidents, 2 of them involved workers who were employed by our Group and 14 of them involved workers who were employed by our subcontractors. All of these accidents occurred in Hong Kong and had been reported to the Labour Department.

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2017	From 1 October 2017 to the Latest Practicable Date
Number of accidents resulting in injuries of:					
— our employees	1	1	—	—	—
— our subcontractors' employees	<u>5</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>4</u>
	<u><u>6</u></u>	<u><u>2</u></u>	<u><u>2</u></u>	<u><u>2</u></u>	<u><u>4</u></u>

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The nature, purported injuries and cause in relation to the 16 accidents during the Track Record Period and up to the Latest Practicable Date are as follows:

No.	Details of the accident and nature of injuries	Total number of accidents
	<i>Carelessness of workers in failing to pay attention to site environment</i>	8
1	An employee of our subcontractor allegedly slipped whilst passing a staircase and purportedly suffered fracture of lower tibia, fibula shafts and fibula head	
2	An employee of our subcontractor allegedly slipped whilst transporting steel bars and purportedly suffered back contusion	
3	An employee of our subcontractor allegedly fell down whilst handling timber and purportedly suffered foot injury resulting in foot weakness	
4	An employee of our subcontractor was allegedly hit by bricks under transportation and purportedly suffered fracture to big toe	
5	An employee of our subcontractor was allegedly injured by hot steam whilst opening hot water tank and purportedly suffered forearm scald	
6	An employee of our subcontractor was allegedly hit by falling or overturning glasses and purportedly suffered shoulder injury	
7	An employee of our Group was allegedly hit by an object from a garbage truck whilst doing cleaning works and purportedly suffered nose injury	
8	An employee of a subcontractor was allegedly cut by an aluminium sheet of a curtain wall whilst working on a scaffolding platform and purportedly suffered a cut on his right forearm	
	<i>Malpractice of workers in failing to comply with our workplace policies or procedures all the times</i>	6
9	An employee of our subcontractor was allegedly hit by a grouting tube in performing lifting works without a signalman and purportedly suffered crush in finger	
10	An employee of our subcontractor allegedly sprained her wrist and elbow whilst manually handling, instead of mechanically handling, a timber	
11	An employee of our Group allegedly sprained her forearm whilst manually handling, instead of mechanically handling, debris	
12	An employee of our subcontractor was allegedly burnt whilst using electric tools, instead of excavation hand tool, in relation to the excavation works near an electric cable and purportedly suffered burn to forearm and abdomen	
13	An employee of our subcontractor was allegedly hurt by the flame of an anionic cutting machine in the course of repairing it, instead of handling it for repair by a registered electrical worker, and purportedly suffered burn to his left hand	
14	An employee of our subcontractor was allegedly injured whilst transporting a casing without using a guide rope and purportedly suffered fracture to rib	
	<i>Misuse or careless use of the tools</i>	2
15	An employee of our subcontractor was allegedly struck by a hammer that she used in formwork installation and purportedly suffered thumb fracture	
16	An employee of our subcontractor was allegedly hit by a metal ladder which was carried by another worker and purportedly suffered right ankle injury	

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For further details of the aforementioned accidents that led to employees' compensation claims under Employees' Compensation Ordinance and/or personal injuries claims under common law, please refer to the paragraph headed "Litigation and potential claims" in this section.

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During the Track Record Period and up to the Latest Practicable Date, our Group has not suffered from any removal, suspension, downgrading or demotion of our licences or permits due to accidents.

We have taken out insurance in compliance with applicable laws and regulations with a view to providing sufficient coverage for such work-related injuries for employees. As such, these incidents did not and are not expected to have a material impact on our Group's operations. For further details of our insurance policies, please refer to the paragraph headed "Insurance" below in this section.

The following table sets out a comparison of the industrial accident rate per 1,000 workers and the industrial fatality rate per 1,000 workers in the construction industry in Hong Kong between our Group and the industry average during the periods indicated:

	Construction industry in Hong Kong <i>(Note 1)</i>	Our Group <i>(Note 2)</i>
From 1 January to 31 December 2014		
Industrial accident rate per 1,000 workers in construction industry	41.9	65.9
Industrial fatality rate per 1,000 workers in construction industry	0.242	0
From 1 January to 31 December 2015		
Industrial accident rate per 1,000 workers in construction industry	39.1	30.8
Industrial fatality rate per 1,000 workers in construction industry	0.2	0
From 1 January to 31 December 2016		
Industrial accident rate per 1,000 workers in construction industry	34.5	13.0
Industrial fatality rate per 1,000 workers in construction industry	0.093	0
From 1 January to 31 December 2017		
Industrial accident rate per 1,000 workers in construction industry	Not available	34.0
Industrial fatality rate per 1,000 workers in construction industry	Not available	0

Notes:

- The statistics are extracted from the Occupational Safety and Health Statistics Bulletin Issue No. 16 (August 2016) and the Occupational Safety and Health Statistics Bulletin Issue No. 17 (August 2017) published by Occupational Safety and Health Branch of the Labour Department of the Government.

2. Our Group's rates are calculated with reference to the number of injuries divided by the daily average site workers in our Group's construction sites during the year and multiply the result by 1,000. The daily average site workers consisted of employees of our Group and our subcontractors' employees.

Enhanced internal control measures to prevent recurrence of accidents

In view of the accidents, (i) our management team conducted briefings with our workers and subcontractors to understand the causes of the accidents and requested our workers and subcontractors to strictly follow our safety policy; (ii) we provided additional safety training to our workers and subcontractors in relation to the preventive measures of accidents; (iii) we had increased the frequency of site inspections; and (iv) we had increased the frequency of staff briefings and reminders to increase the awareness of the workers (including our employees and subcontractors) on-site in relation to occupational safety and health.

Review by the Safety Consultant

We engaged, at the request of the Sponsor, the Safety Consultant (an independent safety consultant whose engagement team includes a Chartered Member of the Institution of Occupational Safety and Health and a Safety Officer registered under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulation) to perform safety reviews on our existing occupational health and safety management system and to assess the adequacy and effectiveness of our occupational health and safety management system from February to July 2017. The Safety Consultant has reviewed, among other things, (i) records pertaining to the accidents during the Track Record Period and up to the Latest Practicable Date; (ii) the existing safety measures and procedures adopted by our Group; and (iii) records pertaining to our implementation of safety measures and procedures, and it has also carried out on-site inspections at selected work sites in which we were carrying out our works. Having considered that (i) site inspections are carried out by our safety officers at least once a week to ensure strict compliance with the statutory occupational health and safety laws, rules and regulations; (ii) our site supervisors and site foreman have conducted safety briefing to our workers and subcontractors before the commencement of site works, and regular internal and external safety meetings are held; (iii) there have been sufficient safety trainings provided to our workers and subcontractors; and (iv) the accidents were mainly caused by the carelessness of workers in failing to pay attention to site environment or malpractice of workers in failing to comply with our workplace policies or procedures at all times, rather than any material deficiency in the design of our safety management system, the Safety Consultant is of the view that:

- (a) the accidents during the Track Record Period and up to the Latest Practicable Date as shown in the above table were not due to any material deficiencies in our occupational health and safety management system; and
- (b) the existing health and safety management system of our Group, which is certified to be in accordance with the requirements of the OHSAS 18001:2007 standards, is adequate and effective.

ENVIRONMENTAL PROTECTION

We endeavour to minimise any adverse impact on the environment resulting from our business activities. Our Group's operations on sites are subject to certain environmental requirements pursuant to the laws in Hong Kong such as Air Pollution Control Ordinance, Noise Control Ordinance, Water Pollution Control Ordinance, Waste Disposal Ordinance and Public Health and Municipal Services Ordinance. For details of the regulatory requirements, please refer to the section headed "Regulatory overview" in this prospectus.

In order to comply with the applicable environmental protection laws, we had implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2004 since November 2010. We have established our environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of our subcontractors on, among others, air pollution, noise control and waste disposal.

For FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, we incurred approximately HK\$753,697, HK\$410,503, HK\$385,043 and HK\$261,894 respectively, which primarily consisted of waste disposal charges and environmental compliance related expenses. Our Group estimates that our annual cost of compliance going forward will be at a level similar to that during the Track Record Period and consistent with our scale of operation.

INSURANCE

During the Track Record Period, we have taken out insurance policies as set out in the following paragraphs. Our Directors consider that our insurance coverage is adequate and consistent with industry norm having regard to our current operations and the prevailing industry practice. For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, our total insurances premiums incurred were approximately HK\$3.7 million, HK\$4.0 million, HK\$3.4 million and HK\$1.4 million respectively.

(i) Employees' compensation insurance

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

Under section 24 of the Employees' Compensation Ordinance, a contractor will be liable for any accident of the workers of its subcontractors on the work sites. Therefore, where we engage subcontractors, our Group will be liable for any accident of workers of our subcontractors in addition to our own employees. Accidents of the workers of our subcontractors are also covered by the aforementioned insurance taken out by us.

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During the Track Record Period and up to the Latest Practicable Date, the employees' compensation insurance policies taken out by us when we act as a main contractor provide for a maximum limit of liability of up to HK\$200 million per event. If we undertake a project as subcontractor, our liabilities as well as the liabilities of our subcontractors are covered by the insurance policy taken out by the main contractor of the project.

(ii) Contractors' all risks insurance

During the Track Record Period, we have taken out contractors' all risk insurance policies for all projects undertaken by us as main contractor. Contractors' all risk insurance cover our liabilities arising from potential damage to the buildings or structures under our contract works as well as potential bodily injury to third parties or damage to third parties' properties as a result of the performance of our contract works by us or by our subcontractors.

(iii) Other insurance coverage

Our Group has maintained insurance coverage against third party risks in relation to the use of our vehicles for an amount of up to HK\$100 million per event. We have also maintained insurance to cover our business including property all risks insurance, business interruption insurance and public liability insurance.

Uninsured risks

Certain risks disclosed in the section headed "Risk Factors" in this prospectus, such as risks in relation to customer concentration, our ability to secure new contractors, estimation and management of costs, subcontractors' availability and performance, liquidity risk and credit risk in relation to the collectability of our trade and other receivables, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Please refer to the paragraph headed "Internal control and risk management" in this section below for further details regarding our Group's management of certain uninsured risk.

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EMPLOYEES

As at the Latest Practicable Date, we had 43 employees (including full-time employees as well as casual employees who are paid on a daily basis) who were directly employed by our Group in Hong Kong. The following table sets out a breakdown of the number of our employees by functions:

	As at 31 March			As at the Latest Practicable Date
	2015	2016	2017	
Executive Directors and general management	8	9	9	9
Administration, accounting and finance	3	2	3	3
Project management and supervision	4	3	3	4
Operation, engineering and technical staff	16	13	14	14
Sub-total (full-time employees)	31	27	29	30
Casual construction workers	10	8	5	13
Total	41	35	34	43

Note: All of our employees other than the casual construction workers are full-time employees of our Group.

Having considered the availability of our full-time site workers (who are classified in the category of operation, engineering and technical staff in the above table) and our subcontractors, we employ casual construction workers for participating in the execution of designated projects from time to time. During Track Record Period, the number of our full-time staff remains broadly stable. On the other hand, since casual construction workers were engaged on a project by project basis, the number of our casual construction workers has fluctuated during each of the financial years and as at the year end dates. The fluctuation during the Track Record Period was mainly due to (i) the urgency to meet the schedule requirements in various projects as more casual workers are needed for projects with a tight schedule; (ii) the stage of completion of various projects and overlapping projects often require more casual construction workers at a specific period of time; and (iii) the availability of our subcontractors as more casual construction workers are hired at times when subcontractors were not immediately available on short notice to provide sufficient manpower required for the projects.

Relationship with our staff

Our Directors consider that we have maintained good relationship with our employees. We have not experienced any significant disputes with our employees or any disruption to our operations due to labour disputes. In addition, we have not experienced any difficulties in recruitment and retention of experienced core staff or skilled personnel during the Track Record Period.

Recruitment policy and training

We generally recruit our employees through placing advertisements in the open market with reference to factors such as their experience, qualifications and expertise required for our business operations. They are normally subject to a probation period of three months. We endeavour to use our

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best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

We provide various types of trainings to our employees and sponsor our employees to attend various training courses, including those on occupational health and safety in relation to our work. Such training courses include our internal training as well as courses organised by external parties such as the Construction Industry Council and the Occupational Safety and Health Council.

Remuneration policy

The remuneration package our Group offered to our employees includes salary, bonuses and other cash subsidies. In general, our Group determines employee salaries based on each employee's qualifications, position and seniority. Our Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions.

Our Group operates MPF scheme for all qualifying employees in Hong Kong. As required by Hong Kong laws, we have enrolled all of our full-time staff in mandatory provident fund schemes. In addition, we have employed casual workers who are paid on daily basis for carrying out construction works, and we have participated in the industry schemes which are established under the MPF system.

Designated Workers for Designated Skills Provision

On 1 April 2017, the “designated workers for designated skills” provision of 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 “Regulatory overview — B. Laws and regulations in relation to construction labour, health and safety — Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong)” in this prospectus for further details. As at the Latest Practicable Date, all our employees carrying out construction works on construction sites were registered as registered construction workers under the Construction Workers Regulation Ordinance. In addition, our Group requires our subcontractors to employ only registered skilled and semi-skilled workers for designated trade divisions to carry out our project. Our site foremen are responsible for inspecting the registration card of each worker and shall refuse any person who is not registered as registered construction workers under the Construction Workers Registration Ordinance from entering the site.

Requirements under the Immigration Ordinance

Pursuant to section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) should take all practicable steps to (i) prevent having illegal immigrants from being on site and (ii) prevent illegal workers who are not lawfully employable from taking employment on site. For further information, please refer to the section headed “Regulatory overview — B. Laws and regulations in relation to construction labour, health and safety — Immigration Ordinance” in this prospectus.

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Our Directors confirm that we have not been involved in any employment of illegal workers (whether directly or indirectly via subcontracting to the best of our Director's knowledge, information and belief) in respect of work sites over which we had or have control or of which we are or were in charge. We have not been subject to any prosecution of any offences under the Immigration Ordinance in relation to the aforesaid requirements in the past. We have implemented the following measures to prevent having illegal immigrants from being on site and to prevent illegal workers from taking employment on site:

- Before employing a person, our human resources and administrative officers shall inspect and take copy of the original of his/her Hong Kong identity card and/or other documentary evidence showing that he/she is lawfully employable in Hong Kong.
- The subcontracting agreement contains a clause whereby our subcontractors are required to hire only persons who are lawfully employable to work on site and to prevent any illegal worker to enter the site.
- Our site foremen are responsible for inspecting the personal identification document of each worker and shall refuse any person who does not possess proper personal identification document from entering the site.

RESEARCH AND DEVELOPMENT

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

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PROPERTIES

Leased properties

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

Address	Landlord	Saleable floor area <i>(sq. ft.)</i>	Use of property	Key terms of the tenancy
Office E and Office F, 7th Floor, King Palace Plaza, No. 55 King Yip Street, Kowloon, Hong Kong	Top Wealthy Limited (<i>Note</i>)	1,370 sq. ft.	For office use	Monthly rental of HK\$62,000 (inclusive of rates, management charges and air conditioning charges) for a period up to 24 March 2020
Portion of 3rd Floor, No. 15 Ko Shing Street, Hong Kong	An independent third party	109 sq. ft.	As a rest place for staff members of our Group's project at Ko Shing Street	Monthly rental of HK\$5,000 (inclusive of rates and Government rent) for a period up to 14 July 2018
Office D1, 14th Floor, Wing Cheong Commercial Building, Nos. 19-25 Jervois Street, Hong Kong	An independent third party	117 sq. ft.	As a site office for our Group's project at Jervois Street	Monthly rental of HK\$7,000 (inclusive of Government rent, rates and management fees) for a period up to 3 August 2018
Flat D, 2nd Floor, Block 45 and Car Parking Space No. 134, Savanna Garden, No. 4283 Tai Po Road, Tai Po Kau, Tai Po, New Territories, Hong Kong	An independent third party	1,100 sq. ft.	As the director's quarter for Mr. Benjamin Ng	Monthly rental of HK\$24,500 (inclusive of Government rent, rates and management fees) for a period up to 14 January 2019

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Note:

Top Wealthy Limited is a connected person of our Company pursuant to Rule 14A.12 of the Listing Rules. Please refer to the section headed “Continuing connected transactions” in this prospectus.

In addition to the above, we leased the following properties during the Track Record Period, the tenancies of which are either terminated or expired as at the Latest Practicable Date:

- (a) Room 3, Second Floor, No. 96 Queen’s Road West, Hong Kong from an independent third party at a monthly rent of HK\$5,200 per month (inclusive of Government rent, rates and management fees) as a rest place for staff members of the Group’s project at Ko Shing Street. The tenancy has been early terminated by mutual agreement on 6 October 2016; and
- (b) House 68 and 2 car parking spaces, Boulevard Du Lac, The Beverly Hills, No. 23 Sam Mun Tsai Road, Tai Po, New Territories, Hong Kong from an independent third party at a monthly rent of HK\$36,800 for 2 years up to July 2015 and HK\$40,000 for a further 18 months up to January 2017, both inclusive of Government rent, rates and management fees, as a director’s quarter for Mr. Benjamin Ng. Such tenancy was not renewed upon expiration.

Save as disclosed above, our Group did not have any other property interests as at the Latest Practicable Date.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group had registered a trademark in Hong Kong, which is used by our Group to foster our corporate image. We are also the registered owner of the domain names www.wangyang.com.hk and www.wisetrend.com.hk. Please refer to the section headed “B. Further information about the business — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus for further details of our intellectual property rights.

As at the Latest Practicable Date, we are not aware of any infringement (i) by our Group of any intellectual property rights owned by any third parties; or (ii) by any third party of any intellectual property rights owned by us. During the Track Record Period and up to the Latest Practicable Date, there had not been any pending or threatened material claims made against us, nor had there been any material claims made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties.

LICENCES AND PERMITS

As confirmed by our Directors, our Group has obtained all material licences, permits and approvals required for carrying on our business activities during the Track Record Period and up to the Latest Practicable Date. Details of the relevant licencing requirements and regulatory regime applicable to our businesses are set forth under the section headed “Regulatory Overview” in this prospectus.

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The following table sets out the major qualifications and licences held by us:

Relevant Government departments	Registrations and qualifications	Holder	Date of first registration	Expiry date
Buildings Department	• General building contractor	Wise Trend Engineering	March 2001	29 Mar 2019
	• Registered specialist contractor — foundation works	Wise Trend Engineering	November 2000	11 Nov 2018
	• Registered specialist contractor — site formation works	Wise Trend Engineering	March 2001	12 Mar 2019
	• Registered specialist contractor — demolition works	Wise Trend Engineering	December 2001	17 Dec 2019
Development Bureau	Approved Specialist List — land piling (Group II)	Wise Trend Engineering	March 2011	Not applicable <i>(Note 1)</i>
	Approved Contractor List — buildings under Group A (probationary status) <i>(Note 2)</i>	Wise Trend Engineering	May 2011	Not applicable <i>(Note 1)</i>

Notes:

- (1) The relevant registration with WBDB is not subject to a renewal condition.
- (2) Under the relevant listing with the Development Bureau, our Group is authorised to take up contracts in the same category with the total value of works that does not exceed HK\$100 million.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had satisfied all requirements for maintaining the aforementioned registrations. Some of the above registrations or qualifications are subject to renewal. Our Group will renew all existing registrations and qualifications accordingly before their respective expiry dates. We have not experienced any refusal of renewal of the registrations or qualifications necessary for our operations during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that they are not aware of any circumstances that would significantly hinder or delay the renewal of these registrations and qualifications.

In particular, in order to maintain our registrations with the Buildings Department, Wise Trend Engineering, our principal operating subsidiary which holds the relevant registrations, must have at least one Authorised Signatory to act for it for the purposes of the Buildings Ordinance and one Technical Director to carry out certain duties, details of which are set out in the section headed “Regulatory Overview — The laws and regulations of Hong Kong — A. Laws and regulations in relation to the contractor licensing regime and operation” in this prospectus.

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As at the Latest Practicable Date, the role of our Authorised Signatory was taken up by Mr. Chan Tai Wai (our project manager) and Mr. Ng Wong Kwong (a member of our senior management), and the role of Technical Director was taken up by Mr. Ng Wong Kwong. In the event that our Group cannot maintain at least one Authorised Signatory and one Technical Director due to the departure of the aforesaid personnel, our registration with the Building Department may be affected. However, our Directors consider that such risk is not material because of the following reasons:

- (i) We have been able to satisfy the minimum requirement of having at least one Authorised Signatory and one Technical Director during the Track Record Period and up to the Latest Practicable Date.
- (ii) We had two Authorised Signatories as at the Latest Practicable Date, which is more than the requirement of having at least one Authorised Signatory.
- (iii) Although we had only one Technical Director as at the Latest Practicable Date, our Group has other employees (including, for instance, Mr. Fung Hing Yip David, a member of our senior management) who possess the relevant qualifications and experience meeting the requirements imposed by the Building Authority for the position of Technical Director. In addition, pursuant to the Practice Note for Registered Contractors No. 38 issued by the Buildings Department, if there is no technical director acting for a contractor, the contractor is required to suspend all works only if an acceptable replacement is not appointed within a reasonable period of time (although the exact amount of time is not specified). Having considered (i) the qualifications and the requirements imposed by the Building Authority for the position of Technical Director; (ii) the availability of qualified employees of our Group who meet the relevant requirements for the position of Technical Director; and (iii) the prevailing market remuneration package for recruiting and retaining Technical Directors from the open market, our Directors are of the view that there will be no material difficulty in identifying and retaining a qualified person to take up the role of Technical Director of Wise Trend Engineering within a reasonable period of time should such a need arises.

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RECOGNITIONS

We have received a number of certificates during our operating history in recognition of our commitment and dedication to our quality management system, occupational health and safety management and environmental compliance. The following table summarises the certifications obtained by our Group:

Certifications for compliance with ISO/OHSAS requirements

Nature	Certification	Awarding organisation or authority	Holder	Validity period
Quality Management System	ISO9001:2008	Hong Kong Quality Assurance Agency	Wise Trend Engineering	30 December 2002–14 September 2018
Environmental Management System	ISO14001:2004	Hong Kong Quality Assurance Agency	Wise Trend Engineering	25 November 2010–14 September 2018
Occupational Health and Safety Management System	OHSAS18001:2007	Hong Kong Quality Assurance Agency	Wise Trend Engineering	25 November 2010–24 November 2019

The validity of the above certifications is subject to the continuing satisfactory operation of the relevant holder's management system and surveillance audits. Our Directors confirm that they are not aware of any circumstances that would significantly hinder or delay the renewal of these certifications.

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and up to the Latest Practicable, we had been involved in a number of litigations and potential claims in the ordinary and usual course of our Group's business. Our Directors confirm that as at the Latest Practicable Date, save as disclosed below, no member of our Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to our Directors to be pending or threatened against any member of our Group.

Ongoing litigation with a customer

As at the Latest Practicable Date, Wise Trend Engineering is being claimed by a customer in civil proceedings commenced in the District Court in respect of an alleged outstanding sum of HK\$354,721 under a payment certificate of a project which Wise Trend Engineering was engaged to carry out foundation works.

During the Track Record Period, Wise Trend Engineering was awarded with a contract by Customer F (as referred to in "Customers" above in this section) in which we were engaged to carry out foundation works in a project at Sha Tau Kok, New Territories, Hong Kong. For details of the project, please refer to the paragraph headed "Business — Projects undertaken during the Track Record Period — Our projects" in this section.

Pursuant to the contract, it was agreed, among other terms, (a) the contract period shall be 330 calendar days from obtaining consent of piling works from the Government, or when instructed to do so by the architect appointed by the customer, to reporting completion of all works or within any extended time which may be authorised under the terms of the contract; and (b) the liquidated damages for the delay in completion of the works was HK\$30,000 per calendar day. The contract works were originally

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scheduled to be completed in December 2015. In the course of progress of works and close to the scheduled date of completion, the structural engineer appointed by Customer F submitted revised layout plans for revising the loading schedule. As a result of the revised loading schedule, variation works, including additional piles and lowering of excavation level, were necessary to be conducted and the project was consequently practically completed in August 2016 as certified by the architect appointed by Customer F, representing a prolongment of 271 days to complete the project (the “**Prolongment Period**”).

According to the contract, it provided that Wise Trend Engineering as a main contractor should give notice of claim for extension of time within 14 days of the occurrence of an event which gave rise to the claim. It is the case of Wise Trend Engineering that the prolongment of the completion of works was not due to any fault of Wise Trend Engineering, rather it was due to Customer F’s change of column and wall layout plan and loading schedule. As the change was made at the request of Customer F and/or its appointed structural engineer shortly close to the scheduled date of completion, Customer F shall bear the liability for the extension of time for completing the project. During the Prolongment Period, Wise Trend Engineering had repeatedly notified Customer F, and Customer F should have known, that additional time and costs had been incurred from the variation of works due to the revised layout plan and loading schedule through, among others, various meetings and correspondences with Customer F and reports of progress of works to Customer F. Wise Trend Engineering has also submitted the claim for extension of time when the number of days and costs could be ascertainable.

An extension of time of 95 days out of the Prolongment Period of 271 days has been certified by the architect. Customer F demanded liquidated damages of approximately HK\$5.3 million from Wise Trend Engineering, representing liquidated damages for prolongment of completion for 177 days (believed to be calculated by deducting the 95 days certified by the architect from the Prolongment Period of 271 days) at the rate of HK\$30,000 per day. The assessment of 95 days for the extension of time as certified by the architect was disputed by Wise Trend Engineering and documents in substantiating the entitlement of the extension of time for the Prolongment Period have been submitted to the architect for reassessment.

Notwithstanding the dispute on the assessment of the architect by Wise Trend Engineering, the architect issued a final payment certificate in November 2017 which indicated that an amount of HK\$354,721 was due by Wise Trend Engineering to Customer F (after deducting the liquidated damages of approximately HK\$5.3 million for the prolongment of completion for 177 days but adding a sum of HK\$300,000 for variation of works). Wise Trend Engineering objected to the final payment certificate and the statement of final account prepared by Customer F which was derived from the final payment certificate.

Customer F commenced civil proceedings against Wise Trend Engineering for the alleged outstanding sum of HK\$354,721 under the final payment certificate in the District Court in December 2017 together with interests and legal costs. The statement of claim in the civil proceedings has been served on Wise Trend Engineering as at the Latest Practicable Date, which alleges that Wise Trend Engineering is indebted to the Customer F for the alleged outstanding sum of HK\$354,721 based on the contract and the final payment certificate.

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The civil proceedings is now in pleadings stage. Wise Trend Engineering will defend Customer F's claim for its alleged entitlement of liquidated damages for the extension of time and will counterclaim Customer F for the costs and expenses as a result of the variation of works arising from revising the loading schedule at the request of Customer F and/or its appointed structural engineer. Our Directors are of the view that, on the one hand, Customer F shall not be entitled to the liquidated damages for the extension of time in the sum of HK\$5.3 million and, on the other hand, Wise Trend Engineering shall be entitled to a sum of approximately HK\$3.8 million for the costs and expenses for the variation of works rendered by Wise Trend Engineering to Customer F.

As advised by the Legal Counsel, the architect's certificate can be challenged in legal proceedings as the court has power to open up, review and revise any decision and determination of value or costs that were certified by an architect. Having considered that (i) the extension of time was brought from a change in the layout plan and the loading schedule by the structural engineer appointed by the customer shortly close to the scheduled date of completion and there was no allegation that the change was arising from the default of Wise Trend Engineering; (ii) the revised layout plan and the loading schedule were necessary to be re-submitted to the Buildings Department for obtaining the relevant approval, which Customer F and its representatives should have consented to, and in doing so, the revised layout plan and the loading schedule must have substantial impact on the construction work progress and the time for completion of the contract should inevitably be prolonged; and (iii) Customer F did not dispute the assessment of extension of time as certified by the architect which would take to mean that Customer F acknowledged that the completion date should be extended due to the revised layout plan and the loading schedule, the Legal Counsel is of the view that Wise Trend Engineering has a prospect of making a successful claim or counterclaim against Customer F for the extension of time as well as the claim for additional costs and preliminaries arising from and incidental to the variation of works as requested by Customer F.

Taking into account the opinion of the Legal Counsel, our Directors consider that no provision is required to be made in relation to the litigation by Customer F. In addition, as at 31 March 2017, there were approximately HK\$1.2 million of trade receivable and approximately HK\$2.7 million of retention receivable were owed by Customer F. In the event of the claim from Customer F in the litigation succeeds, the cashflow impact for Wise Trend Engineering would be only HK\$354,721 together with interest on the judgment amount plus legal costs. Having considered the aforesaid, our Directors are of the view that the litigation with Customer F would not have any material adverse impact on the results of operations, financial condition or business prospects of our Group.

Claims in relation to workplace injuries

(A) Settled claim

During the Track Record Period and up to the Latest Practicable Date, there was one employees' compensation application against Wise Trend Engineering. The applicant involved was our subcontractor's employee who alleged that he suffered fracture of left lower tibia, fibula shafts and fibula head as a result of a fall from 2 metres in a project located at Pak Sha Wan in June 2014. A full and final settlement of the applicant's employees' compensation application and common law damages had been reached in a sum of HK\$1,959,493 plus legal costs of the applicant's employees' compensation

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application. The settled amount was covered by our insurer (out of which an advance payment of HK\$859,493 had been paid out by Wise Trend Engineering to the applicant and such amount had been subsequently reimbursed by the insurer).

Given that the above employees' compensation application and common law damages have been settled by our insurer, our Directors consider that the above claim has no material impact on our Group's operations, financials and reputation.

Save for the settled claim mentioned above, our Group was not involved in employees' compensation application and/or common law personal injuries claim during the Track Record Period and up to the Latest Practicable Date.

(B) Potential claims

In addition to the one workplace accident that led to the aforementioned settled claim, there were 10 workplace accidents occurred to 10 workers of our Group and our subcontractors during the Track Record Period and up to the Latest Practicable Date which may give rise to potential employees' compensation claims and/or potential common law personal injuries claims against our Group, where the limitation periods for the injured to commence such claims have not been expired.

Potential claims refer to those claims that have not been commenced against our Group either as an employer or as a main contractor but are within the limitation period of two years (for employees' compensation claims) or three years (for common law personal injuries claims) from the date of the relevant incident pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong). As such court proceedings have not been commenced, we are not in the position to assess the likely quantum of such potential claims.

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The nature of the abovementioned 10 workplace accidents and the nature of the injuries purportedly suffered by the 10 injured as a result during the Track Record Period and up to the Latest Practicable Date are as follows:

Nature of accident	Number of accident	Nature of purported injury	Number of purported injury
Struck by or against moving or falling objects	4	Nose injury	1
		Fracture to thumb	1
		Fracture to rib	1
		ankle injury	1
Striking against fixed or stationary object	1	cut on forearm	1
Trapped by collapsing and overturning object	1	Shoulder and elbow injury resulting in stiffness	1
Injured whilst lifting or carrying	1	Fracture to big toe	1
Slipped, tripped or fell on same level	1	Back contusion	1
Injured whilst using electric tool	2	Burn to forearm and abdomen	1
		Burn to left hand	1
Total	<u>10</u>	Total	<u>10</u>

During the Track Record Period and up to the Latest Practicable Date, our Group or the relevant main contractor (when our Group was a subcontractor) are required to take out and had taken out insurance policies for an amount of not less than HK\$200 million per accident to cover the liabilities under the Employees' Compensation Ordinance as well as under the common law for injuries at work. Our Directors confirm that our Group and the relevant main contractor (when our Group was a subcontractor) has taken out insurance to cover our liabilities of these potential claims. Therefore, our Directors consider that such potential claims will have no material adverse impact on our financial condition or results of operations. Our Directors confirm that these accidents were caused during the usual and ordinary course of our business and have not caused any material disruption to our Group's business nor have any material adverse impact on our Group to maintain or renew any registration required for our operation.

Litigation in relation to non-compliances

During the Track Record Period, we have been involved in a number of litigations in relation to non-compliances with applicable laws and regulations which are considered to be systemic in nature. For further details, please refer to the paragraph headed "Non-compliance" in this section below.

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NON-COMPLIANCE

Save as disclosed below and to the best of our Directors' knowledge and belief, during the Track Record Period and up to the Latest Practicable Date, we did not experience any significant incident in relation to any breach of laws or regulations on our part that is material or systemic in nature.

Safety-related non-compliance

During the Track Record Period and up to the Latest Practicable Date, we were convicted of the following safety offences following the Labour Department's routine inspections, which are considered to be systemic in nature:

Item no.	Dates of non-compliance incidents	Incidents of non-compliance	Place of non-compliance incidents	Relevant laws and regulations	Statutes of the convictions
1.	(a) 15 October 2014 (b) 7 November 2014 (c) 4 August 2015 (d) 29 August 2015	In each case, the Labour Department alleged that Wise Trend Engineering had failed to take adequate steps to prevent a person on the site from falling from a height of 2 metres or more.	The incidents occurred in 2 construction sites at Lot 535 in DD210, Pak Sha Wan and No. 9 Shing Mun Road, Tsuen Wan, New Territories where Wise Trend Engineering was the main contractor. Wise Trend Engineering had subcontracted the relevant construction works to subcontractors.	Regulations 38B(1), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations under the Factories and Industrial Undertakings Ordinance, Chapter 59	Wise Trend Engineering was convicted upon guilty plea and was fined for a penalty in the respective sum set out below for each of the incidents: (a) HK\$20,000 (b) HK\$20,000 and HK\$15,000 for two offences respectively (c) HK\$21,000 (d) HK\$22,000
2.	(a) 15 October 2014 (b) 7 November 2014	In each case, the Labour Department alleged that Wise Trend Engineering had failed to ensure that, so far as was reasonably practicable, suitable and adequate safe access to and egress from a place of work on the site was provided and properly maintained.	The 2 incidents occurred in a construction site at Lot 535 in DD210, Pak Sha Wan, New Territories where Wise Trend Engineering was the main contractor. Wise Trend Engineering had subcontracted the relevant construction works to subcontractors.	Regulations 38A(2), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations under the Factories and Industrial Undertakings Ordinance, Chapter 59	Wise Trend Engineering was convicted upon guilty plea and was fined for a penalty in the respective sum set out below for each of the incidents: (a) HK\$10,000 (b) HK\$10,000
3.	(a) 15 October 2014 (b) 4 August 2015	In each case, the Labour Department alleged that Wise Trend Engineering had failed to provide and ensure the use of a scaffold, ladder or other means of support which was safe for the purpose having regard to the work to be done.	The incidents occurred in 2 construction sites at Lot 535 in DD210, Pak Sha Wan and No. 9 Shing Mun Road, Tsuen Wan, New Territories where Wise Trend Engineering was the main contractor. Wise Trend Engineering had subcontracted the relevant construction works to subcontractors.	Regulations 38C, 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations under the Factories and Industrial Undertakings Ordinance	Wise Trend Engineering was convicted upon guilty plea and was fined for a penalty in the respective sum set out below for each of the incidents: (a) HK\$8,000 (b) HK\$9,000

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Item no.	Dates of non-compliance incidents	Incidents of non-compliance	Place of non-compliance incidents	Relevant laws and regulations	Statutes of the convictions
4.	15 October 2014	The Labour Department alleged that Wise Trend Engineering had failed to ensure that workmen who remained on site were wearing suitable safety helmets.	The incident occurred in a construction site at Lot 535 in DD210, Pak Sha Wan, New Territories where Wise Trend Engineering was the main contractor. Wise Trend Engineering had subcontracted the construction works to the subcontractors.	Regulations 38A(2), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations under the Factories and Industrial Undertakings Ordinance, Chapter 59	Wise Trend Engineering was convicted upon guilty plea and was fined for a penalty in the sum of HK\$10,000
5	4 August 2015	The Labour Department alleged that Wise Trend Engineering had failed to ensure the use of protective goggles or screen by a workman.	The incident occurred in a construction site at No. 9 Shing Mun Road, Tsuen Wan, New Territories where Wise Trend Engineering was the main contractor. Wise Trend Engineering had subcontracted the relevant construction works to subcontractors.	Regulations 43(b), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations under the Factories and Industrial Undertakings Ordinance, Chapter 59	Wise Trend Engineering was convicted upon guilty plea and was fined for a penalty in the sum of HK\$4,000
6.	4 August 2015	The Labour Department alleged that Wise Trend Engineering had failed to ensure that no timber with projecting nails were left on the construction site.	The incident occurred in a construction site at No. 9 Shing Mun Road, Tsuen Wan, New Territories where Wise Trend Engineering was the main contractor. Wise Trend Engineering had subcontracted the relevant construction works to subcontractors.	Regulations 51(1), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations under the Factories and Industrial Undertakings Ordinance, Chapter 59	Wise Trend Engineering was convicted upon guilty plea and was fined for a penalty in the sum of HK\$2,700

Reasons for the non-compliances

As advised by the Safety Consultant, upon reviewing the relevant documents, the abovementioned convictions were due to the malpractice of subcontractors who failed to follow and implement the safety plan of our Group.

Rectifications and enhanced internal control on subcontractors

In view of the non-compliances, (i) our management team conducted briefings with the relevant on-site personnel to understand the causes of the non-compliances; (ii) we had issued warning letters to the relevant subcontractors who had failed to follow our in-house safety rules and led to the non-compliances; (iii) we provided additional safety training to our subcontractors after the occurrence of the non-compliance incidents; (iv) we had increased the frequency of site inspection; and (v) we had increased the frequency of staff briefings and reminders to increase the awareness of the workers (including our employees and subcontractors) on-site in relation to occupational safety and health.

View of the Safety Consultant, Legal Counsel, our Directors and the Sponsor

We engaged the Safety Consultant to perform review on, among others, (i) the records pertaining to the non-compliance incidents; and (ii) our safety management system. The Safety Consultant concluded that (i) the causes of those non-compliances were due to the malpractice of subcontractors who failed to follow and implement the safety plan of our Group instead of any material deficiencies of our safety management system; (ii) there were no material deficiencies in the adequacy and effectiveness of our Group's safety management system; and (iii) the safety management system of Wise Trend Engineering was maintained in satisfactory condition (the "**Conclusion of Safety Consultant**").

The Legal Counsel is also of the view that the convictions did not or will not materially affect the maintenance of our registrations with the Development Bureau and the renewal of our registrations with the Buildings Department having considered, in particular, that (a) it is not mandatory for the Development Bureau to initiate regulatory action under Technical Circular (Works) No.3/2009 for the convictions; (b) there were no five or more convictions each from a separate incident happened which would trigger the possibility of regulatory action; and (c) the registrations of Wise Trend Engineering as a general building contractor, and as a registered specialist contractor in foundation works, site formation works and demolition works with the Buildings Department had been renewed in February 2016, November 2015, February 2016 and November 2016 respectively after the commission of the last convicted safety offence in August 2015.

Our Directors are of the view, and the Sponsor concurs, that the above incidents of non-compliances have no material negative impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules nor on our Company's suitability for listing under Rule 8.04 of the Listing Rules, having considered that:

- (i) our Directors have ensured that a safety plan to promote occupational health and safety at construction sites has been implemented by our Group. The safety plan was documented in writing and supplemented with instructions, trainings and demonstrations. Our Group requires strict implementation of our safety plan by ourselves and our subcontractors. Although our Group has implemented safety plan to mitigate safety risks and non-compliance, it is not entirely possible to completely eliminate non-compliance by workers at construction sites due to the inherent nature of human errors, negligence or ignorance. Our Directors consider that our Group has implemented adequate and effective safety plan and measures to mitigate the risk of non-compliance by workers at construction sites, including through safety instructions, trainings, demonstrations, regular safety meetings, on-site safety inspections and supervisions, as well as warnings against workers and subcontractors who fail to comply with our safety plan and measures. Despite all these, it is still possible that our workers and/or subcontractors may fail to strictly follow our safety plan and measures as a result of human errors, negligence or ignorance. The non-compliances mentioned above were convicted safety offences that were arisen from 4 routine inspections of the Labour Department. Our Directors are of the view that the non-compliances were mainly due to insufficient work safety awareness of the subcontractors' workers in, among others, making use of the equipment that had been provided to workers in the construction sites such as safety belts, working platforms, safety helmets and goggles. In addition, according to the Conclusion of Safety Consultant, the causes of non-compliances were due to the malpractice

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of subcontractors who failed to follow and implement the safety plan of our Group instead of any material deficiencies of our safety management system nor any fraud or dishonesty or corruption on the part on our Directors or senior management;

- (ii) according to the view of the Legal Counsel, the convicted safety offences did not or will not materially affect the maintenance and/or renewal of our registrations with the Building Departments and Development Bureau. We had successfully renewed our registration as a general building contractor in February 2016, as a registered specialist contractor in foundation works, site formation works and demolition works in November 2015, February 2016 and November 2016 respectively after the commission of the last convicted safety offence in August 2015;
- (iii) all convicted safety offences only resulted in monetary fines, and our Directors consider the fine amounts are insignificant to our business;
- (iv) the convicted safety offences were not accompanied with fatalities nor injuries, and there was no imprisonment sentence imposed on our Directors or the responsible personnel of our Group in respect of the non-compliances nor was any of them prosecuted as a result of the non-compliances; and
- (v) there has been no further conviction against Wise Trend Engineering in relation to safety-related offences since August 2015 and up to the Latest Practicable Date.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders, collectively as the indemnifiers, entered into the Deed of Indemnity on 13 March 2018 pursuant to which our Controlling Shareholders have agreed, subject to the terms and conditions of the Deed of Indemnity, to indemnify our Group in respect of, among other matters, all losses and liabilities which may arise as a result of any non-compliance of our Group with the applicable laws, rules or regulations, and claims, payments, suits, damages, settlement payments, costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature against any member of our Group in relation to any act, non-performance, omission or otherwise of any member of our Group on or before the date on which the Share Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus.

INTERNAL CONTROL AND RISK MANAGEMENT

We endeavour to uphold the integrity of our business by maintaining an internal control system into our organisational structure.

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Aside from the enhanced internal control measures taken to prevent the recurrence of the non-compliance incident stated in the paragraph headed “Non-compliance” in this section, our Group has also adopted or will adopt the following key measures to mitigate the risks relating to our Group:

Customer concentration risk

Please refer to the paragraph headed “Customers — Customer concentration” above in this section.

Risk of potential inaccurate cost estimation and cost overrun

Please refer to the paragraph headed “Operation flow — Business identification phase — Pricing strategy” above in this section.

Risk relating to subcontractors’ performance

Please refer to the paragraphs headed “Suppliers — Criteria for selecting subcontractors” and “Suppliers — Control over subcontractors” above in this section.

Credit risk relating to the collection of trade receivables and retention receivables

Please refer to the paragraph headed “Customers — Credit policy” above in this section.

Liquidity risk

Our customers may require us to take out surety bonds issued by banks or insurance companies in the amount of certain percentage of the contract sum in favour of our customers, which may result in the lock-up of a portion of our capital for potentially a prolonged period of time and thereby affecting our liquidity position. For further information, please refer to the paragraph headed “Customers — Major terms of engagement with our customers — Surety bonds” in this section.

In addition, when undertaking works projects, there are costs which are typically incurred at an early stage of a project before we receive payments from customers and which are therefore required to be paid from our available financial resources, such as the costs of labours, supplies and/or subcontracting services. In addition, throughout the execution of a project, we typically receive payments after the performance of our services and works, for which we would have incurred costs (including costs of labours, supplies and/or subcontracting services) that are also required to be paid from our available financial resources.

Furthermore, in order to maintain our registrations on the Approved Contractor List and the Approved Specialist List for public sector works, we have to meet certain minimum working capital requirements from time to time, as discussed in the section headed “Regulatory overview” in this prospectus.

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In order to manage our liquidity position in view of the aforesaid surety bond requirements associated with undertaking contract works, we have adopted the following measures:

- (i) Before undertaking each new contract, our finance department, led by our financial controller (namely, Mr. Poon Tak Wah, whose experience and qualifications are disclosed in the section headed “Directors and senior management — Senior management” in this prospectus), will prepare an analysis of the forecasted amount and timing of cash inflows and outflows in relation to our overall business operations so as to ensure the sufficiency of our financial resources before undertaking a new contract; and
- (ii) If, based on our regular monitoring by our finance department, there is any expected shortage of internal financial resources, we may refrain from undertaking new projects and/or consider different financing alternatives, including but not limited to obtaining adequate committed lines of funding from banks and other financial institutions.

Quality control

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

Occupational health and safety

Please refer to the paragraph headed “Occupational health and safety” above in this section.

Environmental management

Please refer to the paragraph headed “Environmental protection” above in this section.

Corporate governance

We will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. We have established three board committees, namely, the audit committee, the nomination committee and the remuneration committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, please refer to the section headed “Directors and senior management — Board committees” in this prospectus. In particular, one of the primary duties of our audit committee is to review the effectiveness of our Company’s internal audit activities, internal controls and risk management systems. Our audit committee consists of all three of our independent non-executive Directors, whose backgrounds and profiles are set out in the section headed “Directors and senior management” in this prospectus. To avoid potential conflicts of interest, we will implement corporate governance measures as set out in the section headed “Relationship with the Controlling Shareholders — Corporate governance measures” in this prospectus. Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance reports to be included in our annual reports after Listing.

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Risk relating to compliance with the Listing Rules after Listing

Our Group has adopted the following measures to ensure continuous compliance with the Listing Rules upon Listing:

- We shall establish system and manuals in relation to, among others, distribution of annual or interim reports and publication, handling and monitoring of inside information prior to public announcement and other requirements under the Listing Rules.
- Our Directors attended training sessions conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.
- We have engaged Grande Capital Limited as our compliance adviser and will, upon Listing, engage a legal adviser as to Hong Kong laws, which will advise and assist our Board on compliance matters in relation to the Listing Rules and/or other relevant laws and regulations applicable to our Company.
- We have established the audit committee which comprises all independent non-executive Directors, namely Mr. Yau Chung Hang, Mr. Pong Kam Keung and Mr. Lo Ki Chiu. The audit committee has adopted its terms of reference which sets out clearly its duties and obligations to, among other things, overseeing the internal control procedures and accounting and financial reporting matter of our Group, and ensuring compliance with the relevant laws and regulations. For the biographical details of the independent non-executive Directors, please refer to the section headed “Directors and senior management — Independent non-executive Directors” in this prospectus.
- When considered necessary and appropriate, we 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 legal compliance.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

On 17 July 2017, Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng entered into the Concert Party Deed to acknowledge and confirm, among other things, that they are parties acting in concert in respect of (i) Wise Trend Engineering, Wise Trend Construction & Engineering and Wise Trend Construction during the Track Record Period and up to the Latest Practicable Date and (ii) each of the members of our Group, and that they will continue so as of and after the date of the Concert Party Deed. Details of the Concert Party Deed are set out in the section headed “History and Development — Concert party deed” in this prospectus.

Immediately following the completion of the Capitalisation Issue and the Share Offer (taking no account any Share to be issued upon exercise of any option to be granted under the Share Option Scheme), Profound Contractors will directly control more than 30% of our issued share capital. The entire issued share capital of Profound Contractors is legally and beneficially owned as to 62.5% by Ms. KY Tsui, 25% by Mr. Benjamin Ng and 12.5% by Ms. May Ng. Since Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng conducted all material management affairs of the members of our Group collectively during the Track Record Period, in the context of this prospectus, our Controlling Shareholders refer to Ms. KY Tsui, Mr. Benjamin Ng, Ms. May Ng and Profound Contractors. As Ms. KY Tsui, Mr. Benjamin Ng, Ms. May Ng and Profound Contractors collectively control more than 30% of the issued share capital of our Company, they are a group of our Controlling Shareholders within the meaning of the Listing Rules and each a member of the group of Controlling Shareholders. Profound Contractors is an investment holding company and has not commenced any substantive business activities as at the Latest Practicable Date.

INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, our Controlling Shareholders and their respective close associates taking into account the following factors:

Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. Our Group has sufficient capital to operate our business independently and has adequate internal resources and credit profile to support our daily operations.

During the Track Record Period, our Group has a loan from a related party (being Mr. Ng Wong Kwong, the spouse of Ms. KY Tsui) and certain amounts due from a director (being Ms. KY Tsui) and/or parties related to our Controlling Shareholders. Please refer to the section headed “Financial information” in this prospectus and notes 18 (Amount due from a Director), 19 (Amount due from a related company) and 20 (Amount due from/loan from a related party) of the Accountant’s Report set out in Appendix I to this prospectus for further details. All amounts due from/to our Controlling Shareholders and/or parties related to our Controlling Shareholders have been fully settled by cash as of the Latest Practicable Date.

During the Track Record Period, Mr. Benjamin Ng had provided personal guarantees in respect of certain finance leases for our Group’s purchase of certain motor vehicles in favour of financial institutions. Please refer to the section headed “Financial information — Indebtedness —

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Finance lease liabilities” in this prospectus and note 24 (Finance lease liabilities) of the Accountants’ Report set out in Appendix I to this prospectus for further details. Our Group has procured and completed the release of all these guarantees before the Latest Practicable Date.

In addition, during the Track Record Period, we have arranged for the issuance of surety bond in relation to our projects (please refer to the section headed “Business — Major terms of engagement with our customers” in this prospectus, which were secured by, among other things, personal guarantees given by our Controlling Shareholders (being Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng) together with Mr. Ng Wong Kwong. All such personal guarantees will be released upon Listing and replaced by our corporate guarantee.

In view of the above, our Directors are of the view that our Group will be financially independent from our Controlling Shareholders after the Listing.

Operational independence

During the Track Record Period, our Group entered into certain transactions with Top Wealthy Limited, a company controlled by our Controlling Shareholders, for the rental of the office premises. Details of these transactions are set out in the section headed “Continuing Connected Transactions”, “Financial Information — Related party transactions” and note 30 (Related party transactions) to the Accountants’ Report set out in Appendix I to this prospectus. Our Directors consider that our operation does not rely on the lease from the Controlling Shareholders as comparable properties with similar rental are available in the vicinity and the costs of relocation is not substantial.

In addition, our Group has established our 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, marketing, sales and general administration resources with our Controlling Shareholders and/or their associates during the Track Record Period. Our Group has also established a set of internal controls to facilitate the effective operation of our business. Our Group’s customers and suppliers are all independent from our Controlling Shareholders.

Based on the above, our Directors are of the view that our Group is able to operate independently from the Controlling Shareholders after the Listing.

Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group’s business. Our Board’s main function includes the approval of the overall business plans and strategies and the management of our Company. Our Group has an independent management team, which is led by a team of senior management with relevant experience and expertise in our business, to implement our Group’s policies and strategies.

Our Board consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. Ms. KY Tsui is the mother of Mr. Benjamin Ng and Ms. May Ng. Mr. Benjamin Ng and Ms. May Ng are executive Directors while Ms. KY Tsui is a non-executive Director. They are also directors of Profound Contractors, our

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Controlling Shareholder. No other Directors nor member of senior management of our Group hold any directorship or position in our Controlling Shareholder. Profound Contractors is an investment holding company with no operative business. Although Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng, being our Controlling Shareholders and executive Directors, are also the directors of Profound Contractors, our Directors believe that the independence of the management of our Group will not be affected or compromised by the common directorship of Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng on our Board and their respective interests in Profound Contractors.

Each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum.

The three independent non-executive Directors will also bring independent judgement to the decision-making process of the Board. Senior management of our Company have undertaken supervisory responsibilities in the business of our Group. The responsibilities of the senior management team of our Company include dealing with operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategy of our Group. This ensures the independence of the daily management and operations of our Group. Further details of our Directors and senior management are set out in the section headed “Directors and Senior Management” in this prospectus.

Independence of five largest suppliers

Our Directors confirms that none of our Controlling Shareholders has any relationship with the five largest suppliers (including subcontractors) of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

Independence of five largest customers

Our Directors confirm that none of our Controlling Shareholders has any relationship with the five largest customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

NO COMPETING INTERESTS

Each of Ms. KY Tsui, Mr. Benjamin Ng, Ms. May Ng and Profound Contractors does not have any interest in a business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business and would require disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between our Group and our Controlling Shareholders, each of Ms. KY Tsui, Mr. Benjamin Ng, Ms. May Ng and Profound Contractors entered into the Deed of Non-competition with our Company (for itself and for the benefit of each other member of our Group) on 13 March 2018. Pursuant to the Deed of Non-competition, each of our Controlling Shareholders has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, as long as the Deed of Non-competition remains effective, he/she/it shall not, and shall procure his, her or its close associates (other than any member of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether on its own account or with each other or in conjunction with or on behalf of any person or company or otherwise, the development, participation, management and operation of any business which in competition with or likely to be in competition whether directly or indirectly, with the existing business activity of any member of our Group or such other business activity our Group may engage from time to time in future.

Each of our Controlling Shareholders further undertakes that if he/she/it or his/her/its close associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/she/it shall (and he/she/it shall procure his/her/its close associates to) notify our Group in writing and our Group shall have a right of first refusal to take up such business opportunity.

Each of our Controlling Shareholders further undertakes that he/she/it will and he/she/it shall procure that his/her/its close associates (other than any member of our Group) will notify us of the aforesaid business opportunity and use his/its best endeavours to procure that the business opportunity is first offered to our Group on terms and conditions no less favourable than those offered to our Controlling Shareholders or their respective close associates.

Within 30 Business Days (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time) after receipt of written notice concerning offer of any business opportunity from the relevant Controlling Shareholder, our Company shall notify the relevant Controlling Shareholder whether we intend to accept the offer. If our Group declines any such offer, the relevant Controlling Shareholder or his/her/its close associates who offered the business opportunity shall then be allowed to acquire the interests offered on terms no more favourable than those offered to our Group. Whether we shall accept or decline the offer of business opportunity shall be decided by our Board and upon the approval of all our independent non-executive Directors (who do not have any interest in such proposed transactions).

The non-competition undertakings under the Deed of Non-competition shall not restrict any of our Controlling Shareholder (or any of their respective close associates), either by himself/herself/itself or any other person, from holding interests in the shares of a company which is listed on a recognised stock exchange provided that:

- (i) any business that competes or is likely, directly or indirectly, to compete with our Group conducted or engaged in by such company (and assets relating thereto) accounts for less than 5% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (ii) the total number of the shares held by any of our Controlling Shareholders and/or his/her/its respective close associates in aggregate does not exceed 5% of the issued shares of that class of that company in question and such Controlling Shareholder and/or his/her/its respective associates are not entitled to appoint a majority of the directors of that company and/or at any time, there should exist at least another shareholder of that company who holds more shares in that company than such Controlling Shareholder and/or his/her/its respective close associates in aggregate.

The undertakings contained in the Deed of Non-competition are conditional on the Listing Committee granting the approval for the listing of, and permission to deal in, our Shares; and the fulfilment of the conditions precedent under the Underwriting Agreements (including waiver of any conditions precedent by the Underwriter, if applicable) and the Underwriting Agreements not being terminated. If any of such condition is not fulfilled on or before the date agreed between the Underwriter and our Company or the Underwriter and our Company have agreed to terminate the Underwriting Agreements thereafter, the Deed of Non-competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on (i) any of our Controlling Shareholders, whether individually or taken together with his/her/its close associates, cease to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) the date on which the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/she/it fully comprehends his/her/its obligations to act in the best interests of our Company and our Shareholders as a whole. To avoid potential conflicts of interest, our Group will implement the following measures:

- (i) 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 Controlling Shareholders (or their respective associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;
- (ii) our Controlling Shareholders will make an annual confirmation as to compliance with his/her/its undertaking under the Deed of Non-competition for inclusion in the annual report of our Company;
- (iii) our Board is committed to the view that the Board should include a balanced composition of executive, non-executive and independent non-executive Directors so that there is a strong independent element on the Board which can effectively exercise independent judgement. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and professional advice

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and Senior Management” in this prospectus;

- (iv) our Company has appointed Grande Capital Limited as the compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal controls.
- (v) our Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (vi) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deed of Non-competition; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-competition. Findings of such review will be disclosed in our annual report after the Listing.

CONTINUING CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

During the Track Record Period, we have entered into a number of related party transactions, details of which are set out in note 30 to the Accountants' Report set out in Appendix I to this Prospectus. Our Directors have confirmed that these related party transactions were conducted in the ordinary course of business and on normal commercial terms. Save as described in this section below, these related party transactions have discontinued before the Share Offer.

Following the listing of our Shares on the Stock Exchange, the following transaction will continue between our Group and Top Wealthy Limited, which will constitute continuing connected transaction under the Listing Rules.

Exempt Continuing Connected Transaction

The following transaction, which constitutes continuing connected transaction exempt from all reporting, annual review, announcement and independent shareholders' approval (including independent financial advice) requirements under Chapter 14A of the Listing Rules, is expected to continue following the Listing.

Tenancy Agreement with Top Wealthy Limited

On 25 March 2016, Wise Trend Engineering, as tenant, entered into a tenancy agreement (the "Tenancy Agreement") with Top Wealthy Limited, as landlord, for a term of 2 years commencing from 25 March 2016 and ending on 24 March 2018 in respect of the office premises situated at Office E and Office F on 7th Floor, King Palace Plaza, No. 55 King Yip Street, Kowloon, Hong Kong (the "Office Premises") with a total saleable floor area of 1,370 square feet for use by our Group as office at a monthly rent of HK\$49,925. Under the Tenancy Agreement, Wise Trend Engineering shall also be responsible for paying the relevant Government rates, management fees and air conditioning charges, which in aggregate amount to HK\$12,075 per month. The monthly rent was arrived at after arm's length negotiations between Wise Trend Engineering and Top Wealthy Limited with reference to the prevailing market rent of the surrounding comparable office premises in the vicinity of the Office Premises and as assessed by an independent valuer. The Tenancy Agreement has been renewed for a further term of 2 years from 25 March 2018 and ending 24 March 2020. Save for the renewal of the term of the tenancy, all other terms and conditions of the Tenancy Agreement remain unchanged. Please refer to the section headed "Business — Properties" in this prospectus for further details of the Tenancy Agreement.

Top Wealthy Limited is a company incorporated in Hong Kong on 23 August 2002 with limited liability and is owned as to 62.5% by Ms. KY Tsui, 25% by Ms. Tang Shuk Ngar Elli (the spouse of Mr. Benjamin Ng) and 12.5% by Ms. May Ng. Ms. KY Tsui, Mr. Ng Wong Kwong, Mr. Benjamin Ng and Ms. May Ng are the directors of Top Wealthy Limited. Top Wealthy Limited is principally engaged in property investment.

As our Controlling Shareholders are shareholders and directors of Top Wealthy Limited, Top Wealthy Limited is a connected person of our Company under the Listing Rules. Accordingly, the transactions under the Tenancy Agreement constitute continuing connected transactions for our Company under the Listing Rules following the Listing.

CONTINUING CONNECTED TRANSACTIONS

Our Directors (including our independent non-executive Directors) are of the view that the Tenancy Agreement has been entered into on normal commercial terms, on arm's length basis, in the ordinary and usual course of business of our Group and that the terms of the Tenancy Agreement are fair and reasonable and in the interests of our Shareholders as a whole.

For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, the rental for the tenancy of the Office Premises paid by Wise Trend Engineering to Top Wealthy Limited (including the relevant management fees, air-conditioning charges and Government rates) amounted to approximately HK\$0.7 million, HK\$0.7 million, HK\$0.7 million and HK\$0.4 million, respectively.

It is expected that the rental payable by our Group to Top Wealthy Limited on an annual basis under the Tenancy Agreement (including the relevant management fees, air-conditioning charges and Government rates) will be approximately HK\$0.7 million per annum.

Since each of the applicable percentage ratios (other than the profits ratio) on an annual basis is less than 5% and the annual consideration payable under the Tenancy Agreement is less than HK\$3,000,000, the Tenancy Agreement is fully exempt from all reporting, annual review, announcement and independent shareholders' approval (including independent financial advice) requirements under Chapter 14A of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board currently consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our Business.

The following table sets out the information regarding our Directors:

Name	Age	Present position	Date of appointment	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Tsui Kwok Ying (徐軻英)	78	Chairman of our Board and Non-executive Director	29 March 2017 and re-designated as a non-executive Director on 15 July 2017	August 2002	Responsible for giving strategic advice and guidance on the business and operations of our Group and the chairperson of the nomination committee	Spouse of Ng Wong Kwong, and mother of Ng Chi Bun Benjamin and Ng Chung Yan May
Ng Chi Bun Benjamin (吳志斌)	52	Executive Director and Chief Executive Officer	29 March 2017 and re-designated as executive Director on 15 July 2017	September 1996 to June 2000 and rejoining in February 2008	Responsible for overall business development, project planning, budgeting, contract administration, overseeing execution of projects and managing quality management system, and a member of the remuneration committee	Son of Tsui Kwok Ying and Ng Wong Kwong, and elder brother of Ng Chung Yan May
Ng Chung Yan May (吳頌恩)	50	Executive Director	29 March 2017 and re-designated as executive Director on 15 July 2017	September 2014	Responsible for overall business development, execution of daily management and administration of our business and operations	Daughter of Tsui Kwok Ying and Ng Wong Kwong, and younger sister of Ng Chi Bun Benjamin
Yau Chung Hang (邱仲珩)	45	Independent Non-executive Director	13 March 2018	13 March 2018	Chairperson of the audit committee and member of the remuneration committee and nomination committee; responsible for addressing conflicts and giving strategic advice and guidance on the business and operation of our Group	N/A
Pong Kam Keung (龐錦強)	56	Independent Non-executive Director	13 March 2018	13 March 2018	Chairperson of the remuneration committee and a member of audit committee; responsible for addressing conflicts and giving strategic advice and guidance on the business and operation of our Group	N/A
Lo Ki Chiu (盧其釗)	32	Independent Non-executive Director	13 March 2018	13 March 2018	A member of the nomination committee and the audit committee; responsible for addressing conflicts and giving strategic advice and guidance on the business and operation of our Group	N/A

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Chairman

Ms. Tsui Kwok Ying (徐幗英), aged 78, is a non-executive Director, our Chairman and the chairperson of our nomination committee. Ms. Tsui is one of our Controlling Shareholders and also a director of Wise Trend Engineering, Build Wise, United Prosperous, Grand Basework, Prosperous Contractors, Steer Vision and Profound Contractors. Ms. KY Tsui is primarily responsible for giving strategic advice and guidance on the business and operation of our Group.

Ms. KY Tsui has accumulated about 15 years of experience in the operation and management of our Group's engineering business in Hong Kong through her directorship in Wise Trend Engineering since August 2002. She is the spouse of Mr. Ng Wong Kwong, a member of our senior management.

Prior to her joining Wise Trend Engineering in August 2002, Ms. KY Tsui had been a teacher of St. Stephen's Girls' Primary School for 30 years from 1964 to 1994, and her last position was the deputy head mistress of the school which she was promoted to in September 1991. Ms. KY Tsui has obtained a certificate of registration of teacher in July 1963 and is a registered teacher under the Education Bureau. She also obtained a Diploma of Theology from The Diocese of Hong Kong & Macau in June 1969.

Ms. KY Tsui is the mother of Mr. Ng Chi Bun Benjamin (who is our executive Director and Chief Executive Officer) and Ms. Ng Chung Yan May (who is our executive Director).

The following company was dissolved other than by members' voluntary winding up when Ms. KY Tsui was its director:

Name of company	Date of dissolution	Details
Hong Kong Professional Education Association Limited	29 September 2006	It was a Hong Kong incorporated company de-registered under section 291AA of the Predecessor Companies Ordinance due to cessation of business. (<i>Note</i>)

Note: Under section 291AA of the Predecessor Companies Ordinance (Chapter 32), an application for de-registration can only be made if (a) all the members of such company agreed to such de-registration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application and (c) such company has no outstanding liabilities.

As confirmed by Ms. KY Tsui, the above mentioned company was solvent as at the time of dissolution. Ms. KY Tsui also confirmed that there is no wrongful act on her part leading to the above dissolution of the company and she is not aware of any actual or potential claim which has been or will be made against her as a result of the dissolution of the above mentioned company.

Ms. KY Tsui does not hold any current or past directorship in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Ng Chi Bun Benjamin (吳志斌), aged 52, is an executive Director, our Chief Executive Officer and a member of our remuneration committee. He is primarily responsible for formulating overall business development strategy, project planning, budgeting, contract administration, overseeing execution of the projects and managing quality management system of our Group.

Mr. Benjamin Ng is one of the founders of our Group and he was appointed a director of Wise Trend Engineering in September 1996. He has over 20 years of experience in the construction industry. He is currently a director of Wise Trend Engineering, Wise Trend Construction & Engineering, Build Wise, United Prosperous, Grand Basework, Steer Vision and Profound Contractors.

Mr. Benjamin Ng obtained a degree of Bachelor of Engineering from Manchester Metropolitan University (formerly known as Manchester Polytechnic) in the United Kingdom in July 1989. He also obtained a degree of Master of Science in Facility Management from The Hong Kong Polytechnic University in October 2008.

Mr. Benjamin Ng had been a shareholder and director of Wise Trend Engineering from September 1996 to June 2000. He also developed his own experience in the construction industry by working as a building services engineer for Shui On Building Contractors Limited from December 1994 to April 1995, from March 1996 to June 1996 and from December 1998 to April 2001 respectively and for Shui On Joint Venture from May 1995 to March 1996. Before Mr. Benjamin Ng rejoined our Group, he worked for Shui On Construction Company Limited from June 1996 to November 1998 and from May 2001 to March 2008 when his last position was a senior building services engineer. Mr. Benjamin Ng rejoined our Group in February 2008 when he was appointed a director of Wise Trend Engineering and Wise Trend Construction & Engineering up to present.

Mr. Benjamin Ng is the son of Ms. KY Tsui (a non-executive Director and Chairman of our Board) and Mr. Ng Wong Kwong (a member of our senior management). He is the elder brother of Ms. Ng Chung Yan May who is an executive Director.

Mr. Benjamin Ng does not hold any current or past directorship in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Ms. Ng Chung Yan May (吳頌恩), aged 50, is our executive Director. Ms. May Ng is also a director of Wise Trend Engineering, Wise Trend Construction, Build Wise, United Prosperous, Grand Basework, Steer Vision and Profound Contractors. She is primarily responsible for formulating overall business development strategy, execution of daily management and administration of our business and operations of our Group.

Ms. May Ng obtained a degree of Bachelor of Arts in Industrial Economics from Coventry University (formerly known as Coventry Polytechnic) in the United Kingdom in July 1989. She has become a member of The Association of Chartered Certified Accountants in August 1999 and progressed to fellowship status in August 2004. She has also been a member of the Hong Kong Institute of Certified Public Accountants since January 2003 and was accredited as an authorised supervisor to train prospective members of the Institute for the period from March 2013 to June 2019. She is registered

DIRECTORS AND SENIOR MANAGEMENT

under the Education Ordinance (Chapter 279 of the Laws of Hong Kong) as an independent manager of the Incorporated Management Committee of Sheng Kung Hui Lui Ming Choi Secondary School for the period from January 2016 to August 2019.

Ms. May Ng has assumed the role of administration manager of Wise Trend Construction & Engineering since September 2014. Prior to September 2014, she was an assistant vice president of Oversea-Chinese Banking Corporation Limited from May 1995 to May 2005 and a finance manager of Standard Chartered Bank from June 2005 to September 2014.

Ms. May Ng is the daughter of Ms. KY Tsui (a non-executive Director and Chairman of our Board) and Mr. Ng Wong Kwong (a member of our senior management). She is the younger sister of Mr. Benjamin Ng who is an executive Director and our Chief Executive Officer.

Ms. May Ng does not hold any current or past directorship in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Independent non-executive Directors

Mr. Yau Chung Hang (邱仲珩), aged 45, is an independent non-executive Director appointed by our Company on 13 March 2018. Mr. Yau is also the chairperson of the audit committee and a member of remuneration committee and nomination committee of our Company.

Mr. Yau has over 20 years of experience in finance and accounting. Mr. Yau is currently an independent non-executive director of Shuang Yun Holdings Limited (stock code: 1706) from October 2017, a company listed on the Main Board of The Stock Exchange which engages in roadworks services and construction machinery rental services in Singapore. He was the company secretary of Jiashili Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1285), from March 2014 to November 2017. Mr. Yau has been appointed as an independent non-executive director of ABC Communications (Holdings) Limited (now known as Ban Loong Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 30), from May 2013 to October 2014. Besides, prior to joining Jiashili Group Limited, Mr. Yau was the chief financial officer and company secretary of Brilliant Circle Holdings International Limited (formerly known as CT Holdings (International) Limited), a company listed on the Main Board of the Stock Exchange (stock code: 1008), from September 2007 to February 2014, and the company secretary, qualified accountant and authorised representative of Ningbo Yidong Electronic Company Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8249), from May 2005 to March 2006. He was also an assistant accounting manager of Tristate Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 458), from January 2004 to May 2005, a chief financial officer and company secretary of Changchun Da Xing Pharmaceutical Company Limited from January 2002 to February 2004, and a credit manager of Valspar Hai Hong Company Limited from May 2000 to October 2001. He worked as an accountant II in January 1997 with Kwan Wong Tan & Fong which was subsequently merged with Deloitte Touche Tohmatsu, a firm of certified public accountants, and Mr. Yau worked with Deloitte Touche Tohmatsu from August 1997 to May 2000 and his last position was a senior accountant I (note: level I).

Mr. Yau obtained a Higher Diploma in Accountancy from the City University of Hong Kong in November 1995. He also obtained a degree of Bachelor of Arts in Accountancy from the University of Bolton, the United Kingdom in August 2005 through a distance learning programme. He has been a fellow member of The Association of Chartered Certified Accountants since December 2006 and a member of Hong Kong Institute of Certified Public Accountants since April 2002.

DIRECTORS AND SENIOR MANAGEMENT

The following company was dissolved other than by members' voluntary winding up when Mr. Yau was its director:

Name of company	Nature of business	Date of dissolution	Details
Aviacion International Limited	Trading	12 April 2001	It was a Hong Kong incorporated company de-registered under section 291AA of the Predecessor Companies Ordinance due to cessation of business. <i>(Note)</i>

Note: Under section 291AA of the Predecessor Companies Ordinance (Chapter 32), an application for de-registration can only be made if (a) all the members of such company agreed to such de-registration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application and (c) such company has no outstanding liabilities.

As confirmed by Mr. Yau, the above company was solvent as at the time of dissolution. Mr. Yau also confirmed that there is no wrongful act on his part leading to the above dissolution of the company and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution and de-registration of the above company.

Save as disclosed above, Mr. Yau does not hold any current or past directorship in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Prof. Pong Kam Keung (龐錦強), aged 56, is an independent non-executive Director appointed by our Company on 13 March 2018. Prof. Pong is also the chairperson of the remuneration committee and a member of audit committee of our Company.

Prof. Pong is currently an independent non-executive director of Shuang Yun Holdings Limited (stock code: 1706) from October 2017, a company listed on the Main Board of The Stock Exchange which engages in roadworks services and construction machinery rental services in Singapore and a non-executive director of Star Properties Group (Cayman Islands) Limited (stock code: 1560) from June 2016, a company listed on the Main Board of the Stock Exchange which engages in property development of industrial building for sale and rental in Hong Kong. Prof. Pong was an executive director of Sundart Holdings Limited (stock code: 1568) from December 2015 to February 2018, a company listed on the Main Board of the Stock Exchange which engages in integrated fitting-out works in Hong Kong and Macau. Prof. Pong is also an adjunct professor in the Division of Environment of The Hong Kong University of Science and Technology from December 2013.

Prof. Pong was a member of the Disciplinary Tribunal of The Hong Kong Institute of Chartered Secretaries for 2015. Prof. Pong was the chief prosecution officer of the Environmental Protection Department of the Government from July 2004 to July 2013. He served as adviser to the Hong Kong Architecture Centre from 2011 to 2013. He was also a member of the Appeal Tribunal Panel of the Planning and Lands Branch of the Development Bureau of the Government from February 2007 to November 2012 and a member of the Advisory Committee on Barrier Free Access of the Buildings Department which expired in July 2003.

DIRECTORS AND SENIOR MANAGEMENT

Prof. Pong obtained a degree of Bachelor of Science in Building Surveying from the Thames Polytechnic, United Kingdom in June 1989, a degree of Master of Science in Property Investment from the City University of London, United Kingdom in December 1993, a degree of Bachelor of Laws through a distance learning programme from the University of Wolverhampton, United Kingdom in September 1995, a Postgraduate Certificate in Laws from the University of Hong Kong in June 1997, a degree of Master of Science in Urban Planning from the University of Hong Kong in December 2005 and a degree of Master of Corporate Governance from the Hong Kong Polytechnic University in October 2008.

Prof. Pong is an authorised person (list of surveyors) registered with the Building Authority from September 2015. Prof. Pong is a certified tax adviser of The Taxation Institute of Hong Kong from January 2015. Prof. Pong has been a fellow of the Hong Kong Institute of Construction Managers since August 2016, the Hong Kong Institute of Facility Management since July 2000, the Hong Kong Institute of Surveyors since November 2000, the Chartered Institute of Arbitrators since January 2001, the Royal Institution of Chartered Surveyor since January 2006 and the Hong Kong Institute of Chartered Secretaries since October 2012.

The following companies were dissolved other than by members' voluntary winding up when Prof. Pong was a director:

Name of company	Nature of business	Date of dissolution	Details
Master Bright International Limited	Engineering	30 December 2005	It was a Hong Kong incorporated company de-registered under section 291AA of the Predecessor Companies Ordinance due to cessation of business. <i>(Note)</i>
New China Investment Limited	Property agency	30 December 2005	It was a Hong Kong incorporated company de-registered under section 291AA of the Predecessor Companies Ordinance due to cessation of business. <i>(Note)</i>

Note: Under section 291AA of the Predecessor Companies Ordinance (Chapter 32), an application for de-registration can only be made if (a) all the members of such company agreed to such de-registration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application and (c) such company has no outstanding liabilities.

As confirmed by Prof. Pong, the above companies were solvent as at the time of dissolution. Prof. Pong also confirmed that there is no wrongful act on his part leading to the above dissolution of the companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution and de-registration of the above companies.

Save as disclosed above, Prof. Pong does not hold any current or past directorship in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lo Ki Chiu (盧其釗), aged 32, is an independent non-executive Director appointed by our company on 13 March 2018. Mr. Lo is also a member of audit committee and nomination committee of our Company.

Mr. Lo is currently the managing director of Wealth Property Agency Limited, a property agency in Hong Kong which he joined in December 2007 first as an account executive. Mr. Lo was a guest lecturer of The Education University of Hong Kong from January 2017 to June 2017. He was also a part-time instructor and an assistant instructor of the Lingnan Institute of Further Education, Lingnan University from February 2017 to June 2017 and from September 2012 to August 2013, respectively.

Mr. Lo obtained a degree of Bachelor of Arts in Physical Education and Recreation Management from the Hong Kong Baptist University in November 2007, as well as a degree of Master of Science in International Banking and Finance and a degree of Master of Philosophy in Economics from the Lingnan University in October 2009 and October 2011, respectively. Mr. Lo is a Ph. D candidate majoring in Physical Education in the Hong Kong Baptist University which was approved in September 2015.

Mr. Lo does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Disclosure required under Rule 13.51(2) of the Listing Rules

Save as disclosed in this prospectus, each of our Directors (i) did not hold other positions in our Company or any other member of our Group as at the Latest Practicable Date; and (ii) had no other relationship with any Directors, Substantial Shareholders, Controlling Shareholders or senior management of our Company as at the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed in the section headed “Substantial Shareholders” and the section headed “C. Further information about Substantial Shareholders, Directors and experts” in Appendix IV to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets out information regarding our senior management (excluding our Executive Directors):

Name	Age	Present position	Date of appointment	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Ng Wong Kwong (吳宏光)	80	Technical Director and director of Wise Trend Engineering	September 1996	September 1996	Overseeing technical engineering-related matters of our Group	Spouse of Ms. KY Tsui, and father of Mr. Benjamin Ng and Ms. May Ng
Poon Tak Wah (潘達華)	47	Financial Controller, Company Secretary and director of Wise Trend Construction & Engineering	January 2017	September 2008	Overseeing the financial operation and overall corporate governance of our Group	N/A
Fung Hing Yip David (馮興業)	44	Technical Manager and director of Wise Trend Engineering	May 2010	May 2010	Overseeing design and construction of our projects	N/A
Leung Kin Pong Brondson (梁健邦)	40	Senior Project Manager	February 2017	July 2008	Overseeing design and supervision of our foundation works, managing quality management system and corresponding submission with Government departments	N/A

Mr. Ng Wong Kwong (吳宏光), aged 80, is the Technical Director of our Group. He is primarily responsible for overseeing technical engineering-related matters of our Group. Mr. Ng Wong Kwong is one of the founders of our Group and he has been appointed a director of Wise Trend Engineering since September 1996. Mr. Ng Wong Kwong has been the Technical Director and an Authorised Signatory of Wise Trend Engineering since Wise Trend Engineering has been registered in the register of the general building contractors and the register of specialist contractors maintained by the Buildings Department.

Mr. Ng Wong Kwong graduated with a Degree of Bachelor of Science in Civil Engineering from Chu Hai University, Taiwan in July 1960. He obtained membership of The American Society of Civil Engineers in May 1976.

Mr. Ng Wong Kwong has accumulated over 50 years of experience in practising as an engineer in the construction industry. Prior to joining our Group, he was a director of Fong On Construction & Engineering Company Limited from August 1990 to December 1995. He was a senior structural engineer of Wong & Ouyang (Civil-Structural Engineering) Limited from August 1985 to August 1990, a structural engineer-in-charge of Harriman Architects from April 1970 to August 1985 and a structural engineer of Robert Chiang & Associates from August 1969 to March 1970.

Mr. Ng Wong Kwong does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Poon Tak Wah (潘達華), aged 47, joined our Group as an accounting manager from September 2008 and was promoted to financial controller and company secretary in January 2017. He is mainly responsible for overseeing the financial operation and overall corporate governance of our Group. Mr. Poon has been appointed a director of Wise Trend Construction & Engineering since May 2014.

Mr. Poon obtained a degree of Bachelor of Arts in Accountancy and Finance from the Heriot-Watt University in the United Kingdom in November 2011 through a distance learning programme and a Postgraduate Diploma in Professional Accounting from the Hong Kong Baptist University in November 2012. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants from January 2017 and an associate member of The Institute of Chartered Accountants in England and Wales from February 2017.

Prior to joining our Group, Mr. Poon worked as an accountant for the Institute of Advance Learning from August 2005 to September 2008 and an accounts payable supervisor for Panda Hotel from March 2001 to July 2005 when his last position was an assistant accountant.

Mr. Poon does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Mr. Fung Hing Yip David (馮興業), aged 44, is the technical manager of our Group. Mr. Fung joined our Group in May 2010 and is mainly responsible for overseeing design and construction of our projects. Mr. Fung has been appointed a director of Wise Trend Engineering since February 2016.

Mr. Fung graduated with a Degree of Bachelor of Engineering (Civil) from The University of Warwick in the United Kingdom in July 1996. Mr. Fung is a member of the Institute of Structural Engineers and is entitled to the designation of Chartered Structural Engineer in November 2000. Mr. Fung is admitted as a Chartered Civil Engineer and a member of The Institution of Civil Engineers in December 2000. He has been a Chartered Engineer since May 2001. In November 2010, Mr. Fung was admitted as a member of The Hong Kong Institution of Engineers and he has been registered in the Engineer Registration Board in the discipline of structural engineering.

Prior to joining our Group, Mr. Fung worked as a graduate engineer with AECOM Asia Company Limited (formerly known as Maunsell Consultants Asia Limited) from August 1996 to March 2005 and his last position was a project engineer. He then worked as a general manager for MBM Systems & Equipment Limited from May 2005 to April 2010.

Mr. Fung does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Mr. Leung Kin Pong Brondson (梁健邦), aged 40, is the senior project manager of our Group. Mr. Leung joined our Group as a project engineer in July 2008 and was promoted to senior project manager in February 2017. He is mainly responsible for overall design and supervision of our foundation works, managing quality management system and corresponding submission with the Government departments.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung obtained a Higher Diploma in Civil Engineering from The Hong Kong Polytechnic University in November 1998 and a Degree of Bachelor of Engineering in Civil and Structural Engineering from The Hong Kong Polytechnic University in November 2004. Prior to joining our Group, Mr. Leung was an assistant engineer of China State Construction Engineering (HK) Limited from April 2006 to August 2007. He was previously an assistant engineer of Shui On Building Contractors Limited from July 1998 to August 2001. He then worked as an assistant engineer of Shui On Construction Co., Ltd. from August 2001 to March 2004 before he rejoined Shui On Building Contractors Limited and worked also as an assistant engineer from April 2004 to August 2005. He was appointed as an engineer of band 1 in Shui On Building Contractors Limited in September 2007 which he worked up to May 2008.

Mr. Leung does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Mr. Poon Tak Wah is the company secretary of our Company. Details of his qualifications and experience are set out in the paragraph headed “Senior Management” in this section.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of director fee, salaries, benefits in kind and discretionary bonuses with reference to those paid by comparable companies, their duties, performance and time commitment, and the performance of our Group. Our Group also reimburses our executive Directors and senior management for expenses which are necessary and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operation of our Group. Our Group regularly reviews and determines the remuneration and compensation package of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities and performance of our Directors and senior management and the performance of our Group.

After Listing, our remuneration committee will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, performance, time devoted to our Group and the performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme, details of which are set out in the paragraph headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV of this prospectus.

REMUNERATIONS OF DIRECTORS AND SENIOR MANAGEMENT

For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, the aggregate remuneration, including Directors’ fee, salaries, allowance, discretionary bonus and other benefits as well as contribution to retirement benefit scheme, paid to our Directors were approximately HK\$4.8 million, HK\$5.8 million, HK\$5.1 million and HK\$2.2 million, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment of any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of the Directors will be as follows:

	<i>HK\$</i>
Chairman and non-Executive Director	
Ms. KY Tsui	600,000
Executive Directors	
Mr. Benjamin Ng	1,800,000
Ms. May Ng	900,000
Independent non-executive Directors	
Mr. Yan Chung Hang	150,000
Mr. Pong Kam Keung	150,000
Mr. Lo Ki Chiu	150,000

The emoluments in respect of our Group's five highest paid individuals (including, where applicable, the relevant Directors) during the Track Record Period are as follows:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and allowances	4,256	5,394	5,871	3,135
Discretionary bonuses	4,228	4,927	2,212	650
Retirement scheme contributions	70	107	90	45
Total	8,554	10,428	8,173	3,830

During the Track Record Period, no emoluments were paid by our Group, our Directors or to the above highest paid individuals as (i) an inducement to join or upon joining our Group or (ii) as compensation for loss of office as a director or management of any members of our Group. Furthermore, none of our Directors or the highest paid individuals waived any compensation for the same period.

SHARE OPTION SCHEME

Our Group has conditionally adopted the Share Option Scheme under which employees of our Group including executive Directors and other eligible participants may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarised in the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the Articles and the Listing Rules, we have formed three board committees, namely the audit committee, the nomination committee, and the remuneration committee.

Audit committee

Our Company established an audit committee on 13 March 2018 in compliance with Rule 3.21 of the Listing Rules and with the written terms of reference in compliance with the Corporate Governance Code. The primary duties of our audit committee are (i) to make recommendations to our Board on the appointment and removal of external auditors, (ii) to review the financial statements, (iii) to review the effectiveness of our Company's internal audit activities, internal controls and risk management systems, and (iv) to develop and implement policy on engaging external auditor to supply non-audit services.

The audit committee currently consists of three members, namely Mr. Yau Chung Hang, Mr. Pong Kam Keung and Mr. Lo Ki Chiu. Mr. Yau Chung Hang currently serves as the chairperson of the audit committee.

Nomination committee

Our Company established a nomination committee on 13 March 2018 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The primary duties of our nomination committee are (i) to review the structure, size, composition and diversity of our Board on a regular basis; (ii) to identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for directors; and (v) to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

The nomination committee currently consists of three members, namely Ms. KY Tsui, Mr. Yau Chung Hang and Mr. Lo Ki Chiu. Ms. KY Tsui currently serves as the chairperson of the nomination committee.

Remuneration committee

Our Company established a remuneration committee on 13 March 2018 in compliance with Rule 3.25 of the Listing Rules and with the written terms of reference in compliance with the Corporate Governance Code. The primary duties of our remuneration committee are (i) to review and make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; (ii) to review and make recommendations to our Board on other remuneration-related matters, including benefits-in-kind and other compensation payable to our Directors and senior management; and (iii) to review performance based remunerations and to establish a formal and transparent procedure for developing policy in relation to remuneration.

The remuneration committee currently consists of three members, namely Mr. Pong Kam Keung, Mr. Yau Chung Hang and Mr. Benjamin Ng. Mr. Pong Kam Keung currently serves as the chairperson of the remuneration committee.

DIRECTORS AND SENIOR MANAGEMENT

CORPORATE GOVERNANCE

Our Company is committed to high standards of corporate governance with a view to safeguarding the interest of the Shareholders. To accomplish this, our Company will comply with the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules after Listing.

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

COMPLIANCE ADVISER

We have agreed to appoint Grande Capital Limited to be our compliance adviser upon Listing in compliance with Rules 3A.19 of the Listing Rules. We have entered into a compliance adviser’s agreement with the compliance adviser, 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 dispatch 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 Grande Capital Limited 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;
 - 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.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value 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	Shares held as at the date of application for Listing		Shares held/interested immediately prior to the Capitalisation Issue and the Share Offer		Number of Shares held/ interested immediately following completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding immediately following completion of the Capitalisation Issue and the Share Offer
		Number of Shares	Percentage of shareholdings	Number of Shares	Percentage of shareholding		
Profound Contractor (Note 1)	Beneficial interest	10,000	100%	10,000	100%	198,000,000	75%
Ms. KY Tsui (Note 1)	Interest in controlled corporation/interest held jointly with another person	10,000	100%	10,000	100%	198,000,000	75%
Mr. Benjamin Ng (Note 1)	Interest in controlled corporation/interest held jointly with another person	10,000	100%	10,000	100%	198,000,000	75%
Ms. May Ng (Note 1)	Interest in controlled corporation/interest held jointly with another person	10,000	100%	10,000	100%	198,000,000	75%
Mr. Ng Wong Kwong	Spouse Interest (Note 2)	10,000	100%	10,000	100%	198,000,000	75%
Ms. Tang Shuk Ngar Elli	Spouse Interest (Note 3)	10,000	100%	10,000	100%	198,000,000	75%
Mr. Tsang Wai Kuen	Spouse Interest (Note 4)	10,000	100%	10,000	100%	198,000,000	75%

Notes:

1. Profound Contractors is owned as to 62.5% by Ms. KY Tsui, 25% by Mr. Benjamin Ng and 12.5% by Ms. May Ng. Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng are the directors of Profound Contractors.
2. Mr. Ng Wong Kwong, a member of our senior management, is the spouse of Ms. KY Tsui. Accordingly, Mr. Ng Wong Kwong is deemed, or taken to be, interested in 198,000,000 Shares in which Ms. KY Tsui is interested upon Listing for the purposes of the SFO.
3. Ms. Tang Shuk Ngar Elli is the spouse of Mr. Benjamin Ng. Accordingly, Ms. Tang Shuk Ngar Elli is deemed, or taken to be, interested in 198,000,000 Shares in which Mr. Benjamin Ng is interested upon Listing for the purposes of the SFO.
4. Mr. Tsang Wai Kuen is the spouse of Ms. May Ng. Accordingly, Mr. Tsang Wai Kuen is deemed, or taken to be, interested in 198,000,000 Shares in which Ms. May Ng is interested upon Listing for the purposes of the SFO.

SUBSTANTIAL SHAREHOLDERS

Furthermore, in view of the concert party arrangement among Ms. KY Tsui, Mr. Benjamin Ng, Ms. May Ng and Profound Contractors, details of which are set out in the section headed “History and Development — Concert Party Deed” in this prospectus, Ms. KY Tsui, Mr. Benjamin Ng, Ms. May Ng and Profound Contractors are a group of Controlling Shareholders within the meaning of Listing Rules.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme) have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

SHARE CAPITAL

SHARE CAPITAL

Without taking into account any Shares which may be issued upon exercise of any option that may be granted under the Share Option Scheme, our share capital immediately following the Capitalisation Issue and the Share Offer will be as follows:

<i>Authorised share capital:</i>	<i>HK\$</i>
<u>5,000,000,000</u> Shares	<u>50,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:</i>	
	<i>HK\$</i>
10,000 Shares in issue at the date of this prospectus	100
197,990,000 Shares to be issued pursuant to Capitalisation Issue	1,979,900
<u>66,000,000</u> Shares to be issued pursuant to the Share Offer	<u>660,000</u>
<u>264,000,000</u>	<u>2,640,000</u>

MINIMUM PUBLIC FLOAT

At least 25% of the total issued share capital of our Company must at all times be held by the public. The 66,000,000 Offer Shares represent not less than 25% of the issued share capital of our Company upon Listing.

RANKING

The Offer Shares will rank pari passu in all respects with all our Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 13 March 2018, subject to the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Share Offer, our Directors are authorised to allot and issue a total of 197,990,000 Shares credited as fully paid at par to the holders of Shares on the register of members of our Company at the close of business on 13 March 2018 (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 the sum of HK\$1,979,900 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions as stated in the paragraph headed “Structure and Conditions of the Share Offer — Conditions of the Public Offer” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the number of Shares of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding our Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme); and
- (b) the number of Shares of our Company repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed “General mandate to repurchase Shares” in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Company — 3. Written resolutions of our sole Shareholder passed on 13 March 2018” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions as stated in the section headed “Structure and Conditions of the Share Offer — Conditions of the public offer” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate number of Shares of not more than 10% of the number of Shares of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme).

SHARE CAPITAL

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “A. Further information about our Company — 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of our Company’s next annual general meeting; or
- (b) the expiration of the period within which our Company’s next annual general meeting is required by the Memorandum and Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Company — 3. Written resolutions of our sole Shareholder passed on 13 March 2018” and “A. Further information about our Company — 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” as set out in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles, a summary of which is set out in the section headed “Summary of the constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus.

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The following discussion of our Group's financial condition and results of operations should be read in conjunction with our Group's combined financial information as at the end of and for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 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 headed "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We undertake (i) foundation works, which include piling works, ELS works, construction of pile caps; (ii) superstructure building works, which include building works in relation to the parts of the structure above the ground level, and (iii) other construction works, such as demolition works, site formation works, ground investigation works, minor works, hoarding works, A&A works and fitting-out works.

Our Group principally provides services to private sector customers including private property developers, construction companies and other entities which require foundation works services and/or superstructure building works services. During the Track Record Period, we only undertook one public sector project, where we acted as a subcontractor in relation to the Hong Kong-Zhuhai-Macao Bridge construction.

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, piles and reinforcement steel; (iii) machinery and equipment rental service providers; and (iv) suppliers of other miscellaneous services such as insurance, security and materials testing.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including, in particular, the following:

Availability of construction projects in Hong Kong

The number and availability of construction projects in Hong Kong are affected by a variety of factors, including the Government's policies on the property market in Hong Kong, its land supply and public housing policy, the investment of property developers and the general conditions and prospects of Hong Kong's economy. These factors may affect the availability of construction projects from both the public and private sectors. Unfavourable changes in these factors may result in a significant decrease in the number of foundation projects and superstructure building projects available in Hong Kong in general. For instance, an economic downturn in Hong Kong and/or adverse governmental policies on the property markets in Hong Kong may lead to a significant decline in the number of construction projects of buildings in Hong Kong, thereby resulting in a decline in the number of foundation projects and superstructure building projects. There is no

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assurance that the number of construction projects in Hong Kong will not decrease in the future. Any significant increase or decrease in the availability of foundation projects and superstructure building projects in Hong Kong may materially affect our business volume and therefore our results of operations and financial condition.

Accuracy in our estimation of time and costs involved in projects before submitting quotations or tenders

Our ability to submit tender proposal at a competitive price with adequate profit margin and maintain our profitability depends on various factors. We determine the tender price by taking into account factors including the scope and complexity of the project, site conditions, project time frame, estimated construction materials costs, labour and machinery requirement and capacity, extent of subcontracted works required, our relationship with customers and prevailing market conditions. In the event that we fail to accurately estimate the project costs or if there is any unforeseen factor leading to any increase in cost, we may be subject to cost overruns, which will in turn result in lower profit margin or even a loss for a project.

Availability and performance of our subcontractors and our ability to complete works on time

We engage third party subcontractors to perform a portion of the works under our projects. Other than any significant increase in the subcontracting costs that may impact on our profitability, we may also be exposed to other legal liabilities if we are not able to monitor the performance of our subcontractors, or if our subcontractors violate any laws, rules or regulations in relation to health and safety matters. We are also exposed to risks associated with any non-performance, delayed performance or sub-standard performance by our subcontractors or their respective employees. We may also incur additional costs or be subject to liability due to delay in schedule or defect in the works of our subcontractors or if there is any accident causing personal injuries or death of our subcontractors' employees. These events may impact upon our profitability, financial performance and reputation, as well as result in litigation or damage claims.

In addition, pursuant to section 43C of the Employment Ordinance, a main contractor, or a main contractor and every superior subcontractor is/are jointly and severally liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, if such wages are not paid within the period specified in the Employment Ordinance. For further details, please refer to the section headed "Regulatory Overview — B. Laws and regulations in relation to construction labour, health and safety — Employment Ordinance" of this prospectus. Our operations and hence our financial position may be adversely affected if any of our subcontractors violates its obligations to pay its employees.

Collectability and timing of collection of our trade receivables

Our Group's foundation works and superstructure building works contracts normally require our customers to make progress payments on a monthly basis. Once our Group has submitted a bill or payment application, the consultant or architect appointed by our customer will certify the amount of work done. Our customer settles the bill, net of any agreed retention money, after receipt of the consultant/architect's certification. However, there is no assurance that the financial position of our customers will remain healthy in the future. We also cannot assure that we will be

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able to collect receivables from our customers on a timely basis or that there will not be any future dispute in terms of collection of receivables with our customers which may result in significant delay in receivables collection.

BASIS OF PRESENTATION

Please refer to Note 1 and Note 2(a) in section II of the Accountants' Report in Appendix I to this prospectus.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Group's financial statements have been prepared in accordance with HKFRSs. The significant accounting policies adopted by our Group are set forth in detail in the Accountants' Report set out in Appendix I to this prospectus. Some of the accounting policies involve subjective judgments, 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 and our experience and factors that we believe to be reasonable under the circumstances.

The following paragraphs summarise the critical accounting policies and estimates applied in the preparation of our Group's combined financial statements.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services. Provided it is probable that the economic benefits will flow to our Group and that the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Contract revenue

Revenue from contract work is recognised based on the percentage of completion of the contracts, provided that the percentage of contract completion and the gross billing value of contracting work can be measured reliably. The percentage of completion of a contract is established by reference to the construction works certified by customers.

In practice, upon completion of the project or by stages, we will submit to our customer 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 or its architect or consultant will sign our payment application or issue a payment certificate certifying the amount of completed works.

Progress certification might not necessarily take place as at our financial reporting period-end. In case where progress certification for our works does not take place as at our financial reporting period end or the payment certificate approved by the customer does not cover up to the end of a reporting period, the revenue recognised from the last progress certification to the end of the reporting period is estimated based on the estimated stage of completion up to the reporting period-end with reference to the next progress certification that takes place subsequent to the reporting period-end. For the purpose of determining the estimated stage of completion up to the reporting period-end, the amount of works performed as confirmed by the next progress

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certification that takes place subsequent to the reporting period-end is allocated between the two financial periods based on the amount of works performed as recorded in the daily work sheets prepared by our staff for the relevant period subject to the estimation. Contract revenue recognised by our Group during the Track Record Period was either confirmed by customers' progress certifications which took place on or before the reporting period-end, or was estimated by reference to customers' progress certifications which took place subsequent to the reporting period-end. The following table sets out a breakdown of our Group's revenue during the Track Record Period in this connection:

	FY2014/15		FY2015/16		FY2016/17		For the six months ended 30 September 2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Contract revenue recognised where the stage of completion:								
— was fully confirmed by customers' progress certifications	164,626	93.3	172,894	81.4	171,428	93.0	104,630	97.7
— was estimated due to customers' progress certifications covering across two financial periods	<u>11,830</u>	<u>6.7</u>	<u>39,594</u>	<u>18.6</u>	<u>12,935</u>	<u>7.0</u>	<u>2,437</u>	<u>2.3</u>
Total revenue	<u><u>176,456</u></u>	<u><u>100.0</u></u>	<u><u>212,488</u></u>	<u><u>100.0</u></u>	<u><u>184,363</u></u>	<u><u>100.0</u></u>	<u><u>107,067</u></u>	<u><u>100.0</u></u>

The amount of time typically required for such progress certification by our customers may range from a day to several weeks depending on the nature and scale of our job and the internal procedures of the relevant customers.

Internal control in relation to revenue and cost recognition and billing management

Revenue recognition and billing management

Our Group's financial statements have been prepared in accordance with HKFRSs. Our revenue is recognised based on the percentage of completion of the contracts. The percentage of completion of our contract is established according to the construction works certified by the customers and/or surveyors engaged by the customers. In practice, we submit a payment application detailing the work done on a monthly basis or based on the phases of the works subject to the term of the contract.

Our site workers prepare daily work sheets detailing our work done for projects. Our internal quantity surveyor team will verify the work done and prepare the payment application to our customers. Once the quantity surveyor engaged by our customer is satisfied with the content of our payment application, our customers will sign the payment application or issue a payment certificate certifying the amount of completed works. Upon receiving the signed payment application or payment certificate, our finance department will prepare invoice and submit it to the customers. Each payment application is numbered in a sequential order which will match with the sequence of the signed payment application or payment certificate issued by our customer. The finance department retains all the signed payment

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application and payment certificate for record. Our accounting staff will also prepare the proper accounting entries for the transactions based on the invoice issued to the customer and such accounting entries will be reviewed by the financial controller of our Group. In addition, our executive Directors, finance department and project team will arrange a meeting every month in order to check whether there is any missing payment application which has not yet been issued and whether the payment application should be submitted on a monthly basis or based on the phases of the works. For those works where the payment application should be submitted based on the phases of the works, our cost incurred for such works is recognised as gross amounts due from customers for contract works before the receipt of payment certificate from customer. Our finance department monitors the total costs incurred and will issue the payment application to the customer once our Group completed the specified phase of the works in accordance with the requirement of the contract. In relation to the collection of our trade receivable, our finance department follows the credit policy of our Group. Please refer to the section headed “Business — Customers — Credit policy” for further details.

Cost recognition

Our direct costs mainly consist of subcontracting charges, materials costs and direct labour costs. Based on the matching concept of the accounting standard, our direct costs are also recognised with reference to the percentage of completion of the projects.

Similar to our billing process to customers mentioned above, our subcontractors submit payment application to our Group on a monthly basis or based on the phases of their works subject to the term of the contract. The payment applications submitted by our subcontractors contain details of work done and the amounts of works. Our executive Directors will confirm the subcontracting fee in accordance with the value of work quantified by our quantity surveyor by issuing a payment certificate to our subcontractors. Our finance department will arrange the payment according to the payment certificate. Our accounting staff will prepare the proper accounting entries and such entries will be reviewed by the financial controller of the Group.

Staff costs including project management, supervision personnel and direct labour were allocated to individual project in accordance with the work schedule and the location where the staff carry out the site works. The work schedule is submitted by our site supervisor to our finance department bi-weekly. Our accounting staff will prepare the proper accounting entries and such entries will be reviewed by the financial controller of the Group.

Construction materials and consumables are procured on a project-by-project basis. Our project managers obtain quotations from different suppliers for the procurement of construction materials and consumables. The quotations will be submitted to our executive Directors for their approval and our executive Directors will approve the quantity and the amount of the materials with reference to the needs and the suggestion from our project managers. After obtaining the approval from our executive Directors, our project managers will procure the necessary materials and our finance department will settle the purchase amount according to the invoices issued by the suppliers. Our accounting staff will prepare the proper accounting entries and such entries will be reviewed by the financial controller of the Group.

Generally speaking, our project managers supervise the overall project procurements and subcontracting works planning. Our quantity surveyors prepare the project budget cost and estimates the measurements in each project based on the project plan reviewed by the project managers and our

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executive Directors. Project budget is reviewed at the end of each month or any event lead to significant change in the budget cost. Our finance team meets with the project managers to understand the stage of completion of each project for appropriate recognition of cost as well as update the budgeted costs at least once a month.

Impairment of trade receivables

Our management team determines the provision for impairment of trade receivables. The need and the amount of the impairment is based on the credit history of our customers, the financial condition of our customers and the current market condition. We review the recoverable amount of each individual trade receivable balance at the end of each reporting period to ensure adequate impairment losses are provided for irrecoverable amounts. As at 30 September 2017, trade receivables which were past due but not impaired are discussed in detail in the paragraph headed “Net current assets — Trade and other receivables” in this section, and as discussed therein, our Executive Directors believe that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

For other critical accounting policies and estimates, which was applied in the preparation of our Group’s combined financial statements, please refer to notes 2 and 4 in section II of the Accountants’ Report in Appendix I to this prospectus respectively.

EFFECT OF NEW AND AMENDMENTS TO HKFRSs ON OUR GROUP

Based on the current accounting policies adopted by our Company, the revenue is recognised with reference to the proportion that work performed with reference to surveys of work performed to date.

In accordance with HKFRS 15, input methods recognise revenue on the basis of our Group’s efforts or inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the satisfaction of that performance obligation. The timing of revenue recognition based on current accounting policies may result in different timing of revenue recognition based on input method as mentioned in HKFRS 15 because there may not be a direct relationship between our Group’s inputs and the satisfaction of our Group’s performance obligation to a customer (i.e. the surveys of work performed to date by the customers and/or surveyors engaged by the customers).

On the other hand, HKFRS 15 allows adoption of output method as appropriate method of measuring progress to recognise revenue. In accordance to HKFRS 15, output methods recognise revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. Output methods include methods such as surveys of performance completed to date. The timing of revenue recognition based on current accounting policies is similar to the timing of revenue recognition based on output method as mentioned in HKFRS 15. Our Group will adopt the output method for revenue recognition. Thus, the application of HKFRS 15 will have no material impact on our Group’s future financial statements.

The materials consumed by our Group include concrete, piles and reinforcement steel. Our Group did not maintain any inventory during the Track Record Period mainly because the materials were usually delivered directly to our project sites for immediate consumption on project-by-project basis. As

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such, our Group did not have significant amount of uninstalled materials as at the end of each reporting period. Thus, the financial impact of the uninstalled materials in the application of HKFRS 15 will be considered as insignificant.

SUMMARY OF RESULTS OF OPERATIONS

The combined statements of 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:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2016	For the six months ended 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Revenue	176,456	212,488	184,363	72,611	107,067
Direct costs	<u>(152,869)</u>	<u>(161,735)</u>	<u>(135,106)</u>	<u>(53,388)</u>	<u>(84,312)</u>
Gross profit	23,587	50,753	49,257	19,223	22,755
Other income and net gains	50	88	—	—	37
Administrative and other operating expenses	<u>(13,239)</u>	<u>(14,796)</u>	<u>(16,774)</u>	<u>(5,958)</u>	<u>(14,123)</u>
Operating profit before finance costs and income tax	10,398	36,045	32,483	13,265	8,669
Finance costs	<u>(13)</u>	<u>(6)</u>	<u>(3)</u>	<u>(2)</u>	<u>—</u>
Profit before income tax	10,385	36,039	32,480	13,263	8,669
Income tax expense	<u>(1,941)</u>	<u>(5,974)</u>	<u>(5,524)</u>	<u>(1,743)</u>	<u>(3,183)</u>
Profit for the year/period	<u><u>8,444</u></u>	<u><u>30,065</u></u>	<u><u>26,956</u></u>	<u><u>11,520</u></u>	<u><u>5,486</u></u>

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	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2016	For the six months ended 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Other comprehensive loss					
<i>Items that may be reclassified to profit or loss:</i>					
— Change in fair value of available-for-sale financial asset	—	—	—	—	(23)
Other comprehensive loss for the year/period, net of tax	—	—	—	—	(23)
Total comprehensive income for the year/period attributable to owners of the Company	<u>8,444</u>	<u>30,065</u>	<u>26,956</u>	<u>11,520</u>	<u>5,463</u>

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PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our revenue was derived from undertaking foundation works, superstructure building works, and other construction works. We mainly act as a main contractor in our projects or, to a lesser extent, as a subcontractor. For detailed breakdowns of our revenue during the Track Record Period by reference to our role (as main contractor or subcontractor), project nature (private or public sector projects) and project type (build only or design and build projects), please refer to the section headed “Business — Overview” and “Business — Projects undertaken during the Track Record Period” in this prospectus.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for a discussion of the change in the amount of our revenue during the Track Record Period.

Direct costs

The table below sets forth a breakdown of our direct costs during the Track Record Period:

	FY2014/15		FY2015/16		FY2016/17		For the six months ended 30 September 2016		For the six months ended 30 September 2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
(unaudited)										
Direct costs										
Depreciation of owned assets	1,341	0.9	1,321	0.8	942	0.7	784	1.5	744	0.9
Depreciation of assets under finance leases	57	negligible	61	negligible	49	negligible	39	0.1	21	negligible
Materials	27,380	17.9	20,886	12.9	28,056	20.8	3,292	6.2	23,594	28.0
Staff costs	6,274	4.1	11,387	7.0	9,187	6.8	4,950	9.3	4,927	5.8
Fuel	347	0.2	248	0.2	19	negligible	16	negligible	14	negligible
Operating lease rental in respect of										
— equipment and machinery	1,546	1.0	1,897	1.2	721	0.5	360	0.7	347	0.4
— others	38	negligible	25	negligible	29	negligible	10	negligible	11	negligible
Insurance	3,657	2.4	4,040	2.5	3,397	2.5	2,247	4.2	1,363	1.6
Testing and survey	726	0.5	925	0.6	169	0.1	11	negligible	176	0.2
Design and professional fee	1,258	0.8	385	0.2	579	0.4	305	0.6	370	0.4
Security service fee	1,258	0.8	1,410	0.9	1,590	1.2	1,035	1.9	555	0.7
Subcontracting charges	104,329	68.2	115,171	71.2	83,008	61.5	35,439	66.4	51,684	61.3
Other direct costs	4,658	3.0	3,979	2.5	7,360	5.4	4,900	9.2	506	0.6
	<u>152,869</u>	<u>100.0</u>	<u>161,735</u>	<u>100.0</u>	<u>135,106</u>	<u>100.0</u>	<u>53,388</u>	<u>100.0</u>	<u>84,312</u>	<u>100.0</u>

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Our direct costs during the Track Record Period comprised:

- (a) depreciation of owned assets and depreciation of assets under finance leases, which represent depreciation charges in respect of our machinery and motor vehicles which are directly involved in our projects;
- (b) direct materials, which represents costs for purchasing construction materials required for performing foundation works, superstructure building works and other construction works such as concrete, piles and reinforcement steel. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our direct materials costs on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 0.9% and 11.3%, which correspond to the approximate CAGR in the price of cement (which is a major ingredient of concrete) and in the price of reinforcement steel, respectively, from 2012 to 2016 as shown in the Ipsos Report (see the section headed “Industry Overview — Price trend of major cost components” of this prospectus) and are therefore considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in materials costs	-0.9%	-11.3%	0.9%	11.3%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(decrease) in profit before tax (Note 1)				
FY2014/15	246	3,094	(246)	(3,094)
FY2015/16	188	2,360	(188)	(2,360)
FY2016/17	253	3,170	(253)	(3,170)
For the six months ended 30 September 2017	212	2,666	(212)	(2,666)
Increase/(decrease) in profit after tax (Note 2)				
FY2014/15	205	2,583	(205)	(2,583)
FY2015/16	157	1,971	(157)	(1,971)
FY2016/17	211	2,647	(211)	(2,647)
For the six months ended 30 September 2017	177	2,226	(177)	(2,226)

Notes:

1. Our profit before tax was approximately HK\$10,385,000, approximately HK\$36,039,000, approximately HK\$32,480,000 and approximately HK\$8,669,000 for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 respectively.
2. Our profit after tax was approximately HK\$8,444,000, approximately HK\$30,065,000 and approximately HK\$26,956,000 and approximately HK\$5,486,000 for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 respectively.

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- (c) direct staff cost, which are salaries and benefits provided to our staff who are directly involved in carrying out our foundation works, superstructure building works and other construction works. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our staff costs (in respect of our staff who are directly involved in carrying out our foundation works, superstructure building works and other construction works) on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 9.5% and 12.5%, which correspond to the approximate CAGR in the average daily wages of foundation workers and superstructure building workers in Hong Kong, respectively, from 2012 to 2016 as shown in the Ipsos Report (see section headed “Industry Overview — Price trend of major cost components” in this prospectus) and are therefore considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in staff costs (in respect of staff who are directly involved in carrying out our foundation works, superstructure building works and other construction works)	-10.3%	-12.5%	10.3%	12.5%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(decrease) in profit before tax (Note 1)				
FY2014/15	646	784	(646)	(784)
FY2015/16	1,173	1,423	(1,173)	(1,423)
FY2016/17	946	1,148	(946)	(1,148)
For the six months ended 30 September 2017	507	616	(507)	(616)
Increase/(decrease) in profit after tax (Note 2)				
FY2014/15	539	655	(539)	(655)
FY2015/16	979	1,188	(979)	(1,188)
FY2016/17	790	959	(790)	(959)
For the six months ended 30 September 2017	423	514	(423)	(514)

Notes:

- Our profit before tax was approximately HK\$10,385,000, approximately HK\$36,039,000, approximately HK\$32,480,000 and approximately HK\$8,669,000 for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 respectively.
- Our profit after tax was approximately HK\$8,444,000, approximately HK\$30,065,000, approximately HK\$26,956,000 and approximately HK\$5,486,000 for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 respectively.

- (d) fuel, which primarily represents cost of fuel for our mobile generators for use in our works;

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- (e) operating lease rental in respect of equipment and machinery and others, which mainly consist of rental costs for machinery and equipment necessary for carrying out our construction works such as scaffolding system and crane lorries from external machinery and equipment rental service providers, as well as rental expenses for site offices;
- (f) insurance, which represents insurance premiums for insurance policies in relation to our works as discussed in the section headed “Business — Insurance” in this prospectus;
- (g) testing and survey, which mainly represents costs for load testing and checking of the construction materials such as concrete and steel related products and the inspection and surveying costs on the site condition;
- (h) design and professional fee, which represents costs of engaging third parties to assist us in the preparation of engineering designs for our “design and build” contracts;
- (i) security service fee, which represents costs of engaging service providers to provide security services for our construction sites when we acted as main contractor;
- (j) subcontracting charges, which are direct costs for engaging subcontractors for carrying out portions of our foundation works, superstructure building works and other construction works (which include, among others, the cost of the provision of machinery such as excavator, crawler crane, bored pile machines and hydraulic pile driving rig by our subcontractors). The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our subcontracting charges on our profits during the Track Record Period. As a major factor affecting subcontracting charges is, in the opinion of our Directors, labour costs, the hypothetical fluctuation rates are set at 9.5% and 12.5%, which correspond to the approximate CAGR in the average daily wages of foundation workers and superstructure building workers in Hong Kong, respectively, from 2012 to 2016 as shown in the Ipsos Report (see section headed “Industry overview — Price trend of major cost components” in

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this prospectus) and are therefore considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in subcontracting charges	-10.3%	-12.5%	10.3%	12.5%
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	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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Increase/(decrease) in profit before tax (Note 1)

FY2014/15	10,746	13,041	(10,746)	(13,041)
FY2015/16	11,863	14,396	(11,863)	(14,396)
FY2016/17	8,550	10,376	(8,550)	(10,376)
For the six months ended 30 September 2017	5,323	6,461	(5,323)	(6,461)

Increase/(decrease) in profit after tax (Note 2)

FY2014/15	8,973	10,889	(8,973)	(10,889)
FY2015/16	9,906	12,021	(9,906)	(12,021)
FY2016/17	7,139	8,664	(7,139)	(8,664)
For the six months ended 30 September 2017	4,445	5,395	(4,445)	(5,395)

Notes:

1. Our profit before tax was approximately HK\$10,385,000, approximately HK\$36,039,000, approximately HK\$32,480,000 and approximately HK\$8,669,000 for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 respectively.
2. Our profit after tax was approximately HK\$8,444,000, approximately HK\$30,065,000, approximately HK\$26,956,000 and approximately HK\$5,486,000 for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 respectively.

- (k) other direct costs, which include various miscellaneous expenses relevant to the provision of our foundation works, superstructure building works and other construction works.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for a discussion of material fluctuations in our direct costs.

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Other income and net gains

The table below sets forth a breakdown of our other income and net gains during the Track Record Period:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2016	For the six months ended 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Interest income	—	6	—	—	45
Loss on disposal of property, plant and equipment	—	—	—	—	(8)
Others	<u>50</u>	<u>82</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>50</u></u>	<u><u>88</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>37</u></u>

Our other income and net gains during the Track Record Period mainly comprised:

- (a) interest income, which was derived as a result of (i) an arrangement with an insurance company in connection with the issuance of surety bonds and (ii) deposit and prepayment for the key-person life insurance on Mr. Benjamin Ng;
- (b) loss on disposal of property, plant and equipment, which was resulted from the disposal of certain surveying equipment; and
- (c) others, which comprise income derived from the provision of other services, which, specifically, involved the preparation of structural assessment reports by our Group for certain jewellery shops on the installation of safes.

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Administrative and other operating expenses

The table below sets forth a breakdown of our administrative and other operating expenses during the Track Record Period:

	FY2014/15		FY2015/16		FY2016/17		For the six months ended 30 September 2016		For the six months ended 30 September 2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
Auditors' remuneration	66	0.5	150	1.0	150	0.9	75	1.3	75	0.5
Depreciation of owned assets	120	0.9	104	0.7	99	0.6	49	0.8	48	0.3
Entertainment and marketing	1,230	9.3	695	4.7	768	4.6	398	6.7	158	1.1
Listing expenses	—	—	—	—	2,643	15.8	—	—	7,807	55.3
Motor vehicles expenses	616	4.7	661	4.5	703	4.2	319	5.4	467	3.3
Operating lease rental in respect of office premises	599	4.5	599	4.0	599	3.6	300	5.0	300	2.1
Repair and maintenance	36	0.3	36	0.2	39	0.2	23	0.4	23	0.2
Staff costs, including directors' emoluments	9,507	71.8	11,418	77.2	10,483	62.5	4,432	74.4	4,186	29.7
Other expenses	1,065	8.0	1,133	7.7	1,290	7.7	361	6.1	1,059	7.5
	<u>13,239</u>	<u>100.0</u>	<u>14,796</u>	<u>100.0</u>	<u>16,774</u>	<u>100.0</u>	<u>5,958</u>	<u>100.0</u>	<u>14,123</u>	<u>100.0</u>

Our administrative and other operating expenses during the Track Record Period comprised:

- (a) auditors' remuneration, which are fees to our auditors;
- (b) depreciation of owned assets, which include depreciation of leasehold improvement, furniture, fixtures and office equipment;
- (c) entertainment and marketing 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) motor vehicle expenses, which represent costs in relation to the use of our motor vehicles;
- (f) operating lease rental in respect of office premises, which represents rental expenses (excluding Government rates, management fees and air conditioning charges) for our head office (being rental paid to a connected party, details of which are disclosed in the section headed "Continuing Connected Transaction" in this prospectus);
- (g) repair and maintenance, which represents expenses incurred for general office maintenance;

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- (h) staff costs (including directors' emoluments), which include salaries and benefits provided to our Directors and our administrative and back office staff as well as operating lease rental in respect of the Director's quarter for Mr. Benjamin Ng (details of which are disclosed in the section headed "Business — Properties" in this prospectus);
- (i) other expenses, which mainly include expenses incurred for travelling, printing, stationery and utilities.

Finance costs

Our finance costs during the Track Record Period mainly represented interest expenses on finance leases of our motor vehicles and machinery, details of which are disclosed in the paragraph headed "Indebtedness" in this section.

Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the Track Record Period. The taxation for the Track Record Period can be reconciled to the profit before taxation as follows:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2016	For the six months ended 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)				
Profit before income tax	<u>10,385</u>	<u>36,039</u>	<u>32,480</u>	<u>13,263</u>	<u>8,669</u>
Calculated at a tax rate of 16.5%	1,714	5,946	5,359	2,188	1,430
Tax effects of:					
Income not subject to tax	(9)	(127)	(76)	(279)	(83)
Expenses not deductible for tax purposes	296	12	484	9	1,298
Tax concession	(60)	(40)	(60)	—	—
Utilisation of previously unrecognised tax losses (<i>Note</i>)	—	—	(183)	(175)	—
Tax losses for which no deferred income tax asset was recognised (<i>Note</i>)	<u>—</u>	<u>183</u>	<u>—</u>	<u>—</u>	<u>538</u>
Income tax expense	<u><u>1,941</u></u>	<u><u>5,974</u></u>	<u><u>5,524</u></u>	<u><u>1,743</u></u>	<u><u>3,183</u></u>

Note: The tax losses for FY2015/16 and the six months ended 30 September 2017 were recognised by Wise Trend Construction & Engineering. Since May 2014, the principal activity of Wise Trend Construction & Engineering has been changed to solely focusing on handling human resources and related administrative matters of our operating companies.

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During the Track Record Period, our effective tax rates (calculated as income tax expense for the year divided by profit before taxation) were as follows:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2017
Effective tax rate (<i>Note</i>)	18.7%	16.6%	17.0%	36.7%

Note: The increase in effective tax rate for the six months ended 30 September 2017 was mainly due to the effect of the non-deductible listing expenses.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended 30 September 2017 compared with the six months ended 30 September 2016

Revenue

Our revenue increased from approximately HK\$72.6 million for the six months ended 30 September 2016 to approximately HK\$107.1 million for the six months ended 30 September 2017, representing an increase of 47.5%. Such increase was mainly due to the revenue recognised from the Hong Kong-Zhuhai-Macao Bridge project of approximately HK\$30.0 million for the six months ended 30 September 2017 (2016: nil), which was newly awarded in December 2016.

Direct costs

Our direct costs increased from approximately HK\$53.4 million for the six months ended 30 September 2016 to approximately HK\$84.3 million for the six months ended 30 September 2017, representing an increase of 57.9%, which was higher than the increase in our revenue of approximately 47.5% (and thus resulted in our lower gross profit margin) primarily as a result of the combined effect of the followings:

- (1) Our material costs increased from approximately HK\$3.3 million for the six months ended 30 September 2016 to approximately HK\$23.6 million for the six months ended 30 September 2017, representing an increase of 615.2%. Such increase was primarily due to larger amount of materials cost borne by us during the six months ended 30 September 2017 based on our agreements with our customers and subcontractors. In particular, we recorded materials costs of approximately 18.0 million for the abovementioned Hong Kong-Zhuhai-Macao Bridge project as substantial amount of materials costs were borne by us for the project.
- (2) Our subcontracting costs increased from approximately HK\$35.4 million for the six months ended 30 September 2016 to approximately HK\$51.7 million for the six months ended 30 September 2017, representing an increase of approximately 46.0%. Such increase was generally in line with the increase in our revenue for the six months ended 30 September 2017 as discussed above.

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- (3) Our staff costs amounted to approximately HK\$4.9 million and approximately HK\$5.0 million for each of the six months ended 2016 and 2017 respectively, which remained relatively stable. As a main contractor, we focused on project management and supervision on project execution and mostly engage subcontractors to carry out the site works.

Gross profit and gross profit margin

Our gross profit and gross profit margin for the six months ended 30 September 2016 and the six months ended 30 September 2017 respectively were as follows:

	For the six months ended 30 September 2016	For the six months ended 30 September 2017
Revenue (<i>HK\$'000</i>)	72,611	107,067
Gross profit (<i>HK\$'000</i>)	19,223	22,755
Gross profit margin	26.5%	21.3%

Our gross profit increased from HK\$19.2 million for the six months ended 30 September 2016 to approximately HK\$22.8 million for the six months ended 30 September 2017, representing an increase of approximately 18.8%, while our gross profit margin decreased from approximately 26.5% for the six months ended 30 September 2016 to approximately 21.3% for the six months ended 30 September 2017. The increase in our gross profit was primarily due to the increase in our revenue as discussed above. On the other hand, the decrease in our gross profit margin was mainly because lower profit margin was derived from Hong Kong-Zhuhai-Macao Bridge project. Our Directors consider that undertaking the Hong Kong-Zhuhai-Macao Bridge project will increase the recognition and reputation of our Group as it is a well-known project in Hong Kong and hence our Directors are willing to accept a lower profit margin for such project.

The following table sets forth a breakdown of our revenue, gross profit and gross profit margin during the six months ended 30 September 2016 and 30 September 2017 by business operations:

	For the six months ended 30 September 2016			For the six months ended 30 September 2017		
	Revenue <i>HK\$'000</i>	Gross profit <i>HK\$'000</i>	Gross profit margin %	Revenue <i>HK\$'000</i>	Gross profit <i>HK\$'000</i>	Gross profit margin %
Foundation works	43,069	12,193	28.3	87,027	19,405	22.3
Superstructure building works	19,911	4,118	20.7	10,912	2,031	18.6
Other construction works (<i>Note</i>)	9,631	2,912	30.2	9,128	1,319	14.4
	72,611	19,223	26.5	107,067	22,755	21.3

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Note: Other construction works include demolition works, site formation works, ground investigation works, minor works, hoarding works, A&A works and fitting-out works.

Foundation works

Gross profit of foundation works increased from approximately HK\$12.2 million for the six months ended 30 September 2016 to approximately HK\$19.4 million for the six months ended 30 September 2017, representing an increase of approximately 59.0%. Such increase was primarily due to the increase in revenue from foundation works for the six months ended 30 September 2017 compared to the six months ended 30 September 2016.

Gross profit margin of foundations works decreased from approximately 28.3% for the six months ended 30 September 2016 to approximately 22.3% for the six months ended 30 September 2017. Such decrease was mainly due to the lower profit margin derived from the Hong Kong-Zhuhai-Macao Bridge project as discussed above.

Superstructure building works

Gross profit of superstructure building works decreased from approximately HK\$4.1 million for the six months ended 30 September 2016 to approximately HK\$2.0 million for the six months ended 30 September 2017, representing a decrease of approximately 51.2%. Such decrease was primarily due to the decrease in revenue from superstructure building works for the six months ended 30 September 2017 compared to the six months ended 30 September 2016.

Gross profit margin of superstructure building works decreased from approximately 20.7% for the six months ended 30 September 2016 to approximately 18.6% for the six months ended 30 September 2017. Such decrease was primarily due to extra costs incurred as a result of the change in specifications of a project.

Other construction works

Gross profit of other construction works decreased from approximately HK\$2.9 million for the six months ended 30 September 2016 to approximately HK\$1.3 million for the six months ended 30 September 2017, representing a decrease of approximately 55.2%. Such decrease was primarily due to the decrease in revenue from other construction works for the six months ended 30 September 2017 compared to the six months ended 30 September 2016.

Gross profit margin of other construction works decreased from approximately 30.2% for the six months ended 30 September 2016 to approximately 14.4% for the six months ended 30 September 2017. Such decrease was mainly because we increased the use of our direct casual workers instead of our subcontractors during the six months ended 30 September 2016 compared to the six months ended 30 September 2017 having regard to the available resources and the schedule of works at such period which increased the gross profit margin of other construction works during the six months ended 30 September 2016.

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Other income and net gains

Our other income and net gains amounted to nil and approximately HK\$37,000 for each of the six months ended 2016 and 2017, respectively. Such increase was primarily due to interest income derived as a result of deposit and prepayment for key-person life insurance policy on Mr. Benjamin Ng as well as an arrangement with an insurance company in relation to the issuance of a surety bond during the six months ended 30 September 2017.

Administrative and other operating expenses

Our administrative and other operating expenses increased from approximately HK\$6.0 million for the six months ended 30 September 2016 to approximately HK\$14.1 million for the six months ended 30 September 2017, representing an increase of approximately 135.0%. Such increase was mainly due to the non-recurring listing expenses of approximately HK\$7.8 million incurred for the six months ended 30 September 2017 (2016: nil).

Income tax expense

For each of the six months ended 30 September 2016 and 2017, our income tax expenses amounted to approximately HK\$1.7 million and HK\$3.2 million respectively, representing an increase of approximately 88.2%. Despite the decrease in the net profit before tax for the six months ended 30 September 2017, we recorded an increase in income tax expense primarily because of the tax effect of the non-deductible listing expenses incurred during the six months ended 30 September 2017.

Profit and total comprehensive income for the year

As a result of the aforesaid and in particular the recognition of listing expenses during the six months ended 30 September 2017 and the tax effect of the non-deductible listing expenses as explained above, our profit and total comprehensive income for the period decreased from HK\$11.5 million for the six months ended 30 September 2016 to approximately HK\$5.5 million for the six months ended 30 September 2017, representing a decrease of approximately 52.2%.

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FY2016/17 compared with FY2015/16

Revenue

Our revenue decreased from approximately HK\$212.5 million for FY2015/16 to approximately HK\$184.4 million for FY2016/17, representing a decrease of approximately 13.2%. Such decrease was mainly due to the following:

- (i) We derived a lower amount of recognised revenue from 3 projects in FY2016/17 when compared with the amount of recognised revenue for the same projects in FY2015/16, which was due to our actual works progress under the relevant contracts as certified by our customers as these projects were completed during FY2016/17.

Project	Our role and type of works	Amount of revenue recognised	
		FY2015/16 <i>HK\$'000</i>	FY2016/17 <i>HK\$'000</i>
1	Main contractor; superstructure building works	48,673	20,615
2	Main contractor; foundation works	43,887	9,289
3	Main contractor; superstructure building works	53,004	3,140
		145,564	33,044

- (ii) 15 new projects commenced in FY2016/17 and such projects were at their initial startup stage resulting in lesser actual work done during FY2016/17. As such, the recognised revenue from these new projects could only partially offset the decrease in revenue derived from projects brought over from FY2015/16 as discussed in (i) above.

Direct costs

Our direct costs decreased from approximately HK\$161.7 million for FY2015/16 to approximately HK\$135.1 million for FY2016/17, representing a decrease of approximately 16.5%, which was more than the decrease in our revenue of approximately 13.2% (and thus resulted in our higher gross profit margin). Our direct costs mainly include subcontracting charges, materials costs and staff costs. These costs may fluctuate from project to project and some of them are, to a certain extent, inter-related to each other. This is because depending on our contract terms with different customers and subcontractors, the costs of construction materials may be agreed to be borne by us or by our customers or subcontractors, resulting in fluctuations in the proportions of these costs from project to project. Costs agreed to be borne by our subcontractors are also generally reflected in the prices that our subcontractors charged us.

The following is a discussion of the changes in the key components of our direct costs in FY2016/17 compared to FY2015/16:

- (i) Our subcontracting charges decreased from approximately HK\$115.2 million for FY2015/16 to approximately HK\$83.0 million for FY2016/17, representing a decrease of approximately 28.0%. Such decrease was mainly due to (i) the decrease in amount of works outsourced to

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subcontractors as a result of the decrease in our revenue for FY2016/17 as discussed above; and (ii) a proportionally lower amount of materials costs was borne by our subcontractors for FY2016/17 based on our agreements with subcontractors.

- (ii) Our materials costs increased from approximately HK\$20.9 million for FY2015/16 to approximately HK\$28.1 million for FY2016/17, representing an increase of approximately 34.4%. Such increase was primarily due to larger amount of materials cost borne by us during FY2016/17 based on our agreements with our customers and subcontractors.
- (iii) Our staff costs decreased from approximately HK\$11.4 million for FY2015/16 to approximately HK\$9.2 million for FY2016/17, representing a decrease of approximately 19.3%. Such decrease was mainly due to the decrease in the use of casual employees who were engaged on a project-by-project basis as a result of the decrease in our revenue FY2016/17 as discussed above.

Gross profit and gross profit margin

Our gross profit and gross profit margin for FY2015/16 and FY2016/17 respectively were as follows:

	FY2015/16	FY2016/17
Revenue (<i>HK\$'000</i>)	212,488	184,363
Gross profit (<i>HK\$'000</i>)	50,753	49,257
Gross profit margin	23.9%	26.7%

Our gross profit amounted to approximately HK\$50.8 million and approximately HK\$49.3 million for FY2015/16 and FY2016/17 respectively, representing a decrease of approximately 3.0%, while our gross profit margin increase from approximately 23.9% in FY2015/16 to approximately 26.7% in FY2016/17. The decrease in our gross profit and the increase in our gross profit margin were primarily due to (i) the decrease in our revenue due to reasons discussed above; and (ii) the more-than proportionate decrease in our direct costs as compared with the decrease in our revenue. Our Directors consider that the more than proportionate decrease in our direct costs as compared with the decrease in our revenue was mainly because a proportionally higher amount of materials costs is borne by us for FY2016/17 and the price of reinforcement steel and cement (which is a major ingredient of concrete) has decreased in the same period (as supported by the Ipsos report), leading to a higher profit margin for FY2016/17.

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The following table sets forth a breakdown of our revenue, gross profit and gross profit margin during FY2015/16 and FY2016/17 by business operations:

	FY2015/16			FY2016/17		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Foundation works	91,555	27,293	29.8	120,900	28,403	23.5
Superstructure building works	111,118	21,726	19.6	43,645	15,971	36.6
Other construction works (Note)	9,815	1,734	17.7	19,818	4,883	24.7
	<u>212,488</u>	<u>50,753</u>	<u>23.9</u>	<u>184,363</u>	<u>49,257</u>	<u>26.7</u>

Note: Other construction works include demolition works, site formation works, ground investigation works, minor works hoarding works, A&A works and fitting-out works.

Foundation works

Gross profit of foundation works increased from approximately HK\$27.3 million for FY2015/16 to approximately HK\$28.4 million for FY2016/17, representing an increase of approximately 4.0%. Such increase was primarily due to the increase in revenue from foundation works for FY2016/17 compared to FY2015/16.

Gross profit margin of foundations works decreased from approximately 29.8% for FY2015/16 to approximately 23.5% for FY2016/17. Such decrease was mainly due to the lower profit margin derived from the Hong Kong-Zhuhai-Macao Bridge project as discussed above.

Superstructure building works

Gross profit of superstructure building works decreased from approximately HK\$21.7 million for FY2015/16 to approximately HK\$16.0 million for FY2016/17, representing a decrease of approximately 26.3%. Such decrease was primarily due to the decrease in revenue from superstructure building works for FY2016/17 compared to FY2015/16.

Gross profit margin of superstructure building works increased from approximately 19.6% for FY2015/16 to approximately 36.6% for FY2016/17. Such increase was mainly due to proportionally higher amount of materials costs is borne by us for FY2016/17 and the price of reinforcement steel and cement (which is a major ingredient of concrete) has decreased in the same period, leading to a higher profit margin for FY2016/17.

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Other construction works

Gross profit of other construction works increased from approximately HK\$1.7 million for FY2015/16 to approximately HK\$4.9 million for FY2016/17, representing an increase of approximately 188.2%. Such increase was mainly due to the increase in revenue from other construction works for FY2016/17 compared to FY2015/16.

Gross profit margin of other construction works increased from approximately 17.7% for FY2015/16 to approximately 24.7% for FY2016/17. Such increase was mainly because we increased the use of our direct casual workers instead of our subcontractors during FY2016/17 compared to FY2015/16 having regard to the available resources and the schedule of works at such period which increased the gross profit margin of other construction works during FY2016/17.

Other income and net gains

Our other income amounted to approximately HK\$88,000 and nil for FY2015/16 and FY2016/17 respectively as we did not provide other services (i.e. preparation of structural assessment reports for certain jewellery shops) in FY2016/17.

Administrative and other operating expenses

Our administrative expenses increased from approximately HK\$14.8 million for FY2015/16 to approximately HK\$16.8 million for FY2016/17, representing an increase of approximately 13.5%. Such increase was mainly due to the non-recurring listing expenses of approximately HK\$2.6 million incurred in FY2016/17 (FY2015/16: nil).

Income tax expense

For each of FY2015/16 and FY2016/17, our income tax expenses amounted to approximately HK\$6.0 million and HK\$5.5 million respectively, representing a decrease of approximately 8.3%. Such decrease was primarily due to the following:

- (i) the decrease in our profit before tax from approximately HK\$36.0 million in FY2015/16 to approximately HK\$32.5 million in FY2016/17, representing a decrease of approximately 9.7%, mainly due to the decreases in our revenue and gross profit as discussed above; and
- (ii) the tax effect of the non-deductible listing expenses incurred in FY2016/17.

Profit and total comprehensive income for the year

As a result of the aforesaid and in particular the recognition of listing expenses in FY2016/17 and the tax effect of the non-deductible listing expenses as discussed above, our profit and total comprehensive income for the year attributable to owners of our Company decreased from approximately HK\$30.1 million in FY2015/16 to approximately HK\$27.0 million in FY2016/17, representing a decrease of approximately 10.3%.

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FY2015/16 compared with FY2014/15

Revenue

Our revenue increased from approximately HK\$176.5 million for FY2014/15 to approximately HK\$212.5 million for FY2015/16, representing an increase of 20.4%. Such increase was mainly because:

- (i) We recorded an increase in the number of foundation projects, superstructure building projects and other construction projects with revenue contribution to us and an increase in our revenue derived from projects of relatively larger scales and higher income as illustrated in the table below:

	FY2014/15	FY2015/16
	<i>No. of projects</i>	<i>No. of projects</i>
Revenue recognised		
HK\$20 million or above	2	3
HK\$1 million to below HK\$20 million	10	11
Below HK\$1 million	6	5
	18	19

- (ii) We experienced an increase in demand for our services from customers as evidenced by the number of tender invitations that we received from customers as well as an increase in our tender success rate, which, in the opinion of our Directors, was a result of the good business relationship with our customers and our track record in handling foundation works, superstructure building works and other construction works. The number of invitations for tender that we received from customers increased from 27 in FY2014/15 to 33 in FY2015/16, while our tender success rate increased from approximately 23.8% for FY2014/15 to approximately 26.9% for FY2015/16.

Direct costs

Our direct costs increased from approximately HK\$152.9 million for FY2014/15 to approximately HK\$161.7 million for FY2015/16, representing an increase of 5.8%, which was lower than the increase in our revenue of approximately 20.4% (and thus resulted in our higher gross profit margin) primarily as a result of the combined effect of the following:

- (i) Our cost of materials decreased from approximately HK\$27.4 million for FY2014/15 to approximately HK\$20.9 million for FY2015/16, representing a decrease of approximately 23.7%. The significant decrease in our cost of materials was mainly because the price of steel products used for our projects decreased as evidenced by the decrease in average wholesale price of reinforcement steel in Hong Kong from approximately HK\$4,775.2 per tonne in 2014 to approximately HK\$3,723.6 per tonne in 2015.

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- (ii) Our direct staff costs increased from approximately HK\$6.3 million for FY2014/15 to approximately HK\$11.4 million for FY2015/16, representing an increase of approximately 81.0%. Such increase was mainly due to the increase in the number of our casual construction workers in FY2015/16 compared with FY2014/15 as a result of the increase in our works.

- (iii) Our subcontracting charges increased from approximately HK\$104.3 million to approximately HK\$115.2 million, representing an increase of approximately 10.5%. Such increase was mainly due to the increase in amount of works outsourced to subcontractors as a result of our growth in business in FY2015/16 as illustrated by the increase in our revenue as discussed above. The less-than-proportionate increase in our subcontracting charges as compared with our increase in revenue was mainly because (i) we undertook a project for Customer B during FY2014/15 with substantial revenue contribution to us for that year (revenue derived from this project was approximately HK\$40.7 million for FY2014/15 (FY2015/16: nil)), where we subcontracted out substantial amount of works to subcontractors, which led to a lower profit margin for the project and thus contributed to our lower gross profit margin for FY2014/15; and (ii) we increased our use of casual employees who were engaged on a project-by-project basis instead of engaging subcontractors in FY2015/16 when compared to FY2014/15.

Gross profit and gross profit margin

Our gross profit and gross profit margin for FY2014/15 and FY2015/16 respectively were as follows:

	FY2014/15	FY2015/16
Revenue (<i>HK\$'000</i>)	176,456	212,488
Gross profit (<i>HK\$'000</i>)	23,587	50,753
Gross profit margin	13.4%	23.9%

Our gross profit amounted to approximately HK\$23.6 million and approximately HK\$50.8 million for FY2014/15 and FY2015/16 respectively, representing an increase of approximately 115.3%, while our gross profit margin increased from approximately 13.4% for FY2014/15 to approximately 23.9% for FY2015/16. The increase in our gross profit was primarily due to (i) the increase in our revenue as discussed above; and (ii) the increase in our gross profit margin. The increase in our gross profit margin was mainly because (i) we undertook a project for Customer B during FY2014/15 with substantial revenue contribution to us for that year, where we subcontracted out substantial amount of works to subcontractors, which led to a lower profit margin for the project and thus contributed to our lower gross profit margin for FY2014/15; (ii) we increased our use of direct casual employees instead of engaging subcontractors in FY2015/16. Our Directors consider that holding all else the same, the engagement of subcontractors (instead of using our own direct labour resources including full time employees and casual employees) would generally lead to a lower profit margin for our Group, as a profit markup is generally factored in the fees charged by subcontractors; and (iii) there has been a decrease in steel price as discussed above.

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The following table sets forth a breakdown of our revenue, gross profit and gross profit margin during FY2014/15 and FY2015/16 by business operations:

	FY2014/15			FY2015/16		
	Revenue <i>HK\$'000</i>	Gross profit <i>HK\$'000</i>	Gross profit margin <i>%</i>	Revenue <i>HK\$'000</i>	Gross profit <i>HK\$'000</i>	Gross profit margin <i>%</i>
Foundation works	103,654	14,489	14.0	91,555	27,293	29.8
Superstructure building works	68,127	8,173	12.0	111,118	21,726	19.6
Other construction works <i>(Note)</i>	<u>4,674</u>	<u>925</u>	<u>19.8</u>	<u>9,815</u>	<u>1,734</u>	<u>17.7</u>
	<u>176,456</u>	<u>23,587</u>	<u>13.4</u>	<u>212,488</u>	<u>50,753</u>	<u>23.9</u>

Note: Other construction works include demolition works, site formation works, ground investigation works, minor works hoarding works, A&A works and fitting-out works.

Foundation works

Despite a decrease in revenue from foundation works for FY2015/16 compared to FY2014/15, the gross profit of foundation works increased from approximately HK\$14.5 million for FY2014/15 to approximately HK\$27.3 million for FY2015/16, representing an increase of approximately 88.3%. Such increase was primarily due to the increase in the gross profit margin of foundation works for FY2015/16 compared to FY2014/15 as discussed below.

Gross profit margin of foundations works increased from approximately 14.0% for FY2014/15 to approximately 29.8% for FY2015/16. Such increase was mainly due to the lower profit margin derived from the project undertaken for Customer B during FY2014/15 as discussed above.

Superstructure building works

Gross profit of superstructure building works increased from approximately HK\$8.2 million for FY2014/15 to approximately HK\$21.7 million for FY2015/16, representing an increase of approximately 164.6%. Such increase was primarily due to the increase in revenue from superstructure building works for FY2015/16 compared to FY2014/15.

Gross profit margin of superstructure building works increased from approximately 12.0% for FY2014/15 to approximately 19.6% for FY2015/16. Such increase was mainly due to we increased our use of direct casual employees instead of engaging subcontractors in FY2015/16.

Other construction works

Gross profit of other construction works increased from approximately HK\$0.9 million for FY2014/15 to approximately HK\$1.7 million for FY2015/16, representing an increase of approximately 88.9%. Such increase was mainly due to the increase in revenue from other construction works for FY2015/16 compared to FY2014/15.

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Gross profit margin of other construction works decreased from approximately 19.8% for FY2014/15 to approximately 17.7% for FY2015/16. Such decrease was mainly because we undertook an A&A and demolition works project during FY2015/16 where we subcontracted out substantial amount of works to subcontractors, which led to a lower profit margin for the project and thus contributed to our lower gross profit margin for other construction works for FY2015/16.

Other income and net gains

Our other income increased from approximately HK\$50,000 for FY2014/15 to approximately HK\$88,000 for FY2015/16, representing an increase of 76.0%. Such increase was primarily due to the increase in our provision of other services (i.e. preparation of structural assessment reports for certain jewellery shops) during FY2015/16.

Administrative and other operating expenses

Our administrative expenses increased from approximately HK\$13.2 million for FY2014/15 to approximately HK\$14.8 million for FY2015/16, representing an increase of approximately 12.1%. Such increase was mainly because our staff costs increased from approximately HK\$9.5 million in FY2014/15 to approximately HK\$11.4 million in FY2015/16, mainly due to (i) the increase in the salary of our Directors; and (ii) the increase in discretionary bonuses to our Directors and back-office staff paid by our Group as a result of a better performance in FY2015/16.

Income tax expense

For each of FY2014/15 and FY2015/16, our income tax expenses amounted to approximately HK\$1.9 million and HK\$6.0 million respectively, representing an increase of approximately 215.8%. Such increase was primarily due to the increase in our profit before tax from approximately HK\$10.4 million in FY2014/15 to approximately HK\$36.0 million in FY2015/16, representing an increase of approximately 246.2%, mainly due to our increases in revenue and gross profit as discussed above.

Profit and total comprehensive income for the year

As a result of the aforesaid and in particular the increase in our revenue and gross profit as discussed above, our profit and total comprehensive income for the year attributable to owners of our Company increased from approximately HK\$8.4 million in FY2014/15 to approximately HK\$30.1 million in FY2015/16, representing an increase of approximately 258.3%.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds have historically been our equity capital and cash generated from our operations. Our primary liquidity requirements are to finance our working capital and to fund our capital expenditures and growth of our operations. Going forward, we expect these sources to continue to be our principal sources of liquidity, and we may use a portion of the proceeds from the Share Offer to finance a portion of our liquidity requirements.

As at 31 January 2018, we had cash and cash equivalents of approximately HK\$10.2 million and we had an unutilised banking facilities of HK\$20.0 million (for issuance of surety bond but not for cash drawdown).

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Cash flows

The following table sets forth a summary of our cash flows for the periods indicated:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2016	For the six months ended 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Net cash generated from/ (used in)					
operating activities	9,883	35,284	(23,456)	(6,249)	(24)
Net cash (used in)/ generated from					
investing activities	(6,691)	(12,131)	17,353	(19,819)	(5,907)
Net cash generated from/ (used in) financing					
activities	683	(71)	(71)	(35)	(1,618)
Net increase/(decrease) in cash and cash equivalents	3,875	23,082	(6,174)	(26,103)	(7,549)
Cash and cash equivalents at beginning of year	6,774	10,649	33,731	33,731	27,557
Cash and cash equivalents at end of year	10,649	33,731	27,557	7,628	20,008

Cash flows from operating activities

Our operating cash inflow is primarily derived from our revenue from the provision of foundation works, superstructure building works and other construction works, whereas our operating cash outflow mainly includes payment for subcontracting charges, staff costs, purchase of materials, as well as other working capital needs. Cash generated from operations primarily consisted of profit before tax adjusted for depreciation, interest income, interest expense on finance leases and bank borrowings and provision for long service payments and the effect of changes in working capital such as changes in trade and other receivables, trade and other payables and gross amounts due to or from customers for contract work.

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The following table sets forth a reconciliation of our profit before tax to cash generated from operations:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2016	For the six months ended 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Profit before income tax	10,385	36,039	32,480	13,263	8,669
Adjustments for:					
Depreciation	1,624	1,487	1,326	692	595
Interest expense on finance leases	12	6	3	2	—
Interest expense on bank borrowings	1	—	—	—	—
Interest income	—	(6)	—	—	(45)
Loss on disposal of property, plant and equipment	—	—	—	—	8
Provision for long service payments	(16)	104	(72)	(50)	(32)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating profit before working capital changes	12,006	37,630	33,737	13,907	9,195
(Increase)/Decrease in gross amounts due from customers for contract work	(31,085)	14,248	(7,007)	(14,915)	(3,615)
Decrease/(Increase) in trade and other receivables	4,281	(16,010)	(26,967)	(2,301)	(8,449)
Increase/(Decrease) in trade and other payables	30,654	1,590	(13,298)	(7,298)	8,759
(Decrease)/Increase in gross amounts due to customers for contract work	(5,554)	(586)	1,136	4,063	(2,457)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash generated from/(used in) operations	<u>10,302</u>	<u>36,872</u>	<u>(12,399)</u>	<u>(6,544)</u>	<u>3,433</u>

For FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2016 and 2017, the respective difference between our profit before taxation and our cash generated from/used in operation were mainly due to the amount and timing of receipts from our customers as well as the amount and timing of payments to our suppliers. We generally grant a credit period to our customers ranging from 14 to 30 days while the credit period granted by our suppliers generally ranged from 7 to 90 days.

We recorded operating cash outflow of approximately HK\$12.4 million for FY2016/17 mainly because of (i) the increase in our trade and other receivables of approximately HK\$27.0 million as at 31 March 2017 compared to 31 March 2016; and (ii) the decrease in our trade and other payables of approximately HK\$13.3 million as at 31 March 2017 compared to 31 March 2016. The increase in our trade receivables was mainly due to invoices amounting to approximately HK\$23.6 million being issued to customers in March 2017 (compared with approximately HK\$5.2 million in March 2016) as a result

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of the completion of phases of certain projects and our actual works performed during the month. The decrease in our trade and other payables was mainly because of the decrease in our direct costs as a result of the decrease in our revenue.

Cash flows from investing activities

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2016	For the six months ended 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Cash flows from investing activities					
Deposit paid for a life insurance policy	—	—	—	—	(2,828)
Decrease/(Increase) in amount due from a related company	343	(5)	74	(3)	—
Decrease/(Increase) in amount due from a director	4	(10,300)	17,295	(19,800)	—
Increase in amount due from a related party	(7,000)	—	—	—	—
Investment in available-for-sale financial asset	—	—	—	—	(3,017)
Interest received	—	6	—	—	2
Purchases of property, plant and equipment	<u>(38)</u>	<u>(1,832)</u>	<u>(16)</u>	<u>(16)</u>	<u>(64)</u>
Net cash (used in)/generated from investing activities	<u>(6,691)</u>	<u>(12,131)</u>	<u>17,353</u>	<u>(19,819)</u>	<u>(5,907)</u>

For FY2014/15, we recorded net cash used in investing activities of approximately HK\$6.7 million, which was primarily attributable to the cash advances by us to a related party (i.e. Mr. Ng Wong Kwong). Please refer to the paragraph headed “Amount due from/loan from a related party” in this section for further details.

For FY2015/16, we recorded net cash used in investing activities of approximately HK\$12.1 million, which was primarily attributable to the cash advances by us to Ms. KY Tsui and cash used in the purchase of a hydraulic hammer. Please refer to the paragraph headed “Amount due from a Director” in this section for further details.

For FY2016/17, we recorded net cash generated from investing activities of approximately HK\$17.4 million, which was primarily attributable to the cash repayment to us by Ms. KY Tsui.

For the six months ended 30 September 2016, we recorded net cash used in investing activities of approximately HK\$19.8 million, which was primarily attributable to the increase in the cash advances by us to Ms. KY Tsui. Please refer to the paragraph headed “Amount due from a Director” in this section for further details.

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For the six months ended 30 September 2017, we recorded net cash used in investing activities of approximately HK\$5.9 million, which was primarily attributable to the purchase of key-person life insurance on Mr. Benjamin Ng and investment in available-for-sale financial asset (i.e. certificate of deposit). Under the abovementioned insurance policy, the policy holder and beneficiary is Wise Trend Engineering and the insured sum is approximately HK\$8.4 million. Under the structure that both the policy holder and beneficiary is Wise Trend Engineering, the life insurance policy on Mr. Benjamin Ng, being the executive Director of our Group, serve as key-person insurance for our Group. Such insurance policy and the abovementioned certificate of deposit have been pledged to a bank as charged securities for obtaining banking facilities of HK\$20.0 million (for issuance of surety bonds but not for cash drawdown).

Cash flows from financing activities

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2016	For the six months ended 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Cash flows from financing activities					
Proceeds from issuance of ordinary shares of Wise Trend Construction	1,000	—	—	—	—
Repayment of related party's loan	—	—	—	—	(1,600)
Repayments of finance leases	(258)	(65)	(68)	(33)	(18)
Repayments of bank borrowings	(46)	—	—	—	—
Interest paid on finance leases	(12)	(6)	(3)	(2)	—
Interest paid on bank borrowings	(1)	—	—	—	—
	683	(71)	(71)	(35)	(1,618)
Net cash generated from/(used in) financing activities	683	(71)	(71)	(35)	(1,618)

As shown in the table above, our cash inflow from financing activities primarily includes proceeds from issuance of ordinary shares of Wise Trend Construction. Our cash outflow from financing activities primarily includes the repayment of related party's loan, the repayment of the principal of finance leases and bank borrowings and the payment of interest expenses of finance leases and bank borrowings.

For FY2014/15, we recorded net cash generated from financing activities of approximately HK\$683,000, which was primarily attributable to the cash proceeds from issuance of ordinary shares of Wise Trend Construction upon its incorporation in 2014, partially offset by the repayment of finance lease liabilities in respect of our motor vehicles and machinery and repayment of bank borrowings.

For FY2015/16, we recorded net cash used in financing activities of approximately HK\$71,000, which was mainly attributable to the repayment of finance lease liabilities in respect of our motor vehicle.

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For FY2016/17, we recorded net cash used in financing activities of approximately HK\$71,000, which was mainly attributable to the repayment of finance lease liabilities in respect of our motor vehicle.

For the six months ended 30 September 2016, we recorded net cash used in financing activities of approximately HK\$35,000, which was mainly attributable to the repayment of finance lease liabilities in respect of our motor vehicle.

For the six months ended 30 September 2017, we recorded net cash used in financing activities of approximately HK\$1.6 million, which was primarily attributable to the repayment of related party's loan.

CAPITAL EXPENDITURES

For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, our Group incurred capital expenditures of approximately HK\$38,000, HK\$1.8 million, HK\$16,000 and approximately HK\$66,000 respectively, as set out below:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Machinery and equipment	28	1,830	—	66
Leasehold improvements	—	—	—	—
Furniture, fixtures and office equipment	10	2	16	—
Motor vehicles	—	—	—	—
	38	1,832	16	66
	38	1,832	16	66

Our Group's capital expenditures primarily consisted of purchase of machinery, mainly including a hydraulic hammer of approximately HK\$1.8 million for use in our business operations.

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration our internal resources, cash generated from our operation, banking facilities and the estimated net proceeds from the Listing, we have sufficient working capital for our present requirements for at least 12 months from the date of this prospectus.

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NET CURRENT ASSETS

The following table sets forth a breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>	As at 31 January 2018 <i>HK\$'000</i> (Unaudited)
Current assets					
Gross amounts due from customers for contract work	41,772	27,524	34,531	38,146	29,359
Trade and other receivables	31,014	47,024	73,991	82,440	66,968
Amount due from a director	—	17,295	—	—	—
Amount due from a related company	69	74	—	—	—
Amount due from a related party	6,995	—	—	—	—
Available-for-sale financial asset	—	—	—	2,994	2,991
Current income tax recoverable	—	—	—	—	686
Cash and bank balances	10,649	33,731	27,557	20,008	10,184
	<u>90,499</u>	<u>125,648</u>	<u>136,079</u>	<u>143,588</u>	<u>110,188</u>
Current liabilities					
Gross amounts due to customers for contract work	1,954	1,368	2,504	47	3,040
Trade and other payables	43,427	45,017	31,719	40,478	16,140
Loan from a related party	1,600	1,600	1,600	—	—
Dividend payable	—	—	15,000	15,000	—
Finance lease liabilities	65	68	18	—	—
Current income tax liabilities	2,524	6,814	1,384	1,167	—
	<u>49,570</u>	<u>54,867</u>	<u>52,225</u>	<u>56,692</u>	<u>19,180</u>
Net current assets	<u><u>40,929</u></u>	<u><u>70,781</u></u>	<u><u>83,854</u></u>	<u><u>86,896</u></u>	<u><u>91,008</u></u>

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Our net current assets increased from approximately HK40.9 million as at 31 March 2015 to approximately HK\$70.8 million as at 31 March 2016. Such increase was mainly due to the increase in our current assets as a result of our business growth and our profitable operations during FY2015/16, partially offset by the increase in our current liabilities as a result of, among other things, the increase in current income tax liabilities and the increase in our trade and other payables as a result of our business growth.

Our net current assets increased from approximately HK\$70.8 million as at 31 March 2016 to approximately HK\$83.9 million as at 31 March 2017. Such increase was mainly due to the increase in our current assets as a result of our profitable operations during FY2016/17, partially offset by the dividend payable of HK\$15.0 million as at 31 March 2017 (as at 31 March 2016: nil).

Our net current assets increased from approximately HK\$83.9 million as at 31 March 2017 to approximately HK\$86.9 million as at 30 September 2017. Such increase was mainly due to the increase in our current assets as a result of our profitable operations during the six months ended 30 September 2017, partially offset by the increase in our current liabilities as a result of, among other things, the increase in our trade and other payables as a result of our business growth.

As at 30 September 2017, the available-for-sale financial asset (i.e the certificate of deposit with a fair value of approximately HK\$3.0 million) represents a charged security for obtaining banking facilities of HK\$20.0 million (for issuance of surety bonds but not for cash drawdown).

Our net current assets increased from approximately HK\$86.9 million as at 30 September 2017 to approximately HK\$91.0 million as at 31 January 2018. Such increase was mainly due to our profitable operation during such period. We have partially settled our trade and other payables and fully settled our dividend payable resulting in the decrease in our current liabilities as at 31 January 2018.

Further discussions of the fluctuations in the key components of our net current assets are set forth in the following paragraphs.

Trade and other receivables

Our trade and other receivables as at 31 March 2015, 2016 and 2017 and 30 September 2017 amounted to approximately HK\$31.0 million, approximately HK\$47.0 million, approximately HK\$74.0 million and approximately HK\$82.4 million respectively. The following table sets forth a breakdown of our trade and other receivable:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
Trade receivables	4,602	18,333	33,212	43,441
Retention receivables	19,563	22,496	27,007	26,919
Other receivables, deposits and prepayments	<u>6,849</u>	<u>6,195</u>	<u>13,772</u>	<u>12,080</u>
	<u>31,014</u>	<u>47,024</u>	<u>73,991</u>	<u>82,440</u>

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Trade receivables

Our trade receivables increased from approximately HK\$4.6 million as at 31 March 2015 to approximately HK\$18.3 million as at 31 March 2016. Such increase was primarily due to (i) our business growth as evidenced by our increase in revenue; and (ii) the fluctuation of the amount settled by different customers to us as at the respective reporting dates due to the different settlement practices of different customers as well as the different credit periods granted by us.

Despite the decrease in our revenue for FY2016/17 compared to FY2015/16, our trade receivables increased from approximately HK\$18.3 million as at 31 March 2016 to approximately HK\$33.2 million as at 31 March 2017. Our Group's foundation works and superstructure building works contracts normally require our customers to make progress payments on a monthly basis or based on the phases of our works. The increase in our trade receivables was mainly due to invoices amounting to approximately HK\$23.6 million being issued to customers in March 2017 (compared with approximately HK\$5.2 million in March 2016) as a result of the completion of phases of certain projects and our actual works performed during the month. Credit terms offered to our customers are typically between 14 to 30 days.

Our trade receivables increased from approximately HK\$33.2 million as at 31 March 2017 to approximately HK\$43.4 million as at 30 September 2017. Such increase was primarily due to invoices amounting to approximately HK\$30.8 million being issued to customers in September 2017 (compared with approximately HK\$23.6 million in March 2017) as a result of the completion of phases of certain projects and our actual works performed during the month. Credit terms offered to our customers are typically between 14 to 30 days.

Retention receivables

In general, pursuant to the relevant contract term, customers are entitled to hold up retention money from progress payments. Retention money is normally 10% of the value of work done, subject to a maximum rate of 5% of the total contract value. Upon satisfactory completion of the contract, a practical completion certificate will be issued by the architect. The terms and conditions on release of retention money also vary from contract to contract, which may be subject to completion of contract works or a pre-agreed time period after completion of the contract works. As at 31 March 2015, 2016 and 2017, our retention receivables amounted to approximately HK\$19.6 million, HK\$22.5 million and HK\$27.0 million respectively. Such increase was primarily because (i) we experienced business growth as evidenced by our increase in revenue; and (ii) 12 new projects were awarded to us during FY2016/17 under which the customers were entitled to hold up retention money.

Our retention receivables was approximately HK\$27.0 million as at 31 March 2017 and approximately HK\$27.0 million as at 30 September 2017 respectively, which remained relatively stable.

Other receivables, deposits and prepayments

Our other receivables, deposits and prepayments decreased from approximately HK\$6.8 million as at 31 March 2015 to approximately HK\$6.2 million as at 31 March 2016, which was mainly due to the decrease in the amount paid to insurance companies and bank in relation to the issuance of surety bonds.

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Our other receivables, deposit and prepayments increased from approximately HK\$6.2 million as at 31 March 2016 to approximately HK\$13.8 million as at 31 March 2017, which was mainly due to the prepayment of listing expenses in relation to the Listing of approximately HK\$3.3 million as well as the increase in the amount paid to insurance companies and bank in relation to the issuance of surety bonds of approximately HK\$4.0 million due to additional projects awarded during FY2016/17.

Our other receivables, deposits and prepayments decreased from approximately HK\$13.8 million as at 31 March 2017 to approximately HK\$12.1 million as at 30 September 2017, which was mainly due to (i) decrease in prepayment of listing expenses in relation to the Listing from approximately HK\$3.3 million as at 31 March 2017 to approximately HK\$2.8 million as at 30 September 2017; and (ii) decrease in the amount paid to insurance companies and bank in relation to the issuance of surety bonds mainly due to amount refunded to us for completed projects of approximately HK\$3.0 million during the six months ended 30 September 2017, partially offset by amount paid for issuance of new bonds of approximately HK\$2.5 million during the six months ended 30 September 2017.

Concentration

As at 31 March 2015, 2016 and 2017 and 30 September 2017 there were 1, 2, 2 and 2 customer(s) which individually contributed over 10% of our trade and other receivables, respectively. The aggregate amounts of trade and other receivables from these customers amounted to 23%, 50%, 45% and 35% of our total trade and other receivables as at 31 March 2015, 2016 and 2017 and 30 September 2017 respectively. For further information regarding our customer concentration risk and our Directors' view as to the sustainability of our business model in view of our customer concentration, please refer to the section headed "Business — Customers — Customer concentration" in this prospectus.

Trade receivables turnover days

The following table sets forth our trade receivables turnover days during the Track Record Period:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2017
Trade receivables turnover days (<i>Note</i>)	20.2 days	19.7 days	51.0 days	65.5 days

Note: Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables (not including retention receivables, other receivables, deposits and prepayments) divided by revenue during the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 183 days for the six months ended 30 September 2017).

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The credit period that we granted to customers generally ranged from 14 to 30 days. Our trade receivables turnover days were approximately 20.2 days for FY2014/15, approximately 19.7 days for FY2015/16, approximately 51.0 days for FY2016/17 and approximately 65.5 days for the six months ended 30 September 2017. Such fluctuation was mainly due to the fluctuation of the amounts settled by different customers to us as at the respective reporting dates due to the different settlement practices of different customers as well as the different credit periods granted by us. In particular, the significant increase in our trade receivables turnover days for FY2016/17 and the six months ended 30 September 2017 was mainly due to the increase in trade receivables as at 31 March 2017 and 30 September 2017 which is discussed above.

Ageing analysis and subsequent settlement

The ageing analysis of our trade receivables based on invoice date is as follows:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
0–30 days	1,135	5,190	23,588	30,840
31–60 days	—	351	3,297	1,964
61–90 days	3,467	1,950	403	701
Over 90 days	—	10,842	5,924	9,936
	<u>4,602</u>	<u>18,333</u>	<u>33,212</u>	<u>43,441</u>

The ageing analysis of our trade receivables which were past due but not impaired is as follows:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
Neither past due nor impaired	1,135	5,190	23,588	30,840
Less than 30 days past due	1,442	351	3,297	1,964
31–60 days past due	2,025	1,950	403	701
61–90 days past due	—	8,440	1,805	—
Over 90 days past due	—	2,402	4,119	9,936
	<u>4,602</u>	<u>18,333</u>	<u>33,212</u>	<u>43,441</u>

As shown in the above table, the majority of our trade receivables as at 30 September 2017 were neither past due nor impaired.

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Up to the Latest Practicable Date, 80.5% of our trade receivables as at 30 September 2017 had been settled:

	Trade receivable as at 30 September 2017	Subsequent settlement up to the Latest Practicable Date	
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Neither past due nor impaired	30,840	23,611	76.6
Less than 30 days past due	1,964	1,964	100.0
31–60 days past due	701	701	100.0
61–90 days past due	—	—	—
Over 90 days past due	<u>9,936</u>	<u>8,714</u>	87.7
	<u>43,441</u>	<u>34,990</u>	<u>80.5</u>

As at 30 September 2017, trade receivables which were over 90 days past due but not impaired and not yet settled as at the Latest Practicable Date mainly consist of HK\$1.2 million in relation to an ongoing litigation with Customer F. For further details, please refer to the section headed “Business — Litigation and potential claims” in this prospectus. Based on the Legal Counsel’s view, Wise Trend Engineering has a prospect of making a successful claim or counterclaim against Customer F and therefore our Group did not make any provision for impairment of trade receivables in respect of this ongoing litigation.

Trade and other payables

Our trade and other payables as at 31 March 2015, 2016 and 2017 and 30 September 2017 amounted to approximately HK\$43.4 million, approximately HK\$45.0 million, approximately HK\$31.7 million and approximately HK\$40.5 million respectively. The following table sets forth a breakdown of our trade and other payables:

	As at 31 March 2015	As at 31 March 2016	As at 31 March 2017	As at 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	36,688	41,888	27,959	29,596
Accruals and other payables	639	803	3,760	10,882
Deposits received	<u>6,100</u>	<u>2,326</u>	<u>—</u>	<u>—</u>
	<u>43,427</u>	<u>45,017</u>	<u>31,719</u>	<u>40,478</u>

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Trade payables

Our trade payables mainly comprised payables to subcontractors, suppliers of construction materials and consumables, and service providers for security service and testing and survey.

Our trade payables increased from approximately HK\$36.7 million as at 31 March 2015 to approximately HK\$41.9 million as at 31 March 2016, representing an increase of approximately 14.2%. Such increase was mainly due to our business growth resulting in the increase in our subcontracting charges for FY2015/16. Our trade payables decreased from approximately HK\$41.9 million as at 31 March 2016 to approximately HK\$28.0 million as at 31 March 2017, mainly because of the decrease in our direct costs as a result of the decrease in our revenue.

Our trade payables increased from approximately HK\$28.0 million as at 31 March 2017 to approximately HK\$29.6 million as at 30 September 2017. Such increase was mainly due to our business growth resulting in the increase in our subcontracting charges for the six months ended 30 September 2017.

The following table sets forth an ageing analysis of trade payables based on the invoice dates:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
0–30 days	33,887	26,788	16,312	27,243
31–60 days	1,857	257	1,551	1,765
61–90 days	239	8	22	588
Over 90 days	705	14,835	10,074	—
	36,688	41,888	27,959	29,596

The trade payables of ageing over 90 days was approximately HK\$10.1 million as at 31 March 2017. Such amount was mainly related to trade payables to a subcontractor and the settlement of which was pending the documents for the details of its work done to support the invoices billed by the subcontractors. We have requested for such supporting documents from time to time which were still pending as at 31 March 2017. As at the Latest Practicable Date, such amounts have been settled.

Up to the Latest Practicable Date, 99.8% of our trade payables as at 30 September 2017 had been settled.

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Trade payables turnover days

The following table sets out our trade payables turnover days during the Track Record Period:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2017
Trade payables turnover days (<i>Note</i>)	58.2 days	88.7 days	94.3 days	62.5 days

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables (not including accruals and other payables and deposits received) divided by direct costs for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 183 days for the six months ended 30 September 2017).

Our trade payables turnover days increased from approximately 58.2 days for FY2014/15 to approximately 88.7 days for FY2015/16, which was primarily affected by different credit periods granted by different suppliers. We are usually granted by suppliers a credit period ranging from 7 to 90 days. Our trade payables turnover days for FY2016/17 were over 90 days as a result of the relatively large amount of trade payables of ageing over 90 days as at 31 March 2017 which is discussed above. Our trade payable turnover days decreased from approximately 94.3 days to approximately 62.5 days for the six months ended 30 September 2017, which was mainly because (i) the amount of trade payables of ageing over 90 days as at 31 March 2017 has been fully settled during the six months ended 30 September 2017; and (ii) different credit periods granted by different suppliers.

Accruals and other payables

Our accruals and other payables remained broadly stable at approximately HK\$639,000 and HK\$803,000 as at 31 March 2015 and 31 March 2016 respectively. Our accruals and other payables increased to approximately HK\$3.8 million as at 31 March 2017, which was mainly due to retention payable of approximately HK\$2.8 million as at 31 March 2017 pursuant to the relevant agreements with subcontractors. Our accruals and other payables has further increased to approximately HK\$10.9 million as at 30 September 2017 which was mainly due to (i) retention payable of approximately HK\$6.1 million as at 30 September 2017 pursuant to the relevant agreements with subcontractors; (ii) accruals for Directors' and staff's bonus of approximately HK\$0.7 million; and (iii) an amount of approximately HK\$1.6 million paid by a subcontractor to us for securing its due and timely performance of works in a project for the six months ended 30 September 2017.

Deposits received

Some of our customers may give a deposit to us at or before the commencement of works and the fluctuation of deposits received was mainly due to different arrangements with different customers. Please refer to the section headed "Business — Customers — Major terms of engagement with our customers" for further details. We did not record any amount of deposits received as at 31 March 2017 and 30 September 2017 because we did not have such arrangements with our customers during FY2016/17 and the six months ended 30 September 2017.

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Gross amounts due from/to customers for contract work

We present the gross amounts due from customers for contract work as an asset for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within “trade and other receivables”.

We present the gross 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).

The following table sets forth a breakdown of our gross amounts due to and from customers for contract work as at the dates indicated:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
Gross amounts due from customers for contract work				
Contract costs incurred plus recognised profits less recognised losses	380,985	430,540	378,269	468,090
Less: Progress billings received and receivables	<u>(339,213)</u>	<u>(403,016)</u>	<u>(343,738)</u>	<u>(429,944)</u>
	<u>41,772</u>	<u>27,524</u>	<u>34,531</u>	<u>38,146</u>
Gross amounts due to customers for contract work				
Progress billings received and receivables	47,232	77,813	100,161	15,036
Less: Contract costs incurred plus recognised profits less recognised losses	<u>(45,278)</u>	<u>(76,445)</u>	<u>(97,657)</u>	<u>(14,989)</u>
	<u>1,954</u>	<u>1,368</u>	<u>2,504</u>	<u>47</u>

Relevant accounting policy

In accordance with paragraph 43 of HKAS 11 (Construction Contracts), we present the gross amounts due from customers for contract work as an asset for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. As we did not have

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any such recognised losses during the Track Record Period, our gross amounts due from customers for contract work have arisen during the Track Record Period when costs incurred plus recognised profits exceeded progress billings. The following paragraphs explain how our Group's gross amounts due from customers for contract work arise in practice.

As mentioned under the paragraph headed "Critical accounting policies and estimates — Revenue recognition" above, we recognise contract 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 and/or surveyors engaged by the customers. Under the percentage of completion method, contract revenue is matched with the contract 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. In other words, in a given period, all contract revenue, expenses and profit recognised shall be attributable to the proportion of works completed in that period.

Given the aforesaid principle, gross 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 in respect of construction works performed by our Group during that financial year.

Progress billings take place when the construction works performed by our Group are certified by the relevant customers and/or surveyors engaged by the 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 (a) 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; and (b) there might be works that we had not yet completed but for which we had incurred costs, as we might agree with our customers under the contracts to have progress certifications and progress billings only upon completion of specified phases of works, and a phase that has been commenced in a financial year might not necessarily be completed by the end of the same financial year. Under the aforesaid two scenarios, contract revenue would be recognised as described under the paragraph headed "Critical accounting policies and estimates — Revenue recognition" above.

When the progress certification in respect of works performed by our Group during a financial year did not take place by the end of that financial year, progress billings (in respect of such works) would not have taken place yet as at that financial year-end. As a result, costs incurred by our Group in respect of the performance of such works would exceed progress billings as at that financial year-end. Provided that we believe it is probable that such costs will be recovered, such costs (plus any recognised profits) would be recognised by us as an asset, giving rise to an amount due from the customer for contract work. Specifically, under scenario (a) mentioned above, the amount to be recognised in our "gross amounts due from customers for contract work" would be equivalent to an amount that we would otherwise recognise as trade receivable should the relevant progress billing had taken place; while under scenario (b) mentioned above, the amount to be recognised in our "gross amounts due from customers for contract work" would be equivalent to the amount of costs incurred which relate to the phase that had not yet been completed by the financial year-end.

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Settlement of such amounts

As explained above, gross amounts due from customers for contract work have arisen during the Track Record Period because progress billings had not yet taken place as at a financial year end date in respect of works performed by our Group during that financial year. When progress billings take place subsequently, the relevant amounts due from customers for contract works will become our trade receivables.

Our Group recorded gross amounts due from customers for contract work of approximately HK\$41.8 million, HK\$27.5 million and HK\$34.5 million as at 31 March 2015, 2016 and 2017, respectively. The fluctuation was mainly affected by the different billings arrangements with different customers (i.e. monthly application or by phase) in respect of projects close to the end of each reporting period.

In respect of the entire gross amounts of approximately HK\$41.8 million and HK\$27.5 million due from customers for contract work as at 31 March 2015 and 2016 respectively, progress billings had subsequently taken place during the Track Record Period, upon which such amounts had become our trade receivables, and all such amounts had been fully settled by the relevant customers during the Track Record Period.

Of the gross amounts of approximately HK\$34.5 million due from customers for contract work as at 31 March 2017, all amounts had been subsequently billed and settled as of the Latest Practicable Date.

Of the gross amounts of approximately HK\$38.1 million due from customers for contract work as at 30 September 2017, approximately HK\$36.3 million (approximately 95.3%) had been subsequently billed as at the Latest Practicable Date. Of such amount of approximately HK\$36.3 million where subsequent billings had taken place, approximately HK\$32.1 million had been subsequently settled by the relevant customers as at the Latest Practicable Date.

Amount due from a Director

Details of the amount due from a director are summarised in note 18 to the Accountants' Report set out in Appendix I to this prospectus. The amount due from a director was non-trade in nature, unsecured, interest-free and had no fixed terms of repayment. During the Track Record Period, such amounts represented cash advanced by our Group to Ms. KY Tsui for her own personal uses. All outstanding balance with Ms. KY Tsui has been fully settled in February 2017.

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Amount due from a related company

The following table sets out the details of amount due from a related company:

Name of related company	Maximum outstanding balance during				As at	As at	As at	As at
	the six				31 March	31 March	31 March	30 September
	FY2014/15	FY2015/16	FY2016/17	months ended 30 September 2017	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Wise Trend International Limited	69	74	77	—	69	74	—	—

The amount due from a related company was non-trade in nature, unsecured, interest-free and repayable on demand. Mr. Ng Wong Kwong, the spouse of Ms. KY Tsui, is a director of Wise Trend International Limited. The principal activity of the company is for the holding of club membership.

Amount due from Wise Trend International Limited represented business registration fee and secretarial service fee for preparation of annual return paid by Wise Trend Engineering on behalf of Wise Trend International Limited. Such amount has been fully settled in March 2017.

Amount due from/loan from a related party

Details of the amount due from/loan from a related party are summarised in note 20 to the Accountants' Report set out in Appendix I to this prospectus. The amount due from/loan from a related party were non-trade in nature, unsecured, interest-free and have no fixed terms of repayment.

During the Track Record Period, amount due from a related party represented cash advanced by our Group to Mr. Ng Wong Kwong for his own personal uses, while loan from a related party represented a loan in the amount of HK\$1.6 million advanced by Mr. Ng Wong Kwong to our Group at the request of the Government in 2013 in connection with meeting the minimum working capital requirement for our registration on the Approved Contractor List. We have obtained the Government's consent to the repayment of the aforesaid loan. All such amounts due from/loan from a related party have been settled in June 2017.

INDEBTEDNESS

The following table sets forth our Group's indebtedness as at the respective dates indicated. As of 31 January 2018, being the latest practicable date for this indebtedness statement, save as disclosed in this sub-section headed "Indebtedness", we do not have any debt securities, term loans, borrowings or indebtedness in the nature of borrowing, mortgages, charges, contingent liabilities or guarantees. Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at 31 January 2018, there are no material covenants related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing. Our Directors

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confirmed that there has not been any material change in our indebtedness or contingent liabilities since 31 January 2018 and up to the date of this prospectus. Our Directors confirmed that as at 31 January 2018, we did not have any immediate plan for additional material external debt financing.

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 January 2018 <i>HK\$'000</i> (unaudited)
Current:				
Loan from a related party	1,600	1,600	1,600	—
Finance lease liabilities	65	68	18	—
	1,665	1,668	1,618	—
Non-current:				
Finance lease liabilities	86	18	—	—
	1,751	1,686	1,618	—

Banking facilities

As at 31 January 2018, we have existing banking facilities with a limit of HK\$20.0 million (for issuance of surety bond but not for cash drawdown). As at 31 January 2018, the unutilised amount of such banking facilities is HK\$20.0 million.

Finance lease liabilities

Prior to the Track Record Period, we purchased a machine and certain motor vehicles by way of finance lease arrangements. Under these finance lease arrangements, our creditors purchased the machinery or motor vehicles from the suppliers or us (as the case may be) and leased back those machinery or motor vehicles to us at stipulated monthly rents in a fixed term. Under such arrangements, we were given the options to purchase the machinery and motor vehicles for nominal amounts at the end of the respective lease terms.

Since the terms of this finance lease transfers substantially all the risks and rewards of ownership of motor vehicle to our Group as the lessee, the relevant motor vehicle was accounted for as our Group's asset under the category of property, plant and equipment.

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At 31 March 2015, 2016, 2017, 30 September 2017 and 31 January 2018, our Group had obligations under finance leases repayable as follows:

	As at 31 March 2015		As at 31 March 2016		As at 31 March 2017		As at 30 September 2017		As at 31 January 2018	
	Present value of the minimum lease payment <i>HK\$'000</i>	Total minimum lease payments <i>HK\$'000</i>	Present value of the minimum lease payment <i>HK\$'000</i>	Total minimum lease payments <i>HK\$'000</i>	Present value of the minimum lease payment <i>HK\$'000</i>	Total minimum lease payments <i>HK\$'000</i>	Present value of the minimum lease payment <i>HK\$'000</i>	Total minimum lease payments <i>HK\$'000</i>	Present value of the minimum lease payment <i>HK\$'000</i>	Total minimum lease payments <i>HK\$'000</i>
Within one year	<u>65</u>	<u>71</u>	<u>68</u>	<u>71</u>	<u>18</u>	<u>18</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
More than one year but not more than two years	<u>68</u>	<u>71</u>	<u>18</u>	<u>18</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
More than two years but not more than five years	<u>18</u>	<u>18</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>151</u></u>	<u>160</u>	<u><u>86</u></u>	<u>89</u>	<u><u>18</u></u>	<u>18</u>	<u><u>—</u></u>	<u>—</u>	<u><u>—</u></u>	<u>—</u>
Less: total future interest expenses		<u>(9)</u>		<u>(3)</u>		<u>—</u>		<u>—</u>		<u>—</u>
Present value of lease obligations		<u><u>151</u></u>		<u><u>86</u></u>		<u><u>18</u></u>		<u><u>—</u></u>		<u><u>—</u></u>

As at 31 March 2015, 2016 and 2017, the interest rate was at 2.75% per annum for our finance lease facilities. We did not have any finance lease liability as at 30 September 2017 and 31 January 2018.

Our finance lease was secured by a machine and motor vehicles and the limited personal guarantee of Mr. Benjamin Ng. As at 31 March 2015, 2016, 2017, 30 September 2017 and 31 January 2018, the net book value of our motor vehicle under finance lease amounted to approximately HK\$162,000, approximately HK\$101,000, approximately HK\$40,000, nil and nil respectively, representing approximately 5.5%, approximately 3.0%, approximately 1.9%, nil and nil respectively of the total net book value of our plant and machinery and motor vehicles as at the respective dates. The limited personal guarantee of Mr. Benjamin Ng was released when we repaid the outstanding finance lease liability in full in June 2017.

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Commitments

As at 31 March 2015, 2016, 2017 and 30 September 2017, the total future minimum lease payments payable by our Group (as lessee in respect of the leases of premises) under non-cancellable operating leases are as follows:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
Within one year	780	1,128	1,001	443
In the second to fifth years inclusive	—	706	—	—
	780	1,834	1,001	443

The leases typically run for an initial period of 1 to 2 years.

Contingent liabilities

During the Track Record Period, we have been involved in certain litigation and claims, details of which are disclosed in the section headed “Business — Litigation and potential claims” in this prospectus. Our Directors are of the opinion that the litigation and claims are not expected to have a material impact on our financial position, and the outcome for potential litigation and claims is uncertain. Accordingly, no provision has been made to our Group’s financial statements.

Off-balance sheet arrangements and commitments

As at the Latest Practicable Date, we did not have any off-balance sheet arrangements or commitments.

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KEY FINANCIAL RATIOS

	FY2014/15/ As at 31 March 2015	FY2015/16/ As at 31 March 2016	FY2016/17/ As at 31 March 2017	For the six months ended 30 September 2017 As at 30 September 2017
Revenue growth	N/A	20.4%	-13.2%	47.5%
Net profit growth	N/A	256.1%	-10.3%	(52.4%)
Gross profit margin	13.4%	23.9%	26.7%	21.3%
Net profit margin before interest and tax	5.9%	17.0%	17.6%	8.1%
Net profit margin	4.8%	14.1%	14.6%	5.1%
Return on equity	19.4%	40.9%	31.5%	6.0%
Return on total assets	9.0%	23.2%	19.5%	3.7%
Current ratio	1.8	2.3	2.6	2.5
Quick ratio	1.8	2.3	2.6	2.5
Inventories turnover days	N/A	N/A	N/A	N/A
Trade receivables turnover days	20.2 days	19.7 days	51.0 days	65.5 days
Trade payables turnover days	58.2 days	88.7 days	94.3 days	62.5 days
Gearing ratio	4.0%	2.3%	1.9%	0%
Net debt to equity ratio	Net cash	Net cash	Net cash	Net cash
Interest coverage	799.8	6,007.5	10,827.7	N/A

Revenue growth

Our revenue increased from approximately HK\$176.5 million for FY2014/15 to approximately HK\$212.5 million for FY2015/16 but decreased to approximately HK\$184.4 million for FY2016/17. Our revenue increased from approximately HK\$72.6 million for the six months ended 30 September 2016 to approximately HK\$107.1 million for the six months ended 30 September 2017. Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for the reasons for the change in our revenue.

Net profit growth

Our profit and total comprehensive income for the year increased from approximately HK\$8.4 million for FY2014/15 to approximately HK\$30.1 million for FY2015/16 and then decreased to approximately HK\$27.0 million for FY2016/17. Our profit for the period decreased from approximately HK\$11.5 million for the six months ended 30 September 2016 to approximately HK\$5.5 million for the six months ended 30 September 2017. Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for the reasons for the change in our net profit.

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Gross profit margin

Our gross profit margin was approximately 13.4% for FY2014/15, approximately 23.9% for FY2015/16, approximately 26.7% for FY2016/17, approximately 26.5% for the six months ended 30 September 2016 and approximately 21.3% for the six months ended 30 September 2017. Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for the reasons for the change in our gross profit margin.

Net profit margin before interest and tax

Our net profit margin before interest and tax increased from approximately 5.9% for FY2014/15 to approximately 17.0% for FY2015/16 and further increased to approximately 17.6% for FY2016/17. Such increase was mainly due to the increase in our gross profit margin as mentioned above, partially offset by the increase in our administrative and other operating expenses as discussed in the paragraph headed “Period-to-period comparison of results of operations” in this section.

Our net profit margin before interest and tax decreased from approximately 18.3% for the six months ended 30 September 2016 to approximately 8.1% for the six months ended 30 September 2017. Such decrease was mainly due to the decrease in gross profit margin as mentioned above as well as the increase in our administrative and other expenses as discussed in the paragraph headed “Period-to-period comparison of results of operations” in this section.

Net profit margin

Our net profit margin increased from approximately 4.8% for FY2014/15 to approximately 14.1% for FY2015/16, and further increased to approximately 14.6% for FY2016/17, mainly due to the increase in our net profit margin before interest and tax as mentioned above, partially offset by the tax effect of the non-deductible listing expenses recognised in FY2016/17.

Our net profit margin decreased from approximately 15.9% for the six months ended 30 September 2016 to approximately 5.1% for the six months ended 30 September 2017. Such decrease was mainly due to the decrease in net profit margin before interest and tax as mentioned above as well as the tax effect of the non-deductible listing expenses recognised during the six months ended 30 September 2017.

Return on equity

Return on equity is calculated as profit for the year divided by the ending total equity as at the respective reporting dates.

Our return on equity increased from approximately 19.4% for FY2014/15 to approximately 40.9% for FY2015/16, mainly because of the increase in revenue and gross profit margin as discussed in the paragraph headed “Period-to-period comparison of results of operations” above in this section.

Our return on equity decreased from approximately 40.9% for FY2015/16 to approximately 31.5% for FY2016/17, mainly because (i) we recorded a decrease in our gross profit for FY2016/17; (ii) we have used a portion of our cash for the payment of listing expenses and retained certain amount of cash for the expected listing expenses (in additional to our working capital needs) and such amount had

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therefore not been immediately put into use for any investments to further grow our business operations and to generate returns; and (iii) our net profit was affected by our recognition of the non-recurring listing expenses in FY2016/17 (FY2015/16: nil) as well as the tax effect of the non-deductible listing expenses.

Our return on equity decreased from approximately 13.5% for the six months ended 30 September 2016 to approximately 6.0% for the six months ended 30 September 2017. Such decrease was mainly because (i) we have reserved and used a portion of our cash for the payment of listing expenses after 30 September 2016 and such amount had therefore not been immediately put into use for any investments to further grow our business operations and to generate returns; and (ii) our net profit was affected by our recognition of the non-recurring listing expenses during the six months ended 30 September 2017 (2016: nil) as well as the tax effect of the non-deductible listing expenses.

Return on total assets

Return on total assets is calculated as profit for the year divided by the ending total assets as at the respective reporting dates.

Our return on total assets increased from approximately 9.0% for FY2014/15 to approximately 23.2% for FY2015/16, and decreased to approximately 19.5% for FY2016/17. The change in our return on total assets over the Track Record Period was mainly due to reasons similar to those for the change in our return on equity discussed above.

Our return on total assets decreased from approximately 8.3% for the six months ended 30 September 2016 to approximately 3.7% for the six months ended 30 September 2017. Such decrease was mainly due to reasons similar to those for the decrease in our return on equity in the same periods as mentioned above.

Current ratio

Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.

Our current ratio increased from approximately 1.8 times as at 31 March 2015 to approximately 2.3 times as at 31 March 2016. Such increase was mainly due to the increase in our trade receivables and cash and bank balances as a result of our profitable operations during FY2015/16.

Our current ratio further increased to approximately 2.6 times as at 31 March 2017. Such increase was mainly due to the increase in trade receivables and cash and bank balances as a result of our profitable operations during FY2016/17 and the decrease in trade payables as at 31 March 2017 as discussed in the paragraph headed "Trade and other payables" in this section.

Our current ratio was approximately 2.6 times as at 31 March 2017 and approximately 2.5 times as at 30 September 2017, which remained relatively stable.

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Quick ratio

Quick ratio is calculated as current assets minus inventories, then divided by current liabilities as at the respective reporting dates. Due to our business nature, we did not have any inventories during the Track Record Period. As such, our quick ratio was the same as our current ratio.

Inventories turnover days

Due to the nature of our business model, we did not maintain any inventories during the Track Record Period. As such, analysis of inventories turnover days is not applicable.

Trade receivables turnover days

Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables (not including retention receivables and other receivables, deposits and prepayments) divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 183 days for the six months ended 30 September 2017).

Please refer to the section headed “Financial information — Net current assets — Trade and other receivables” in this prospectus for the reasons for the change in our trade receivables turnover days.

Trade payables turnover days

Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables (not including accruals and other payables and deposits received) divided by direct costs for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 183 days for the six months ended 30 September 2017).

Please refer to the paragraph headed “Net current assets — Trade and other payables” in this section for the reasons for the change in our trade payables turnover days.

Gearing ratio

Gearing ratio is calculated as total borrowings (including finance lease liabilities and loan from a related party) divided by the total equity as at the respective reporting dates.

Our gearing ratio was approximately 4.0% as at 31 March 2015, approximately 2.3% as at 31 March 2016, approximately 1.9% as at 31 March 2017. Our gearing ratio remained at a relatively low level during each of the three years ended 31 March 2017 as we did not place material reliance on borrowings to finance our operation.

Our Group did not have any borrowings as at 30 September 2017.

Net debt to equity ratio

Net debt to equity ratio is calculated as net debts (i.e. total borrowings, including finance lease liabilities and loan from a related party, net of cash and cash equivalents) divided by total equity as at the respective reporting dates.

FINANCIAL INFORMATION

We recorded net cash positions as at 31 March 2015, 2016 and 2017 and 30 September 2017.

Interest coverage

Interest coverage is calculated as profit before finance costs and income tax divided by finance costs of the respective reporting years.

Our interest coverage remained relatively high at approximately 799.8 times as at 31 March 2015, approximately 6,007.5 times as at 31 March 2016 and approximately 10,827.7 times as at 31 March 2017, mainly due to our relatively low level of borrowings during each of the three years ended 31 March 2015, 2016 and 2017.

As our Group did not record any finance cost for the six months ended 30 September 2017, an analysis on interest coverage for such period is not applicable.

FINANCIAL RISK AND CAPITAL MANAGEMENT

Financial risk management

Our Group is exposed to interest rate risk, credit risk and liquidity risk in the normal course of business. For further details of our financial risk management, please refer to section headed “Business — Internal control and risk management” and Note 3 in section II of the Accountants’ Report in Appendix I to this prospectus.

Capital 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 debts, which include finance lease liabilities, and equity attributable to owners of our Company, comprising share capital and reserves.

Our Directors review the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, we may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain new bank borrowings or sell assets to reduce debt, depending on our capital structure and needs from time to time.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted net tangible assets, which was prepared to illustrate the effect of the Listing on the audited combined net tangible assets of our Group attributable to owners of our Company as of 31 March 2017 as if the Listing had taken place on 30 September 2017, was approximately HK\$0.66 per Share. Please refer to Appendix II to this prospectus for the bases and assumptions in calculating the unaudited pro forma adjusted net tangible assets figure.

FINANCIAL INFORMATION

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$25.5 million. Out of the amount of approximately HK\$25.5 million, approximately HK\$7.6 million is directly attributable to the issue of the Offer Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$17.9 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$17.9 million that shall be charged to profit or loss, nil, nil, approximately HK\$2.6 million and approximately HK\$7.8 million has been charged for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 respectively, and approximately HK\$15.3 million is expected to be incurred for FY2017/18. Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and results of operations for FY2017/18 will be affected by the estimated expenses in relation to the Listing.

DIVIDEND

For each of FY2014/15, FY2015/16 and FY2016/17, we declared dividends of nil, nil and HK\$15.0 million respectively to our then shareholders. All such dividends had been fully paid in November 2017 and we financed the payment of such dividends by internal resources.

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to the approval of our Shareholders as well as the constitution of our Company. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 29 March 2017. As at 31 March 2015, 2016 and 2017 and 30 September 2017, our Company had no reserves available for distribution to our Shareholders.

RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period are summarised in note 30 to the accountants' report set out in Appendix I to this prospectus. During the Track Record Period, our transactions with a related party comprise the following:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Management fee and rental of office paid to:				
— Top Wealthy Limited	747	739	736	367

FINANCIAL INFORMATION

Top Wealthy Limited is a company incorporated in Hong Kong on 23 August 2002 with limited liability and is owned by Ms. KY Tsui as to 62.5%, Ms. Tang Shuk Ngar Elli (the spouse of Mr. Benjamin Ng) as to 25.0% and by Ms. May Ng as to 12.5%.

During the Track Record Period, we (as tenant) leased Offices E & F, 7th Floor, King Palace Plaza, No. 55 King Yip Street, Kwun Tong, Kowloon from Top Wealthy Limited for our general office use. It is the view of our Directors that such related party transaction was conducted in our ordinary and usual course of business. Our Directors confirmed that the rental transaction was conducted on arm's length basis and would not distort our results during the Track Record Period, having regard to the prevailing market rent as assessed by an independent valuer.

The rental transaction with Top Wealthy Limited in respect of our general office is expected to continue following the Listing, details of which are disclosed in the section headed "Continuing Connected Transactions" in this prospectus.

RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which, had we 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.

MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the expenses in connection with the Listing, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 September 2017, and there have been no events since 30 September 2017 which would materially affect the information shown in our combined financial statements included in the Accountants' Report set forth in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE LISTING

Our Directors consider achieving a listing status to be a crucial and critical way to compete with our Group's major competitors in the foundation and superstructure building works industries. Wise Trend Engineering, our key operating subsidiary, has been registered as (i) a specialist contractor in the categories of foundation works, site formation works and demolition works and (ii) a general building contractor with the Building Department. Among our competitors which possess the qualifications and experience to compete for foundation works and/or superstructure building works projects, around 11 foundation contractors and 35 general building contractors have achieved a listing status. Our Directors believe that a public listing status, transparent financial disclosures and regulatory supervision are definite competitive advantage to which our customers would give due weight in a competitive tendering process nowadays. Our Directors consider that a lack of a listing status could be a hindrance to our Group's success to tender for foundation and superstructure building works projects. Therefore, our Directors believe that it is of critical and strategic importance to our Group to achieve a listing status in order to enhance our competitiveness to compete with the other listed construction contractors. Our Directors consider the Listing would bring about the above intangible benefit which could justify the costs involved in our listing application.

Furthermore, our Directors believe that the listing of the Shares on the Stock Exchange will facilitate the implementation of our business strategies. As stated in the section headed "Business — Business strategies" in this prospectus, we intend to achieve our business objective by expanding our scale of operation through our intended effort in actively seeking opportunities in undertaking additional foundation and superstructure building works projects, from our existing and new customers, on top of our present scale of operation and our current projects on hand. To this end, we intend to further enhance our machinery and further strengthen our manpower. These require funding and we intend to finance these by utilising the proceeds from the Share Offer.

Having considered (i) our business growth during the Track Record Period; (ii) our competitive strengths mentioned in the section headed "Business — Competitive strengths" in this prospectus; (iii) the number of invitations for fee quotation and tender that we received from customers during the Track Record Period; and (iv) the forecasted growth of the foundation and superstructure building works industries in Hong Kong as stated in the Ipsos Report, our Directors believe that our Group can undertake additional foundation and superstructure building projects on top of our present scale of operation and our current projects on hand if we are to continue to increase our available operational resources. Our Directors believe that we should increase our available operational resources by enhancing our machinery and strengthening our manpower, while we need to strengthen our liquidity position in order to satisfy the working capital and surety bond requirements for projects that may potentially be awarded to us. To achieve these, our Directors consider that additional funding (on top of the Group's available financial resources as at the Latest Practicable Date) shall be required. In order to obtain additional funding while avoiding interest expenses, our Directors believe that the net proceeds from the Share Offer will provide us with the necessary financial resources, which is interest-free, to achieve our business strategies. In general, interest expenses will be incurred when we pursue debt financing exercises, which will affect our financial performance. Our Directors have taken into consideration the fact that raising additional fund by pursuing debt financing exercise will increase the gearing ratio. Our Directors believe that our customers, suppliers and creditors may give preference to company who has lesser debt burden because a company with a higher gearing ratio may be financially vulnerable, due to the fact that it is carrying a relatively heavy debt load and is at a greater risk of

FUTURE PLANS AND USE OF PROCEEDS

defaulting. Our Directors have also taken into consideration the fact that bank borrowing is generally repayable while fund raised by equity financing is not. Therefore, our Directors consider that by using equity financing to raise the additional fund for the implementation of our business strategies is more appropriate because it is not necessary to retain a portion of the raised fund to prepare for repayment and the fund can be fully utilised for our business expansion. Our Directors are of the view that the Listing will enable our Group to conduct secondary fund raising in the Hong Kong stock market, if necessary, for our further expansion in the future, as the liquidity of Hong Kong stock market is high. On the contrary, debt financing does not offer such similar advantage.

In addition, our Directors consider that a public listing status will also enhance our corporate profile and recognition and assist us in reinforcing our brand awareness and image, which may help us to further develop our customer base. We believe that a public listing status on the Main Board could attract potential customers who are more willing to establish business relationship with company which has a well-established internal control system. Our Directors have also taken into consideration the fact that some of our competitors in foundation and superstructure building works industries in Hong Kong have already been listed on the Stock Exchange. Our Directors believe that customers, suppliers and subcontractors may give preference to contractors who have a public listing status with transparent financial disclosures and regulatory supervision. Therefore, our Directors believe that a public listing status will generate reassurance among our Group's existing customers, suppliers and subcontractors and enhance our competitiveness in the market.

The Listing will also enable our Group to have access to the capital market for raising funds both at the time of Listing and at later stages, which would in turn assist us in future business development.

Furthermore, according to the Ipsos Report, the foundation and superstructure building works industries in Hong Kong has been facing the problem of labour shortage and ageing workforce. Our Directors consider that a public listing status will improve our Group's ability to recruit, motivate and retain staff as there is an option for our Company to offer an equity-based incentive programme (i.e. the Share Option Scheme) to our staff. In addition, one of our business strategies is to strengthen our manpower, and our Directors believe that our ability to offer an equity-based incentive programme after the Listing can facilitate the successful implementation of such business strategy.

FUTURE PLANS

Please refer to the section headed "Business — Business strategies" in this prospectus for our Group's future plans.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

The net proceeds to be received by us from the Share Offer based on the Offer Price of HK\$1.5 per Share, after deducting related expenses in connection with the Share Offer, are estimated to be approximately HK\$73.5 million. Our Directors presently intend that the net proceeds will be applied as follows:

- Approximately HK\$54.9 million (approximately 74.7% of the net proceeds) will be used for enhancing our machinery and equipment by acquiring additional bored pile machine, hydraulic pile driving rig, excavator and boom lifts in the next 2 financial years in order to cope with our business development, strengthen our brand name and increase our overall efficiency, capacity and technical capability in performing foundation and superstructure works as well as our ability to cater for different needs and requirements of different customers. Our Directors consider that in order to cope with our business expansion, the following major machinery are required and therefore the planned allocation of this portion of the net proceeds among machinery is as follows:

For the year ending

31 March	Type of machinery	Number of units	Amount HK\$
2019	Excavator	1	2.7 million
	Bored pile machine (including hydraulic crawler crane, oscillator, reverse circulation drill, bell-out bit, under reamer and piling accessories)	1 set	38.4 million
	Boom lift	1	0.9 million
2020	Hydraulic pile driving rig	1	12.0 million
	Boom lift	1	0.9 million

The type and number of machinery and equipment used during the Track Record Period

During the Track Record Period, the type and total number of machinery and equipment used (owned or rented) by our Group are as follows:

Type of machinery	Total number of machinery used (owned or rented) by our Group during the Track Record Period
1. Air compressor	4 (for 4 foundation works projects undertaken by our Group)
2. Hydraulic hammer	4 (for 4 foundation works projects undertaken by our Group)

FUTURE PLANS AND USE OF PROCEEDS

Type of machinery	Total number of machinery used (owned or rented) by our Group during the Track Record Period
3. Pile driver	4 (for 4 foundation works projects undertaken by our Group)
4. Excavator	16 (for 16 foundation works/superstructure building works projects undertaken by our Group)
5. Bored pile machine (including crawler crane, casing oscillator, reverse circulation drill, under reamer, bell-out bit and piling accessories)	2 sets (for 2 foundation works projects undertaken by our Group)
6. Hammer grab	2 (for 2 foundation works projects undertaken by our Group)
7. Hydraulic pile driving rig	4 (for 4 foundation works projects undertaken by our Group)
8. Boom lift	4 (for 4 superstructure building works/other construction works projects undertaken by our Group)
9. Tower cranes	1 (for 1 superstructure building works undertaken by our Group)
10. Truck cranes	22 (for 22 superstructure building works/foundation works/other construction works projects undertaken by our Group)

Basis of determining the type and the number of machineries required by our Group

Our demand for machinery is projected to increase in order to cater for contracts for which we will submit tender application in the next two financial years. In determining the number of machinery and equipment to be purchased, we have considered the following factors:

- The number of machinery and equipment on hand
- The number of projects on hand
- The estimated new projects to be tendered by us in the next 2 financial years
- The operational scale and complexity of the new projects

FUTURE PLANS AND USE OF PROCEEDS

- The rental costs of machinery
- The duration of the projects involved
- Estimated useful life of machinery and equipment

The following table sets out a breakdown on the number of machinery and equipment to be purchased for the next two financial years involving the use of proceeds from the Share Offer having considered the abovementioned factors:

Type of machinery and equipment	For the year ending 31 March 2018	For the year ending 31 March 2019	For the year ending 31 March 2020	Total number of machinery and equipment to be purchased (Note)
Bored pile machine	—	1 set	—	1 set
Hydraulic pile driving rig	—	—	1	1
Excavator	—	1	—	1
Boom lift	—	1	1	2

Note:

Based on the contracts awarded but not yet commenced, projects we have tendered but still pending results and the prospective projects for which we plan to tender, our Directors estimate that 1 bored pile machine, 1 hydraulic pile driving rig, 1 excavator and 2 boom lifts to be acquired by us will be put to use as detailed below:

- (a) From 1 April 2017 up to the Latest Practicable Date, our Group has received 50 tender invitations and submitted 35 tenders in response to the said tender invitations in which 4 of the said tendered projects with total contract sum of approximately HK\$244.4 million has been awarded to us. As at the Latest Practicable Date, there were 9 submitted tenders with a total contract sum of approximately HK\$197.3 million whose results were still pending, in which 3 tenders are related to foundation projects and 6 tenders are related to other construction projects. Among these 3 foundation project tenders, 1 tender is for socket H-piling foundation works which require hydraulic pile driving rigs, 1 tender is for bored pile foundation works which requires bored pile machines, and 1 tender is for steel H pile foundation works. These business opportunities further fuel our Group's momentum to expand our business and necessitate expansion of our machinery fleet.
- (b) For the year ending 31 March 2019, we plan to acquire one excavator in May 2018 to be used for a foundation project with an awarded contract sum of HK\$76.6 million in relation to a proposed residential development in Kowloon Tong which commenced in December 2017. Based on the works schedule and customer's requirement, we will need an excavator for our site works in this project in around May 2018.
- (c) For the year ending 31 March 2019, we plan to acquire (i) one bored pile machine in October 2018 to be used for a foundation project with an estimated contract sum of HK\$47.8 million in relation to a proposed commercial development in Sheung Wan which is expected to commence in September 2018 in which a bored pile machine will be needed for our site works in around October 2018 based on the work schedule and customer's requirement (Project A); and (ii) one boom lift in July 2018 to be used for a superstructure building project that has been awarded to us in December 2017 with an awarded contract sum of HK\$133.2 million in relation to a proposed commercial development in Tsimshatsui

FUTURE PLANS AND USE OF PROCEEDS

which is commenced in January 2018, in which we will need a boom lift for our site works in around July 2018 based on the works schedule and customer's requirement. Our Directors consider that Project A is likely to be awarded to us, having considered (i) our proven track record in delivering quality foundation works and superstructure building works; (ii) the current negotiation progress between our Directors and the relevant customers; and (iii) our strong management capability.

- (d) For the year ending 31 March 2020, we plan to acquire one hydraulic pile driving rig to be used for a socket H piling project requiring the use of hydraulic pile driving rig and one boom lift to be used for a superstructure building project for which we plan to tender.

Having considered our tender success rate, proven track record in delivering quality foundation and superstructure building services and our strong project management capability, our Directors are confident about the likelihood of securing additional tenders. Therefore, our Directors considered that the purchase of the abovementioned machinery is necessary in order to cope with our business expansion and to undertake additional projects.

Reasons for establishing stronger machinery fleet by acquiring additional machineries

Most of the works involved in our works projects require the use of machinery and equipment. During the Track Record Period, as we did not possess a strong fleet of machinery, we principally rely on our subcontractors and, to a lesser extent, external machinery and equipment rental services providers, to provide the necessary machinery such as excavators, crawler cranes, bored pile machines, hydraulic pile driving rigs and air compressors for carrying out the works. As such, the rental costs for renting such machinery could represent a considerable portion of the subcontracting charges payable to these subcontractors and a considerable portion of our direct costs. Based on the subcontractors' fee quotations, the machinery costs included in the subcontracting charges amounted to approximately HK\$28.8 million in aggregate during the Track Record Period. In addition, we also incurred rental costs of approximately HK\$4.5 million in aggregate during the Track Record Period from external machinery and equipment rental services providers.

During the Track Record Period, although our purchase of machinery amounted to only approximately HK\$1.9 million (mainly on purchasing a hydraulic hammer), our Directors believe that it is imperative to establish a stronger machinery fleet by substantial capital investment in machinery and avoid over-reliance on machinery leasing in the long run because:

- (i) Our demand for machinery is projected to increase in order to capture the market opportunities driven by the continuous growth in the foundation and superstructure building industries in Hong Kong. According to the Ipsos Report, the total revenue of the foundation industry in Hong Kong is expected to continue rising from approximately HK\$23.1 billion in 2017 to approximately HK\$26.3 billion in 2021, at a CAGR of approximately 3.3%. In view of the constantly high demand of residential units in Hong Kong, the revenue growth will be supported by the Hong Kong Government's initiative to increase residential housing supply in the coming years. The private sector is expected to produce approximately 94,000 residential units in the coming 3 to 4 years by 2021, while the Housing Authority and the Hong Kong Housing Society will produce about 94,500 public housing units according to the 2017 Policy Address. Besides, owing to a growing population in

FUTURE PLANS AND USE OF PROCEEDS

Hong Kong, the increase in residential and commercial buildings is expected to continue, which will drive the total revenue of the general building construction (including superstructure building works) industry in Hong Kong from approximately HK\$131.6 billion in 2017 to approximately HK\$163.7 billion in 2021, at a CAGR of 5.6%. Please refer to the section headed “Industry overview — Industry drivers of the foundation industry and the superstructure building works industry” of this prospectus for further details of the growth drivers.

(ii) To capture the market opportunities as described above, we consider that it is not entirely feasible to rely on renting machinery to cater for our business expansion in the long run on the following grounds:

- The projects undertaken by us cover different locations in Hong Kong. Furthermore, according to the internal record of our Group, the range of overlapping work schedules of different projects in a single month during the Track Record Period ranges from 2 to 7 projects for FY2014/15, from 2 to 5 projects for FY2015/16 and from 2 to 4 projects for FY2016/17. Although our Group will use our best endeavours to organise our works schedules with the customers to minimise overlapping works schedules, our Group would not take the risk for not being able to deliver our services as instructed by our customers from time to time considering (i) piling works is considered to be early-stage work in a construction project and (ii) any delay in piling works could affect the timetable for the entire construction project which our Group may be claimed for damages as a result of such delay. Having considered the aforesaid and the business expansion of our Group, the purchase of additional machinery is necessary to ensure our Group’s machinery is readily available to meet our customers’ construction schedule which may be irregular or subject to changes. In addition, there is no guarantee that our Group can invariably lease foundation machinery of good quality on commercially acceptable terms that can cater for our operational needs throughout the project duration (which may be extended from time to time). Hence, if we continue to rely on our subcontractors’ machineries, we will not have complete control over the use, scheduling and quality of machinery to meet our customers’ requirement. Our Directors believe that having our own fleet of machinery can enhance our flexibility to schedule our projects and quality and efficiency of our foundation works which in turn enhance our competitiveness.
- Our Directors also consider that the major bottleneck of our expansion lies in the quantity of the machinery available for use by our Group given that most of our works projects rely heavily on the use of machinery. As a matter of fact, due to current limitation on the number of our machinery and equipment on hand as disclosed above, our Group is restrained from undertaking more projects. Our Group became hesitant in offering competitive terms when submitting further tender application for the invitation from our potential customers after reaching such bottleneck. In addition, when considering whether to submit a tender application, we

FUTURE PLANS AND USE OF PROCEEDS

typically also consider the availability of subcontractors as well as the availability of their machinery. As such, by acquiring our own machinery, our Group can (i) submit tenders even when our subcontractors could not provide us with machinery required for the projects; and (ii) be more flexible in engaging subcontractors as we can engage subcontractors that do not have their owned machinery. Furthermore, subcontractors usually charge a profit mark-up on the rental fees for their machinery. By acquiring our own machinery, we do not have to pay rental expenses for machinery and hence the cost of subcontracting fees can be reduced, allowing us to submit a more competitive tender price to our customers as a result.

- In tendering for new projects, availability of machinery is among the customers' assessment criteria for a contractor. By materially relying on machinery renting, we will not have direct control over the use of machinery. Having a stronger machinery fleet allows us to devise suitable works schedules tailored to the different needs and requirements of different customers, enhance our flexibility to schedule our projects and deploy our manpower more efficiently and effectively and minimise the risk of delay in work progress. Our Directors believe that this is especially important for projects of larger scale and higher complexity. To compete for more projects of larger scale and higher complexity in the future, our Directors believe it is necessary for us to enhance our competitiveness by establishing a stronger machinery fleet for the projects for which we plan to tender.
- Machinery readily available for rent may be aged machinery that may fail to meet the customers' requirements from the perspective of environmental impact control. Hence, our Directors believe it is necessary to enhance our machinery to comply with environmental requirements and with better operating efficiency and lower maintenance cost as compared to aged machinery. These new machinery include those which comply with the emission standard prescribed under the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation as well as machinery with proper QPME (Quality Powered Mechanical Equipment) label issued by the Environmental Protection Department which are expected to be more environmentally friendly and more efficient than aged machinery. Our Directors believe that our customers expect a contractor to operate with an upgraded fleet of machinery of better efficiency and environmental-friendliness. As such, our Directors believe that it is imperative for us to purchase upgraded machinery to enhance our competitiveness among other contractors.
- According to Ipsos, possession of an in-house fleet of machinery could enhance flexibility in managing multiple foundation projects, as well as strengthening the contractor's competitiveness to tender for more projects.

FUTURE PLANS AND USE OF PROCEEDS

The cost and benefit analysis for our Group to purchase rather than lease machinery and equipment

Our Directors consider that it is in the interest of our Group to purchase rather than lease those machinery and equipment that we intended to acquire using the net proceeds from the Share Offer. A comparison of the monthly rental cost saved (which can be referenced to the current quotation obtained from third parties) and the additional monthly expenses of acquisition (including depreciation charges based on straight-line method with 5 years of estimated useful lives and relevant estimated maintenance and insurance cost) for bored pile machine, hydraulic pile driving rig, excavator and boom lift is set out as below:

Type of machinery	Approximate yearly rental cost	Approximate yearly depreciation	Approximate yearly maintenance, insurance cost and other relevant expense
Bored pile machine	HK\$9,300,000 per year	HK\$7,680,000 per year	HK\$700,000 per year
Hydraulic pile driving rig	HK\$4,320,000 per year	HK\$2,380,000 per year	HK\$220,000 per year
Excavator	HK\$648,000 per year	HK\$540,000 per year	HK\$50,000 per year
Boom lift	HK\$564,000 per year	HK\$360,000 per year	HK\$30,000 per year

Based on the above comparison, the approximate yearly rental cost is greater than the aggregate of the approximate yearly depreciation and the approximate maintenance and insurance cost of the relevant machinery. Hence, it is more economical for our Group to purchase rather than rent the relevant machinery in order to save cost. In addition to costs saving, our Group also needs to incur additional time in seeking suitable machinery of acceptable quantity for rent, and there is no guarantee that our Group can obtain the most suitable machinery in performing our works. By purchasing additional machinery, our Group can (i) allocate the most suitable machinery among different projects; (ii) mitigate the risk of potential increases in rental cost of machinery in the future; and (iii) reduce the uncertainty and risk associated with not being able to rent suitable machinery on favourable terms and in a timely manner, which in turn enhance the flexibility in deploying our operational resources and efficiency of our works and thus improve the profitability of our Group.

FUTURE PLANS AND USE OF PROCEEDS

- Approximately HK\$11.6 million (approximately 15.8% of the net proceeds) will be used for strengthening our manpower by recruiting additional staffs, including project management and execution staff as well as human resources, administrative and accounting staff, in the current and next 2 financial years. The following table sets out a breakdown of additional staff that we plan to employ by functions:

For the year ended 31 March	Additional staff to be employed by functions	Number of additional staff to be employed during the year	Amount allocated for the year for recruiting and retaining the additional staff HK\$
2018	— Project managers/engineers	2	1.2 million
	— Site supervisor	1	
	— Senior quantity surveyor	1	
	— Human resources manager	1	
	— Accountant	1	
	— Safety and environmental officer	1	
	— Machinery operator	1	
2019	— Site supervisor	1	5.1 million
	— Machinery operator	1	
2020	— Site supervisor	1	5.3 million

We consider that there is a need to expand our workforce given that:

- (a) We need to strengthen our manpower resources to capture the business opportunities in view of the growth drivers in the foundation and superstructure building works industries in Hong Kong. According to the Ipsos Report, the total revenue of the foundation and superstructure building works industries are expected to increase from approximately HK\$23.1 billion and HK\$131.6 billion in 2017 to approximately HK\$26.3 billion and HK\$163.7 billion in 2021, respectively. The growth in the gross output value of foundation works and superstructure building works in Hong Kong was mainly driven by Government's initiatives to increase land and housing supply, continuous implementation of large scale infrastructure projects and the new development area projects, which in turn are expected to drive up local construction activities and hence demand for foundation and superstructure building works services. For details on the market drivers relating to our Group, please refer to the paragraph headed "Industry overview — Industry drivers of the foundation industry and the superstructure building works industry" in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

- (b) From 1 April 2017 up to the Latest Practicable Date, our Group has received 50 tender invitations and submitted 35 tenders, in which 4 of the said tendered projects has been awarded to us, including (i) a foundation works project (commenced in September 2017); (ii) a superstructure building works project (commenced in August 2017); (iii) a foundation and superstructure building works project (commenced in December 2017); and (iv) a superstructure building project (commenced in January 2018), with a total contract sum of these projects of approximately HK\$244.4 million in aggregate. As at the Latest Practicable Date, there were 9 tenders whose results were still pending, in which our Directors consider that (i) a foundation project with an estimated contract sum of HK\$47.8 million in relation to a proposed commercial development in Sheung Wan; (ii) a foundation project with an estimated contract sum of HK\$34.0 million in relation to a proposed composite building development in Kowloon City; and (iii) a foundation project with an estimated contract sum of HK\$46.0 million in relation to a proposed residential development in Kowloon City, are likely to be awarded to us, having considered (i) our proven track record in delivering quality foundation works and superstructure building works; (ii) the current negotiation progress between our Directors and the relevant customers; and (iii) our strong management capability. Furthermore, having considered our tender success rate during the Track Record Period, our Directors also consider that, in addition to the abovementioned three tenders, our Group will be awarded new projects from the remaining six tenders, which the tenders status are still pending (with an estimated total contract sum of HK\$69.5 million), submitted by us and/or tenders that may be received by us in the near future.

Although we generally submit tenders for our potential projects having regard to our currently available manpower resources, there is no assurance that we will be able to solely rely on our existing manpower resources for the projects which we have tendered because (i) our projects on hand may be subject to delay and continue to take up our manpower resources and (ii) we may be required to perform additional works for our projects on hand, thus rendering us unable to release certain manpower for projects which we have tendered. As we plan to expand our market share and bid for more foundation and superstructure building works projects, it is imperative to expand our manpower resources to enhance our tender success rate. Our Directors consider that our ability to capture the emerging business opportunities and expand our business could be impeded if the level of our existing manpower resources remain unchanged. To (a) ensure we have sufficient manpower resources for projects we have tendered and (b) enhance our competitiveness, our Directors consider it is expedient and necessary to utilise proceeds from the Share Offer to recruit additional staff for projects which we have tendered.

Based on the above, in order to capture the business opportunities and undertake additional projects and enhance our project management capabilities to cater for our business expansion, we intend to increase the number of our staff by 11 by utilising approximately HK\$11.6 million (approximately 15.8% of the net proceeds) for recruitments of project management personnel and office staff.

FUTURE PLANS AND USE OF PROCEEDS

- (c) To cater for our business needs as described in the paragraphs above, we consider that it is of utmost importance for our Group as a main contractor to recruit sufficient project supervision staff (such as project manager, site supervisor, quantity surveyor and safety and environmental officer) to supervise and manage the work quality of subcontractors. Our Group is also required to recruit sufficient number of machinery operator to operate the newly acquired machinery. We consider that it is also necessary to expand our office staff (including accountant and human resources manager) to support the business expansion of our Group, our internal control functions and the administrative works.
 - (d) When tendering for new projects, we typically consider the availability of our manpower resources. As a main contractor, we have to closely supervise and monitor the project execution of our projects. Our Directors consider that in order to undertake more projects while maintaining the quality of our works (i.e. by not overloading our project management and supervision staff), it is necessary for us to expand our workforce and in particular the hiring of project managers and site supervisors.
- Approximately HK\$7.0 million (approximately 9.5% of the net proceeds) will be used as our general working capital.

We will issue an announcement in the event that there is any material change in the use of proceeds from the Share Offer as described above.

To the extent that the net proceeds from the issue of Shares are not immediately required for the above purpose, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits or treasury products with authorised financial institutions.

UNDERWRITING

THE UNDERWRITER

Easy One 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 Underwriter has agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Public Offer Underwriter to subscribe for, or procure subscribers for the Public Offer Shares are subject to termination. The Bookrunner (acting in such capacity and as the Underwriter) 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:

1. There comes to the notice of the Bookrunner:
 - (a) any matter or event showing any of the representations, warranties, agreements and undertakings given to the Public Offer Underwriter 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 Underwriter which, in any such cases, is considered, in the absolute opinion of the Bookrunner, 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 absolute opinion of the Bookrunner, to be material in the context of the Public Offer; or

UNDERWRITING

- (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 absolute opinion of the Bookrunner 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 absolute opinion of the Bookrunner, 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 the Controlling Shareholders arising out of or in connection with the breach of any of the Warranties; or
 - (f) any breach by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriter of any provision of the Public Offer Underwriting Agreement which, in the absolute opinion of the Bookrunner, is material;
2. There comes to the notice of the Bookrunner:
- (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

UNDERWRITING

- (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
- (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 absolute opinion of the Bookrunner 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 Underwriter 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.

UNDERWRITING

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, the Capitalisation Issue and any grant of options pursuant or issue of Shares upon exercise of any options to be granted 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.

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, it/he/she 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/her 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/she 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 a group of Controlling Shareholders (as defined in the Listing Rules).

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/her shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he/her will:

- (a) when it/he/she 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/she 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.

UNDERWRITING

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 the 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 Bookrunner, the Sponsor, the Lead Manager and the Public Offer Underwriter that, except pursuant to the Share Offer, 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, the Controlling Shareholders and each of our executive Directors will procure, that our subsidiaries will not, unless with the prior written consent of the Bookrunner (acting in such capacity and as the Underwriter), such consent not to be unreasonably withheld or delayed, and in compliance with the requirements of the Listing Rules:

- (i) allot or issue, or agree to allot or issue, Shares or other securities of our Company (including warrants or other convertible or exchangeable securities) or grant or agree to grant any options, warrants, or other rights to subscribe for or convertible or exchangeable into Shares or other securities of our Company; or
- (ii) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or offer to or agree to do any of the foregoing or announce any intention to do so,

during the six months immediately following the Listing Date (the “**First Six-month Period**”).

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 the Controlling Shareholders has jointly and severally undertaken to each of the Bookrunner, the Lead Manager, our Company and the Public Offer Underwriter that during the First Six-month Period, it or he or she shall not, and shall procure that the relevant registered holder(s) and it/his associates and companies controlled by it/he/her and any nominee or trustee holding in trust for it/him/her shall not, without the prior written consent of the Bookrunner unless pursuant to the Share Option Scheme or otherwise in compliance with the requirements of the Listing Rules:

- (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares in respect of which it/he/she is shown in this prospectus to be directly or indirectly interested in (the “**Relevant Securities**”); 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 the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities or such other securities, in cash or otherwise; or

UNDERWRITING

- (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.

Each of the Controlling Shareholders has jointly and severally undertaken to the Bookrunner, the Lead Manager, our Company and the Public Offer Underwriter that it/he/she shall not, and shall procure that the relevant registered holder(s) and it/his/her associates or companies controlled by it/him/her and any nominee or trustee holding in trust for it or him or her shall not, without the prior written consent of the Bookrunner unless the Share Option Scheme or otherwise in compliance with the Listing Rules, at any time during the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by it or him or her or any of it/his/her associates or companies controlled by it/him/her or any nominee or trustee holding in trust for it or him or her 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 a group of Controlling Shareholders (as defined in the Listing Rules).

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 her 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 the Controlling Shareholders has further undertaken to each of the Bookrunner, our Company and the Public Offer Underwriter that within the first twelve months from the Listing Date, he or it will:

- (i) when it/he/she pledges or charges any securities or interests in the securities of our Company beneficially owned by him or it or her directly or indirectly, immediately inform our Company and the Bookrunner in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and
- (ii) when it/he/she 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 Bookrunner 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, our Company has entered into the Placing Underwriting Agreement with, among others, the Placing Underwriter on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriter severally agreed to subscribe or procure subscribers for the Placing Shares being offered pursuant to the Placing.

UNDERWRITING

Pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders have given 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.

Each of our Controlling Shareholders has undertaken to the Placing Underwriter 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/her/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 headed “Underwriting arrangements and expenses — Public Offer — Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

Commissions and expenses

The Underwriter will receive a gross underwriting commission at the rate of 2.5% of the aggregate Offer Price payable for the Offer Shares, 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\$25.5 million in aggregate (based on the Offer Price of HK\$1.5 per Offer Share) and shall be borne by our Company.

UNDERWRITER’S INTERESTS IN OUR COMPANY

The Underwriter 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 in this section.

Save for its obligations under the Underwriting Agreements, the Underwriter is not 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 SPONSOR

Dakin Capital Limited, being the 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.

UNDERWRITING

THE PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 6,600,000 Shares at the Offer Price, representing 10% of the 66,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between the Placing and the Share Offer, 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. 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 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; and
- (ii) the obligations of the Underwriter 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).

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.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer comprises:

- (a) the Public Offer of 6,600,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described under the paragraph headed “The Public Offer” below in this section; and
- (b) the Placing of 59,400,000 Shares offered by our Company (subject to reallocation as mentioned below) which will conditionally be placed with selected professional, institutional and other investors under the Placing.

Investors may apply for the Shares under the Public Offer or indicate an interest, if qualified to do so, for the Shares under the Placing, but may not do both.

The number of Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed “The Public Offer — Reallocation” below in this section.

THE PUBLIC OFFER

Number of Shares Initially Offered

We are initially offering 6,600,000 Shares at the Offer Price, representing 10% of the Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent approximately 2.5% of our Company’s enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue.

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 as set out in the paragraph headed “Conditions of the Public Offer” in this section.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications and any application for more than 100% of the Public Offer Shares initially available for subscription under the Public Offer will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

Reallocation

The allocation of the Offer Shares between the Public Offer and the Placing is subject to reallocation under the Listing Rules. Paragraph 4.2 of the Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Public Offer Shares to certain percentages of the total number of Offer Shares offered in the Share Offer if certain prescribed total demand levels are reached. If the number of Offer Shares validly applied for under 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 Offer Shares initially available under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing. As a result of such reallocation, the total number of Offer Shares available under the Public Offer will be increased to 19,800,000 Offer Shares (in the case of (i)), 26,400,000 Offer Shares (in the case of (ii)) and 33,000,000 Offer Shares (in the case of (iii)), representing 30%, 40%, and 50% of the Offer Shares initially available under the Share Offer, respectively.

In such case, the number of Offer Shares allocated to the Placing will correspondingly be reduced.

In the event that the Placing Shares are undersubscribed under the Placing and if the Public Offer Shares are undersubscribed, the Share Offer shall not proceed unless fully underwritten by the Underwriter. Where the Placing Shares are undersubscribed and the Public Offer Shares are oversubscribed irrespective of the number of times the number of Shares initially available for subscription under the Public Offer, then up to 6,600,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Shares available for subscription under the Public Offer will be increased to 13,200,000 Offer Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Share Offer.

In addition, the Bookrunner may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. 13,200,000 Offer Shares).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the Public Offer is not fully subscribed, the Bookrunner has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing in such proportions as the Bookrunner deems appropriate.

THE PLACING

Number of Shares Initially Offered

Subject to the reallocation as described above, the number of Shares to be initially offered under the Placing will be 59,400,000 Shares, representing 90% of the Offer Shares under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriter or through selling agents appointed by it. Placing Shares will be selectively placed with certain professional and institutional investors and other investors who generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and Allocation" in the section below and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, Shares after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of Shares on a basis which would lead to the establishment of a solid shareholder base which would be to our benefit and to that of the Shareholders as a whole.

The Bookrunner (acting in such capacity and as the Underwriter) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Bookrunner so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

PRICING AND ALLOCATION

The Offer Price is HK\$1.5 per Share. Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the Offer Price of HK\$1.5 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\$3,030.23 for each board lot of 2,000 Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Announcement of Basis of Allocations

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 Wednesday, 28 March 2018 on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.wangyang.com.hk).

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriter under the terms of the Public Offer Underwriting Agreement.

The Placing is fully underwritten by the Placing Underwriter under the terms of the Placing Underwriting Agreement.

These underwriting arrangements, and the Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional on:

- the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (subject only to allotment) and the options which may be granted under the Share Option Scheme and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- the obligations of the Public Offer Underwriter under the Public Offer Underwriting Agreement and the obligations of the Placing Underwriter under the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by us on the Stock Exchange’s website and on our Company’s website on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the subsection headed “How to Apply for the Public Offer Shares — 13.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Dispatch/Collection of Share Certificates and Refund Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banker or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates will only become valid at 8:00 a.m. on Thursday, 29 March 2018, provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting — Underwriting arrangements and expenses — Grounds for termination” in this prospectus has not been exercised.

ADMISSION OF THE SHARES 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 Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

All necessary arrangements have been made enabling the Shares to be admitted into the Central Clearing and Settlement System, or CCASS.

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;
- 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.

The Company, the Bookrunner, the Lead Manager 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 Bookrunner may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 the Company and/or any its subsidiaries;
- (ii) a Director or chief executive officer of the Company and/or any of its subsidiaries;
- (iii) a close associate (as defined in the Listing Rules) of any of the above;
- (iv) a core connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Share Offer; and
- (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. on Monday, 19 March 2018 until 12:00 noon, Thursday, 22 March 2018 from:

- (i) the following office of the Bookrunner:

Easy One Securities Limited
Room 2108–2109, 21/F
Wing On Centre, 111 Connaught Road
Central
Hong Kong

- (ii) the following office of the Sponsor:

Dakin Capital Limited
Room 2701, 27/F
Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (iii) any of the following branches of the receiving bank Industrial and Commercial Bank of China (Asia) Limited:

District	Branch Name	Address
Hong Kong Island	Fortress Hill Branch	Shop A–C, G/F Kwong Chiu Terrace 272–276 King’s Road, Hong Kong
Kowloon	Shamshuipo Branch	G/F 290 Lai Chi Kok Road Shamshuipo, Kowloon
	Oi Man Branch	Shop F18 & F19 Oi Man Plaza, Oi Man Estate Homantin, Kowloon
New Territories	Tai Hing Branch	Shop 21–23 Tai Hing Commercial Complex Tai Hing Estate Tuen Mun, New Territories
	Tai Po Branch	Shop F, G/F Mee Fat Building No 34–38 Tai Wing Lane Tai Po, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m., Monday, 19 March 2018 until 12:00 noon, Thursday, 22 March 2018 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 ICBC (Asia) Nominee Limited — Wang Yang Public Offer for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

9:00 a.m. to 5:00 p.m., Monday, 19 March 2018
9:00 a.m. to 5:00 p.m., Tuesday, 20 March 2018
9:00 a.m. to 5:00 p.m., Wednesday, 21 March 2018
9:00 a.m. to 12:00 noon, Thursday, 22 March 2018

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 22 March 2018, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Applications Lists” below.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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, you:

- (a) undertake to execute all relevant documents and instruct and authorise the Company and/or the Bookrunner (or its agents or nominees), as agent of the 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;
- (f) agree that none of the Company, the Sponsor, the Bookrunner, the Lead Manager, the Underwriter, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (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 the Company, our Hong Kong Branch Share Registrar, receiving banks, the Sponsor, the Bookrunner, the Lead Manager, the Underwriter and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (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 the Company, the Sponsor, the Bookrunner, the Lead Manager and the Underwriter, nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (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 the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and the 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 "Personal Collection" section in the Prospectus 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;
- (q) understand that the Company and the Bookrunner 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 or 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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.

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 the Company, the Bookrunner 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;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (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 the Company, the Directors and the Bookrunner 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 the Company to place HKSCC Nominees' name on the 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;
 - (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 the Company, the Sponsor, the Bookrunner, the Lead Manager, the Underwriter, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
 - (xi) agree to disclose your personal data to the Company, the Hong Kong Branch Share Registrar, receiving banks, the Bookrunner, the Lead Manager, the Underwriter and/or their respective advisers and agents;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (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 the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the 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 the 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 the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- (xvii) agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 the 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 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 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 2,000 Public Offer Shares. Instructions for more than 2,000 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:

9:00 a.m. to 8:30 p.m.¹, Monday, 19 March 2018

8:00 a.m. to 8:30 p.m.¹, Tuesday, 20 March 2018

8:00 a.m. to 8:30 p.m.¹, Wednesday, 21 March 2018

8:00 a.m.¹ to 12:00 noon, Thursday, 22 March 2018

Note:

1. These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 19 March 2018 until 12:00 noon on Thursday, 22 March 2018 (24 hours daily, except on the last application day).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 22 March 2018, the last application day or such later time as described in “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, the 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 the Company, the Hong Kong Branch Share Registrar, the receiving bankers, the Bookrunner, the Underwriter and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sponsor, the Bookrunner and the Underwriter 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 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 Thursday, 22 March 2018.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- (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 Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 2,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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).

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 Thursday, 22 March 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 22 March 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

The Company expects to announce the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 28 March 2018 on the Company’s website at www.wangyang.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- (i) in the announcement to be posted on the Company’s website at www.wangyang.com.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, 28 March 2018.
- (ii) from the designated results of allocations website at www.ewhiteform.com.hk/results with a “search by ID” function on a 24-hour basis from 9:00 a.m. on Wednesday, 28 March 2018 to 12:00 midnight on Tuesday, 3 April 2018;
- (iii) by telephone enquiry line by calling +852 2153 1688 between 9:00 a.m. and 6:00 p.m. from Wednesday, 28 March 2018 to Tuesday, 3 April 2018 (excluding Saturday, Sunday and Public Holiday);
- (iv) in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 28 March 2018 to Tuesday, 3 April 2018 at all the receiving bank designated branches and sub-branches.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If the 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 section headed “Structure and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

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 the 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.

(b) If the Company or its agents exercise their discretion to reject your application:

The Company, the Bookrunner, the Lead Manager 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(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 the 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) the Company or the Bookrunner 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 100% 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 conditions of the Public Offer are not fulfilled in accordance with section headed "Structure and Conditions of the Public 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 Wednesday, 28 March 2018.

13. DISPATCH/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).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for.

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Wednesday, 28 March 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 29 March 2018 provided that the Share Offer has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the Share certificates becoming valid do so at their own risk.

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 Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 28 March 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched 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 Wednesday, 28 March 2018, 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 Wednesday, 28 March 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 28 March 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in paragraph headed "10. Publication of results" above in this section. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 28 March 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply via electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 Wednesday, 28 March 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- (ii) The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the 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 paragraph headed "10. Publication of results" above in this section on Wednesday, 28 March 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 28 March 2018 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 Wednesday, 28 March 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- (v) Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 28 March 2018 .

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

14. ADMISSION OF THE SHARES INTO CCASS

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

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report set out on pages I-1 to I-45, received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

19 March 2018

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WANG YANG HOLDINGS LIMITED AND DAKIN CAPITAL LIMITED

Introduction

We report on the historical financial information of Wang Yang Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-1 to I-45, which comprises the combined statements of financial position as at 31 March 2015, 2016 and 2017 and 30 September 2017, the statements of financial position of the Company as at 31 March 2017 and 30 September 2017 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the periods then ended (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-1 to I-45 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 19 March 2018 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 and Note 2(a) of Section II to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “*Accountants' Reports on Historical Financial Information in Investment Circulars*” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 and Note 2(a) of Section II 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 Group's financial position as at 31 March 2015, 2016 and 2017 and 30 September 2017 and of the Company's financial position as at 31 March 2017 and 30 September 2017, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 and Note 2(a) of Section II to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of comprehensive income, changes in equity and cash flows for the six months ended 30 September 2016 and other explanatory information (the "**Stub Period Comparative Financial Information**").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1 and 2(a) to the Historical Financial Information.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Note 1 and Note 2 (a) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividends paid by a subsidiary of the Company and states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical statutory financial statements of the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Kwok Kin Leung

Practising Certificate Number: P05769

Hong Kong

19 March 2018

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by HLB Hodgson Impey Cheng Limited in accordance with the 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.

Combined statements of profit or loss and other comprehensive income

		Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2017	Six months ended 30 September 2016	Six months ended 30 September 2017
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)	
Revenue	5	176,456	212,488	184,363	72,611	107,067
Direct costs		(152,869)	(161,735)	(135,106)	(53,388)	(84,312)
Gross profit		23,587	50,753	49,257	19,223	22,755
Other income and net gains	5	50	88	—	—	37
Administrative and other operating expenses		(13,239)	(14,796)	(16,774)	(5,958)	(14,123)
Operating profit		10,398	36,045	32,483	13,265	8,669
Finance costs	9	(13)	(6)	(3)	(2)	—
Profit before income tax	6	10,385	36,039	32,480	13,263	8,669
Income tax expense	10	(1,941)	(5,974)	(5,524)	(1,743)	(3,183)
Profit for the year/period		<u>8,444</u>	<u>30,065</u>	<u>26,956</u>	<u>11,520</u>	<u>5,486</u>
Other comprehensive loss						
<i>Items that may be reclassified to profit or loss:</i>						
— Change in fair value of available-for-sale financial asset		—	—	—	—	(23)
Other comprehensive loss for the year/period, net of tax		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(23)</u>
Total comprehensive income for the year/period attributable to owners of the Company		<u>8,444</u>	<u>30,065</u>	<u>26,956</u>	<u>11,520</u>	<u>5,463</u>

Details of dividends are disclosed in Note 12 to the Historical Financial Information.

Combined statements of financial position

		As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 30 September 2017 HK\$'000
	Note				
ASSETS					
Non-current assets					
Property, plant and equipment	13	3,333	3,678	2,368	1,829
Deposit and prepayment for life insurance policy	14	—	—	—	2,871
		<u>3,333</u>	<u>3,678</u>	<u>2,368</u>	<u>4,700</u>
Current assets					
Gross amounts due from customers for contract work	16	41,772	27,524	34,531	38,146
Trade and other receivables	17	31,014	47,024	73,991	82,440
Amount due from a director	18	—	17,295	—	—
Amount due from a related company	19	69	74	—	—
Amount due from a related party	20	6,995	—	—	—
Available-for-sale financial asset	21	—	—	—	2,994
Cash and bank balances	22	10,649	33,731	27,557	20,008
		<u>90,499</u>	<u>125,648</u>	<u>136,079</u>	<u>143,588</u>
Total assets		<u><u>93,832</u></u>	<u><u>129,326</u></u>	<u><u>138,447</u></u>	<u><u>148,288</u></u>
EQUITY					
Capital and reserves					
Combined capital	23	11,010	11,010	11,010	—
Other reserve		—	—	—	10,987
Retained earnings		<u>32,514</u>	<u>62,579</u>	<u>74,535</u>	<u>80,021</u>
Total equity		<u>43,524</u>	<u>73,589</u>	<u>85,545</u>	<u>91,008</u>
LIABILITIES					
Non-current liabilities					
Finance lease liabilities	24	86	18	—	—
Provision for long service payments	25	557	661	589	557
Deferred tax liabilities	26	95	191	88	31
		<u>738</u>	<u>870</u>	<u>677</u>	<u>588</u>
Current liabilities					
Gross amounts due to customers for contract work	16	1,954	1,368	2,504	47
Trade and other payables	27	43,427	45,017	31,719	40,478
Loan from a related party	20	1,600	1,600	1,600	—
Dividend payable		—	—	15,000	15,000
Finance lease liabilities	24	65	68	18	—
Current income tax liabilities		<u>2,524</u>	<u>6,814</u>	<u>1,384</u>	<u>1,167</u>
		<u>49,570</u>	<u>54,867</u>	<u>52,225</u>	<u>56,692</u>
Total liabilities		<u>50,308</u>	<u>55,737</u>	<u>52,902</u>	<u>57,280</u>
Total equity and liabilities		<u><u>93,832</u></u>	<u><u>129,326</u></u>	<u><u>138,447</u></u>	<u><u>148,288</u></u>
Net current assets		<u>40,929</u>	<u>70,781</u>	<u>83,854</u>	<u>86,896</u>
Total assets less current liabilities		<u><u>44,262</u></u>	<u><u>74,459</u></u>	<u><u>86,222</u></u>	<u><u>91,596</u></u>

Statement of financial position

		As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
	<i>Note</i>		
Current assets			
Amount due from ultimate holding company	32	—	—
Total assets		<u>—</u>	<u>—</u>
EQUITY			
Capital and reserves			
Share capital	23	—	—
Total equity		<u>—</u>	<u>—</u>

Combined statements of changes in equity

	Combined capital <i>HK\$'000</i> <i>(Note 23)</i>	Other reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 1 April 2014	10,010	—	24,070	34,080
Issue of ordinary shares	1,000	—	—	1,000
Profit and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>8,444</u>	<u>8,444</u>
Balance as at 31 March 2015	<u>11,010</u>	<u>—</u>	<u>32,514</u>	<u>43,524</u>
Balance as at 1 April 2015	11,010	—	32,514	43,524
Profit and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>30,065</u>	<u>30,065</u>
Balance as at 31 March 2016	<u>11,010</u>	<u>—</u>	<u>62,579</u>	<u>73,589</u>
Balance as at 1 April 2016	11,010	—	62,579	73,589
Profit and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>26,956</u>	<u>26,956</u>
Dividends (<i>Note 12</i>)	<u>—</u>	<u>—</u>	<u>(15,000)</u>	<u>(15,000)</u>
Balance as at 31 March 2017	<u>11,010</u>	<u>—</u>	<u>74,535</u>	<u>85,545</u>
Balance as at 1 April 2017	11,010	—	74,535	85,545
Reorganisation	(11,010)	11,010	—	—
Profit for the period	<u>—</u>	<u>—</u>	<u>5,486</u>	<u>5,486</u>
Other comprehensive loss:				
Change in fair value of available-for-sale financial asset	<u>—</u>	<u>(23)</u>	<u>—</u>	<u>(23)</u>
Balance as at 30 September 2017	<u>—</u>	<u>10,987</u>	<u>80,021</u>	<u>91,008</u>
(Unaudited)				
Balance as at 1 April 2016	11,010	—	62,579	73,589
Profit and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>11,520</u>	<u>11,520</u>
Balance as at 30 September 2016	<u>11,010</u>	<u>—</u>	<u>74,099</u>	<u>85,109</u>

Combined statements of cash flows

		Year ended	Year ended	Year ended	Six months	Six months
		31 March	31 March	31 March	ended 30	ended 30
		2015	2016	2017	September	September
	Note	HK\$'000	HK\$'000	HK\$'000	2016	2017
					HK\$'000	HK\$'000
					(Unaudited)	
Cash flows from operating activities						
Cash generated from/(used in) operations	28	10,302	36,872	(12,399)	(6,544)	3,433
Tax (paid)/refunded		(419)	(1,588)	(11,057)	295	(3,457)
Net cash generated from/ (used in) operating activities		<u>9,883</u>	<u>35,284</u>	<u>(23,456)</u>	<u>(6,249)</u>	<u>(24)</u>
Cash flows from investing activities						
Deposit paid for a life insurance policy		—	—	—	—	(2,828)
Decrease/(Increase) in amount due from a related company		343	(5)	74	(3)	—
Decrease/(Increase) in amount due from a director		4	(10,300)	17,295	(19,800)	—
Increase in amount due from a related party		(7,000)	—	—	—	—
Investment in available-for-sale financial asset		—	—	—	—	(3,017)
Interest received		—	6	—	—	2
Purchases of property, plant and equipment		(38)	(1,832)	(16)	(16)	(64)
Net cash (used in)/generated from investing activities		<u>(6,691)</u>	<u>(12,131)</u>	<u>17,353</u>	<u>(19,819)</u>	<u>(5,907)</u>

	Year ended 31 March 2015 <i>Note</i> <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>	Year ended 31 March 2017 <i>HK\$'000</i>	Six months ended 30 September 2016 <i>HK\$'000</i>	Six months ended 30 September 2017 <i>HK\$'000</i>
				(Unaudited)	
Cash flows from financing activities					
Proceeds from issue of ordinary shares of Wise Trend Construction	1,000	—	—	—	—
Repayment of related party's loan	—	—	—	—	(1,600)
Repayments of finance leases	(258)	(65)	(68)	(33)	(18)
Repayments of bank borrowings	(46)	—	—	—	—
Interest paid on finance leases	(12)	(6)	(3)	(2)	—
Interest paid on bank borrowings	(1)	—	—	—	—
	<u>683</u>	<u>(71)</u>	<u>(71)</u>	<u>(35)</u>	<u>(1,618)</u>
Net cash generated from/ (used in) financing activities					
	3,875	23,082	(6,174)	(26,103)	(7,549)
Net increase/(decrease) in cash and cash equivalents					
Cash and cash equivalents at beginning of the year/ period	<u>6,774</u>	<u>10,649</u>	<u>33,731</u>	<u>33,731</u>	<u>27,557</u>
Cash and cash equivalents at end of the year/period	<u>10,649</u>	<u>33,731</u>	<u>27,557</u>	<u>7,628</u>	<u>20,008</u>
Analysis of balances of cash and cash equivalents					
Cash and bank balances	22 <u>10,649</u>	<u>33,731</u>	<u>27,557</u>	<u>7,628</u>	<u>20,008</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION AND BASIS OF PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 29 March 2017 as an exempted company with limited liability. Its parent and ultimate holding company is Profound Contractors Limited (“**Profound Contractors**”), a company incorporated in the British Virgin Islands (the “**BVI**”) and owned as to 62.5% by Ms. Tsui Kwok Ying (“**Ms. KY Tsui**”), 25% by Mr. Ng Chi Bun Benjamin (“**Mr. Benjamin Ng**”) and 12.5% by Ms. Ng Chung Yan May (“**Ms. May Ng**”).

The addresses of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the Prospectus. The Company is an investment holding company. The Group is principally engaged in the business of foundation works and superstructure building works in Hong Kong.

Throughout the Track Record Period, the group entities were under the control of Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng. Through a corporate reorganisation as more fully explained in the paragraph headed “Corporate Reorganisation” in Appendix IV “Statutory and General Information” to the Prospectus (the “**Reorganisation**”), the Company became the holding company of the companies now comprising the Group on 8 March 2018. Accordingly, for the purpose of the preparation of the Historical Financial Information of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the Track Record Period. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng prior to and after the Reorganisation.

The Historical Financial Information has been prepared as if the Company had been the holding company of the Group throughout the Track Record Period in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared to present as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation where this is a shorter period. The combined statements of financial position as at the respective reporting dates 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 at those dates.

Upon completion of the Reorganisation and as of the date of this report, the Company has the direct and indirect interest in the following wholly-owned subsidiaries:

Name of subsidiary	Legal form, date and place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities	Note
Steer Vision Limited (“ Steer Vision ”)	Limited liability company incorporated on 29 March 2017, the BVI	US\$1	100% (direct)	Investment holding	1
Build Wise Limited (“ Build Wise ”)	Limited liability company incorporated on 21 April 2017, the BVI	US\$1	100% (indirect)	Investment holding	1
United Prosperous Limited (“ United Prosperous ”)	Limited liability company incorporated on 21 April 2017, the BVI	US\$1	100% (indirect)	Investment holding	1

Name of subsidiary	Legal form, date and place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities	Note
Grand Basework Limited (“ Grand Basework ”)	Limited liability company incorporated on 21 April 2017, the BVI	US\$1	100% (indirect)	Investment holding	1
Prosperous Contractors Limited (“ Prosperous Contractors ”)	Limited liability company incorporated on 9 January 2017, the BVI	US\$1	100% (indirect)	Investment holding	1
Wise Trend Engineering Limited (“ Wise Trend Engineering ”)	Limited liability company incorporated on 11 July 1996, Hong Kong	HK\$10,000,000	100% (indirect)	Business of foundation works and superstructure building works	2, 4, 5
Wise Trend Construction & Engineering Limited (“ Wise Trend Construction & Engineering ”)	Limited liability company incorporated on 3 May 2006, Hong Kong	HK\$10,000	100% (indirect)	Handling human resources and related administrative matters of the Group	2, 4, 5
Wise Trend Construction Limited (“ Wise Trend Construction ”)	Limited liability company incorporated on 12 May 2014, Hong Kong	HK\$1,000,000	100% (indirect)	Business of foundation works and superstructure building works	3, 4, 5

Notes:

- (1) No audited statutory financial statements have been prepared for Steer Vision, Build Wise, United Prosperous, Grand Basework and Prosperous Contractors since their respective dates of incorporation as they were incorporated in a country where there is no statutory audit requirement.
- (2) The statutory financial statements of Wise Trend Engineering and Wise Trend Construction & Engineering for the year ended 31 March 2015, which were prepared in accordance with Hong Kong Financial Reporting Standards for Private Entities (“**HKFRS for Private Entities**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), were audited by Steven K.W. Cheng & Co., Certified Public Accountants (Practising), Hong Kong.
- (3) The statutory financial statements of Wise Trend Construction for the period from 12 May 2014 (Date of incorporation) to 31 March 2015, which were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standards (“**SME-FRS**”) issued by the HKICPA, were audited by Steven K.W. Cheng & Co., Certified Public Accountants (Practising), Hong Kong.
- (4) The statutory financial statements of Wise Trend Engineering, Wise Trend Construction & Engineering and Wise Trend Construction for the year ended 31 March 2016, which were prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA, were audited by Global Vision CPA Limited, Certified Public Accountants (Practising), Hong Kong.
- (5) No statutory audited financial statements have been prepared for Wise Trend Engineering, Wise Trend Construction & Engineering and Wise Trend Construction for the year ended 31 March 2017 as such financial statements are not yet due for audit under the statutory requirements of their respective places of incorporation.

All companies now comprising the Group have adopted 31 March as their financial year end date.

The Historical Financial Information is presented in HK\$, which is the same as the functional currency of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of presentation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the HKFRSs issued by the HKICPA are set out below. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap 622). The Historical Financial Information set out in this report has been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

The preparation of the Historical Financial Information in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Company. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4 below.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new or revised standards, amendments and interpretations to existing standards have been published but are not yet effective for the Track Record Period and which the Group has not early adopted:

		Effective for accounting periods of the Group beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKAS 7	Disclosure Initiative	1 January 2017
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to HKAS 40	Transfer of investment property	1 January 2018
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle	1 January 2017 or 1 January 2018, as appropriate
HK(IFRIC) — INT 22	Foreign currency transactions and advance consideration	1 January 2018

(i) *HKFRS 9 “Financial Instruments”*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income (“**FVTOCI**”) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are 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 value at the end of subsequent accounting periods. In addition, under HKFRS 9, 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 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 relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an economic relationship. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors of the Company are assessing the impact of HKFRS 9 but anticipate that the application of HKFRS 9 in the future will have no material impact on the Historical Financial Information.

(ii) *HKFRS 15 "Revenue from Contracts with Customers"*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

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. Specifically, the HKFRS 15 introduces a 5-step approach revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

Based on the current accounting policies adopted by the Company, the revenue is recognised with reference to the proportion that work performed with reference to surveys of work performed to date.

In accordance with HKFRS 15, input methods recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the satisfaction of that performance obligation. The timing of revenue recognition based on current accounting policies may result in different timing of revenue recognition based on input method as mentioned in HKFRS 15 because there may not be a direct relationship between the Group's inputs and the satisfaction of the Group's performance obligation to a customer (i.e. the surveys of work performed to date by the customers and/or surveyors engaged by the customers).

On the other hand, HKFRS 15 allows adoption of output method as appropriate method of measuring progress to recognise revenue. In accordance to HKFRS 15, output methods recognise revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. Output methods include methods such as surveys of performance completed to date. The timing of revenue recognition based on current accounting policies is similar to the timing of revenue recognition based on output method as mentioned in HKFRS 15. The Group will adopt the output method for revenue recognition. Thus, the application of HKFRS 15 will have no material impact on our Group's future financial statements.

The materials consumed by the Group include concrete, piles and reinforcement steel. The Group did not maintain any inventory during the Track Record Period mainly because the materials were usually delivered directly to our project sites for immediate consumption on project-by-project basis. As such, the Group did not have significant amount of uninstalled materials as at the end of each reporting period. Thus, the financial impact of the uninstalled materials in the application of HKFRS 15 will be considered as insignificant.

The directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Historical Financial Information. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

(iii) *HKFRS 16 "Leases"*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these Historical Financial Information.

Total operating lease commitment of the Group as at 30 September 2017 amounted to approximately HK\$443,000 (Note 29). The directors of the Group do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the combined statements of financial position as right-of-use assets and lease liabilities.

Except for the above, the directors of the Company do not anticipate that the application of the new and revised HKFRSs listed above will have a material impact on the Historical Financial information.

(b) Consolidation and combination

The Historical Financial Information includes the financial information of the Company and all its subsidiaries made up to respective year end dates during the Track Record Period.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for the Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Merger accounting for common control combinations

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of 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 combined 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.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

(e) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in HK\$, which is the Company's functional and presentation currency.

(f) Property, plant and equipment

The property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or lease term, where applicable, as follows:

Machinery and equipment	20%
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the combined statements of profit or loss and other comprehensive income.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the combined statements of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the combined statements of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. 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.

(i) Financial assets*Classification*

The Group classifies its financial assets as loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "deposit and prepayment for life insurance policy", "trade and other receivables", "amount due from a director", "amount due from a related company", "amount due from a related party" and "cash and bank balances" in the combined statements of financial position.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

(j) Impairment of financial assets*(i) Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(ii) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is reclassified from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

(k) Gross amounts due from/to customers for contract work

A construction contract is defined in HKAS 11 as a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

The Group presents as an asset the gross amounts due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within “trade and other receivables”.

The Group presents as a liability the gross amounts due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

(l) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(m) Cash and cash equivalents

In the combined statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

(n) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if the payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(q) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences, arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, the deferred tax liabilities are not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred taxation liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(s) **Employee benefits**

(i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Retirement benefits*

The Group operates defined contribution plans and pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

(iv) *Bonus plans*

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

(v) *Long service payments*

Under the Hong Kong Employment Ordinance, the Group is required to make long service payments to its employees upon the termination of their employment or retirement on ground of old age when the employee fulfils certain conditions and the termination meets the required circumstances. Further, where accrued benefits (excluding any part attributable to the employee's contributions) have been paid to the employee, or is being held in a mandatory provident fund scheme by the employee, which is the case for most of the eligible employees of the Group, the long service payment is offset against the aforementioned amount of benefits to the extent that they relate to the employee's years of service for which the long service payment is payable.

Based on the Group's past experience and the directors' knowledge of the business and work force, the Group makes its estimates of its obligations to make long service payments to its employees in the event of termination of their employment or retirement. The Group's obligations to make such long service payments are recognised in the financial statements as long service payment liabilities at the present value (where the effect of discounting is material) of the long service payment obligations, which are estimated after deducting the entitlements accrued under the Group's defined contribution retirement scheme that are attributable to contributions made by the Group. Service cost, net interest on the long service payment liabilities (where discounting to present value is adopted because the effect of discounting is material) and remeasurements of the long service payment liabilities are recognised in profit or loss.

(t) **Provisions**

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

(u) **Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Historical Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the Historical Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(v) **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales within the Group.

Revenue from contract work is recognised based on the percentage of completion of the contracts, provided that the percentage of contract completion and the gross billing value of contracting work can be measured reliably. The percentage of completion of a contract is established by reference to the construction works certified by customers.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

(w) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(x) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's combined financial statements in the period in which the dividends are approved by the Group's shareholders or directors, where appropriate.

(y) Deposit and prepayment for life insurance policy

Life insurance policy that can be terminated at any time is determined by the upfront payments plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge. If withdrawal is made, a pre-determined specified amount of surrender charge would be imposed.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Interest rate risk

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group does not expose to cash flow interest rate risk arising from its borrowings as the Group's finance lease liabilities are at fixed interest rates. The Group currently does not hedge its exposure to the interest rate risk as the management of the Group consider that the risk is insignificant.

(ii) Credit risk

Credit risk arises mainly from deposit and prepayment for life insurance policy, trade and other receivables, amount due from a director, amount due from a related company, amount due from a related party and cash and bank balances. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statements of financial position.

The credit risk of bank balances and deposit and prepayment for life insurance policy is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies and financial institution with good reputation respectively.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As at 31 March 2015, 2016 and 2017 and 30 September 2017, there were 1, 2, 2 and 2 customers which individually contributed over 10% of the Group's trade and other receivables, respectively. The aggregate amounts of trade and other receivables from these customers amounted to 23%, 50%, 45% and 35% of the Group's total trade and other receivables as at 31 March 2015, 2016 and 2017 and 30 September 2017 respectively.

(iii) *Liquidity risk*

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient financial resources to fund their operations.

The following table details the remaining contractual maturities at the year end dates during the Track Record Period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating based on current rates at the reporting dates during the Track Record Period) and the earliest date the Group may be required to pay:

	On demand or within one year	Between one and two years	Between two and five years	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March 2015				
Trade and other payables	37,327	—	—	37,327
Loan from a related party	1,600	—	—	1,600
Finance lease liabilities	71	71	18	160
	<u>38,998</u>	<u>71</u>	<u>18</u>	<u>39,087</u>
At 31 March 2016				
Trade and other payables	42,691	—	—	42,691
Loan from a related party	1,600	—	—	1,600
Finance lease liabilities	71	18	—	89
	<u>44,362</u>	<u>18</u>	<u>—</u>	<u>44,380</u>
At 31 March 2017				
Trade and other payables	31,719	—	—	31,719
Loan from a related party	1,600	—	—	1,600
Dividend payable	15,000	—	—	15,000
Finance lease liabilities	18	—	—	18
	<u>48,337</u>	<u>—</u>	<u>—</u>	<u>48,337</u>
At 30 September 2017				
Trade and other payables	40,478	—	—	40,478
Dividend payable	15,000	—	—	15,000
	<u>55,478</u>	<u>—</u>	<u>—</u>	<u>55,478</u>

(b) **Capital risk management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operations and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the debts as at each year end divided by the total equity as at each year end.

The gearing ratios during the Track Record Period are as follows:

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 30 September 2017 HK\$'000
Debts	1,751	1,686	1,618	—
Total equity	<u>43,524</u>	<u>73,589</u>	<u>85,545</u>	<u>91,008</u>
Gearing ratio	<u>4.0%</u>	<u>2.3%</u>	<u>1.9%</u>	<u>N/A</u>

(c) **Fair value estimation**

The Group's financial instruments carried at fair value as at 30 September 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At 30 September 2017

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Available-for-sale financial asset:				
Certificate of deposit				
Unlisted debt investment at fair value	<u>—</u>	<u>2,994</u>	<u>—</u>	<u>2,994</u>

There were no transfers between 1, 2 and 3 during the period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the Historical Financial Information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Percentage of completion of construction works

The Group recognises its contract revenue according to the percentage of work performed to date of the individual contract of construction works as a percentage of total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

5 REVENUE, OTHER INCOME AND NET GAINS AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents construction contract receipts in the ordinary course of business. Revenue and other income recognised during the respective years are as follows:

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Six months ended 30 September 2016 HK\$'000 (Unaudited)	Six months ended 30 September 2017 HK\$'000
Revenue					
Business of foundation works and superstructure building works	<u>176,456</u>	<u>212,488</u>	<u>184,363</u>	<u>72,611</u>	<u>107,067</u>
Other income and net gains					
Interest income	—	6	—	—	45
Loss on disposal of property, plant and equipment	—	—	—	—	(8)
Others	<u>50</u>	<u>82</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>50</u>	<u>88</u>	<u>—</u>	<u>—</u>	<u>37</u>

The chief operating decision-maker has been identified as the board of directors of the Company. The board of directors regards the Group's business as a single operating segment and reviews Historical Financial Information accordingly. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

Geographical information

The Company is domiciled in the Cayman Islands with the Group's operations located in Hong Kong. All of the Group's revenue from external customers during the Track Record Period are derived from Hong Kong, the place of domicile of the Group's operating subsidiaries. All the non-current assets of the Group are located in Hong Kong. Accordingly, no geographical information is presented.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Six months ended 30 September 2016 HK\$'000 (Unaudited)	Six months ended 30 September 2017 HK\$'000
Customer I	57,789	63,606	39,785	19,538	N/A ¹
Customer II	40,706	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Customer III	N/A ¹	55,126	N/A ¹	N/A ¹	N/A ¹
Customer IV	N/A ¹	47,947	N/A ¹	15,429	N/A ¹
Customer V	N/A ¹	N/A ¹	39,549	N/A ¹	30,014
Customer VI	N/A ¹	N/A ¹	N/A ¹	7,305	12,986
Customer VII	N/A ¹	N/A ¹	N/A ¹	N/A ¹	12,233
Customer VIII	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>11,437</u>

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6 PROFIT BEFORE INCOME TAX

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Six months ended 30 September 2016 HK\$'000 (Unaudited)	Six months ended 30 September 2017 HK\$'000
Profit before taxation has been arrived at after charging:					
Included in direct costs:					
Depreciation of owned assets	1,341	1,321	942	784	744
Depreciation of assets under finance leases	57	61	49	39	21
Staff costs, including directors' emoluments (<i>Note 7</i>)	6,274	11,387	9,187	4,950	4,927
Operating lease rental in respect of					
— equipment and machinery	1,546	1,897	721	360	347
— others	38	25	29	10	11
Included in administrative and other operating expenses:					
Auditors' remuneration	66	150	150	75	75
Depreciation of owned assets	120	104	99	49	48
Listing expenses	—	—	2,643	—	7,807
Operating lease rental in respect of					
— office premise	599	599	599	300	300
— director's quarter (included in director's emoluments)	442	469	437	240	147
Staff costs, including directors' emoluments (<i>Note 7</i>)	9,507	11,418	10,483	4,432	4,186

Notes:

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Six months ended 30 September 2016 HK\$'000 (Unaudited)	Six months ended 30 September 2017 HK\$'000
Depreciation (<i>Note 13</i>)	1,624	1,487	1,326	692	595
Less: amounts charged to direct costs	(1,398)	(1,382)	(991)	(823)	(765)
Less: amounts charged to administrative and other operating expenses	(120)	(104)	(99)	(49)	(48)
Amounts capitalised in constructing work-in progress	106	1	236	(180)	(218)

7 EMPLOYEE BENEFITS EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Six months ended 30 September 2016 HK\$'000 (Unaudited)	Six months ended 30 September 2017 HK\$'000
Directors' emoluments	4,763	5,766	5,054	2,242	2,221
Other staff costs	14,665	16,859	14,297	6,477	6,846
Retirement scheme contributions — defined contribution plan, excluding directors	<u>382</u>	<u>354</u>	<u>520</u>	<u>215</u>	<u>281</u>
	19,810	22,979	19,871	8,934	9,348
Less: amounts charged to direct costs	(6,274)	(11,387)	(9,187)	(4,950)	(4,927)
Less: amounts charged to administrative and other operating expenses	<u>(9,507)</u>	<u>(11,418)</u>	<u>(10,483)</u>	<u>(4,432)</u>	<u>(4,186)</u>
Amounts capitalised in contracts in progress	<u>4,029</u>	<u>174</u>	<u>201</u>	<u>(448)</u>	<u>235</u>

The Group operates defined contribution schemes in Hong Kong which comply with the requirements under the Mandatory Provident Fund ("MPF") Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.

8 DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director for the Track Record Period is set out below:

	Fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Year ended 31 March 2015					
<i>Executive directors</i>					
— Mr. Benjamin Ng	—	1,622	1,930	35	3,587
— Ms. May Ng	—	378	57	16	451
<i>Non-executive director</i>					
— Ms. KY Tsui	—	600	125	—	725
	<u>—</u>	<u>2,600</u>	<u>2,112</u>	<u>51</u>	<u>4,763</u>
Year ended 31 March 2016					
<i>Executive directors</i>					
— Mr. Benjamin Ng	—	1,919	2,049	36	4,004
— Ms. May Ng	—	843	148	35	1,026
<i>Non-executive director</i>					
— Ms. KY Tsui	—	600	136	—	736
	<u>—</u>	<u>3,362</u>	<u>2,333</u>	<u>71</u>	<u>5,766</u>

	Fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Year ended 31 March 2017					
<i>Executive directors</i>					
— Mr. Benjamin Ng	—	2,086	1,210	36	3,332
— Ms. May Ng	—	875	107	36	1,018
<i>Non-executive director</i>					
— Ms. KY Tsui	—	600	104	—	704
	—	3,561	1,421	72	5,054
Six months ended 30 September 2017					
<i>Executive directors</i>					
— Mr. Benjamin Ng	—	1,047	300	18	1,365
— Ms. May Ng	—	438	50	18	506
<i>Non-executive director</i>					
— Ms. KY Tsui	—	300	50	—	350
	—	1,785	400	36	2,221
Six months ended 30 September 2016 (Unaudited)					
<i>Executive directors</i>					
— Mr. Benjamin Ng	—	990	469	18	1,477
— Ms. May Ng	—	438	9	18	465
<i>Non-executive director</i>					
— Ms. KY Tsui	—	300	—	—	300
	—	1,728	478	36	2,242

Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng were appointed as executive directors/non-executive director of the Company on 29 March 2017. They were also directors of certain subsidiaries of the Company and/or employees of the Group during the Track Record Period and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group before their appointment as executive directors of the Company.

Mr. Yau Chung Hang, Mr. Pong Kam Keung and Mr. Lo Ki Chiu were appointed as independent non-executive directors of the Company on 13 March 2018. During the Track Record Period, the independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of directors.

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Track Record Period.

(b) Five highest paid individuals

For the years ended 31 March 2015, 2016, 2017 and the six months ended 30 September 2016 and 2017, the five individuals whose emoluments were the highest in the Group include 2, 2, 3, 3 and 3 directors respectively, whose emoluments are disclosed above. The emoluments paid to the remaining 3, 3, 2, 2 and 2 are as follows:

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Six months ended 30 September 2016 HK\$'000 (Unaudited)	Six months ended 30 September 2017 HK\$'000
Salaries and allowances	2,034	2,632	2,310	1,155	1,350
Discretionary bonuses	2,173	2,730	791	43	250
Retirement scheme contributions	35	36	18	9	9
	<u>4,242</u>	<u>5,398</u>	<u>3,119</u>	<u>1,207</u>	<u>1,609</u>

The emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2017	Six months ended 30 September 2016 (Unaudited)	Six months ended 30 September 2017
Emolument bands (in HK\$)					
Nil–HK\$1,000,000	2	1	1	2	1
HK\$1,000,001–HK\$1,500,000	—	1	—	—	1
HK\$1,500,001–HK\$2,000,000	—	—	—	—	—
HK\$2,000,001–HK\$2,500,000	—	—	—	—	—
HK\$2,500,001–HK\$3,000,000	1	—	1	—	—
HK\$3,000,001–HK\$3,500,000	—	1	—	—	—

During the Track Record Period, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group.

9 FINANCE COSTS

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Six months ended 30 September 2016 HK\$'000 (Unaudited)	Six months ended 30 September 2017 HK\$'000
Interest on finance leases	12	6	3	2	—
Interest on bank borrowings	1	—	—	—	—
	<u>13</u>	<u>6</u>	<u>3</u>	<u>2</u>	<u>—</u>

10 INCOME TAX EXPENSE

For the years ended 31 March 2015, 2016, 2017 and the six months ended 30 September 2016 and 2017, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the Track Record Period.

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Six months ended 30 September 2016 HK\$'000 (Unaudited)	Six months ended 30 September 2017 HK\$'000
Hong Kong profits tax					
Current income tax	2,020	5,878	5,627	1,799	3,240
Deferred income tax (<i>Note 26</i>)	(79)	96	(103)	(56)	(57)
Income tax expense	<u>1,941</u>	<u>5,974</u>	<u>5,524</u>	<u>1,743</u>	<u>3,183</u>

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Six months ended 30 September 2016 HK\$'000 (Unaudited)	Six months ended 30 September 2017 HK\$'000
Profit before income tax	<u>10,385</u>	<u>36,039</u>	<u>32,480</u>	<u>13,263</u>	<u>8,669</u>
Calculated at a tax rate of 16.5%	1,714	5,946	5,359	2,188	1,430
Income not subject to tax	(9)	(127)	(76)	(279)	(83)
Expenses not deductible for tax purposes	296	12	484	9	1,298
Tax concession	(60)	(40)	(60)	—	—
Utilisation of previously unrecognised tax losses	—	—	(183)	(175)	—
Tax losses for which no deferred income tax asset was recognised	—	183	—	—	538
Income tax expense	<u>1,941</u>	<u>5,974</u>	<u>5,524</u>	<u>1,743</u>	<u>3,183</u>

11 EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation and the results of the Group for the Track Record Period that is prepared on a combined basis as set out in Note 1.

12 DIVIDENDS

No dividend has been declared by the Company since its incorporation.

During each of the years ended 31 March 2015, 2016, 2017 and six months ended 30 September 2016 and 2017, Wise Trend Engineering, a subsidiary of the Company, declared interim dividends to its then equity holders amounting to Nil, Nil, HK\$15,000,000, Nil and Nil respectively.

The rate of dividend and the number of shares ranking for dividend is not presented as such information is not meaningful having regard to the purpose of this report.

13 PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Note a)</i>	
Cost					
At 1 April 2014	6,020	425	237	2,720	9,402
Additions	<u>28</u>	<u>—</u>	<u>10</u>	<u>—</u>	<u>38</u>
At 31 March 2015	<u>6,048</u>	<u>425</u>	<u>247</u>	<u>2,720</u>	<u>9,440</u>
Accumulated depreciation					
At 1 April 2014	2,688	7	169	1,619	4,483
Charge for the year	<u>1,209</u>	<u>85</u>	<u>35</u>	<u>295</u>	<u>1,624</u>
At 31 March 2015	<u>3,897</u>	<u>92</u>	<u>204</u>	<u>1,914</u>	<u>6,107</u>
Net book value					
At 31 March 2015	<u><u>2,151</u></u>	<u><u>333</u></u>	<u><u>43</u></u>	<u><u>806</u></u>	<u><u>3,333</u></u>
Cost					
At 1 April 2015	6,048	425	247	2,720	9,440
Additions	<u>1,830</u>	<u>—</u>	<u>2</u>	<u>—</u>	<u>1,832</u>
At 31 March 2016	<u>7,878</u>	<u>425</u>	<u>249</u>	<u>2,720</u>	<u>11,272</u>
Accumulated depreciation					
At 1 April 2015	3,897	92	204	1,914	6,107
Charge for the year	<u>1,106</u>	<u>85</u>	<u>19</u>	<u>277</u>	<u>1,487</u>
At 31 March 2016	<u>5,003</u>	<u>177</u>	<u>223</u>	<u>2,191</u>	<u>7,594</u>
Net book value					
At 31 March 2016	<u><u>2,875</u></u>	<u><u>248</u></u>	<u><u>26</u></u>	<u><u>529</u></u>	<u><u>3,678</u></u>

	Machinery and equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i> <i>(Note a)</i>	Total <i>HK\$'000</i>
Cost					
At 1 April 2016	7,878	425	249	2,720	11,272
Additions	—	—	16	—	16
Disposals	—	—	(34)	—	(34)
At 31 March 2017	<u>7,878</u>	<u>425</u>	<u>231</u>	<u>2,720</u>	<u>11,254</u>
Accumulated depreciation					
At 1 April 2016	5,003	177	223	2,191	7,594
Charge for the year	956	85	14	271	1,326
Disposals	—	—	(34)	—	(34)
At 31 March 2017	<u>5,959</u>	<u>262</u>	<u>203</u>	<u>2,462</u>	<u>8,886</u>
Net book value					
At 31 March 2017	<u><u>1,919</u></u>	<u><u>163</u></u>	<u><u>28</u></u>	<u><u>258</u></u>	<u><u>2,368</u></u>
Cost					
At 1 April 2017	7,878	425	231	2,720	11,254
Additions	66	—	—	—	66
Disposals	(27)	—	—	—	(27)
At 30 September 2017	<u>7,917</u>	<u>425</u>	<u>231</u>	<u>2,720</u>	<u>11,293</u>
Accumulated depreciation					
At 1 April 2017	5,959	262	203	2,462	8,886
Charge for the period	448	42	6	99	595
Disposals	(17)	—	—	—	(17)
At 30 September 2017	<u>6,390</u>	<u>304</u>	<u>209</u>	<u>2,561</u>	<u>9,464</u>
Net book value					
At 30 September 2017	<u><u>1,527</u></u>	<u><u>121</u></u>	<u><u>22</u></u>	<u><u>159</u></u>	<u><u>1,829</u></u>

Note:

- (a) Property, plant and equipment held under finance leases

Motor vehicles include the following amounts where the Group is a lessee under finance leases:

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 30 September 2016 HK\$'000 (Unaudited)	As at 30 September 2017 HK\$'000
Cost — capitalised finance leases	304	304	304	304	—
Accumulated depreciation	(142)	(203)	(264)	(233)	—
Net book value	162	101	40	71	—

14 DEPOSIT AND PREPAYMENT FOR LIFE INSURANCE POLICY

The Group entered into a life insurance policy with an insurance company to insure Mr. Benjamin Ng. Under the policy, Wise Trend Engineering is the beneficiary and policy holder and the total insured sum is United States Dollars (“US\$”) 1,080,000 (equivalent to approximately HK\$8,424,000). Wise Trend Engineering is required to pay upfront deposits of approximately US\$388,000 (equivalent to approximately HK\$3,026,000). Wise Trend Engineering can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the upfront payments of approximately US\$388,000 (equivalent to approximately HK\$3,026,000) plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge. In addition, if withdrawal is made at any time during the first to the eighteenth policy year, as appropriate, a pre-determined specified amount of surrender charge would be imposed. The insurance company will pay Wise Trend Engineering a guaranteed interest of 3.55% per annum for the first year, followed by guaranteed interest of 2% per annum or above per annum for the following years.

At 30 September 2017, the deposits and prepayments for life insurance policies amounted to approximately HK\$2,871,000 respectively. The deposits and prepayments for life insurance policies are denominated in US\$.

Included in interest income for the six months ended 30 September 2017 was amount of approximately HK\$43,000 in respect of interest income on deposit and prepayment for life insurance policy (For the six months ended 30 September 2016: Nil).

15 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 30 September 2017 HK\$'000
Financial assets				
<i>Loans and receivables</i>				
Deposit and prepayment for life insurance policy	—	—	—	2,871
Trade and other receivables excluding prepayments	30,995	47,010	70,651	79,664
Amount due from a director	—	17,295	—	—
Amount due from a related company	69	74	—	—
Amount due from a related party	6,995	—	—	—
Cash and bank balances	10,649	33,731	27,557	20,008
	<u>48,708</u>	<u>98,110</u>	<u>98,208</u>	<u>102,543</u>
<i>Available-for-sale</i>				
Available-for-sale financial assets	—	—	—	2,994
Total	<u><u>48,708</u></u>	<u><u>98,110</u></u>	<u><u>98,208</u></u>	<u><u>105,537</u></u>
Financial liabilities				
<i>Financial liabilities at amortised cost</i>				
Trade and other payables	37,327	42,691	31,719	40,478
Loan from a related party	1,600	1,600	1,600	—
Dividend payable	—	—	15,000	15,000
Finance lease liabilities	151	86	18	—
Total	<u><u>39,078</u></u>	<u><u>44,377</u></u>	<u><u>48,337</u></u>	<u><u>55,478</u></u>

16 GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 30 September 2017 HK\$'000
Gross amounts due from customers for contract work				
Contract costs incurred plus recognised profits				
less recognised losses	380,985	430,540	378,269	468,090
Less: Progress billings received and receivables	(339,213)	(403,016)	(343,738)	(429,944)
	<u><u>41,772</u></u>	<u><u>27,524</u></u>	<u><u>34,531</u></u>	<u><u>38,146</u></u>

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 30 September 2017 HK\$'000
Gross amounts due to customers for contract work				
Progress billings received and receivables	47,232	77,813	100,161	15,036
Less: Contract costs incurred plus recognised profits less recognised losses	<u>(45,278)</u>	<u>(76,445)</u>	<u>(97,657)</u>	<u>(14,989)</u>
	<u>1,954</u>	<u>1,368</u>	<u>2,504</u>	<u>47</u>

All gross amounts due from/to customers for contract work are expected to be recovered/settled within one year.

17 TRADE AND OTHER RECEIVABLES

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 30 September 2017 HK\$'000
Trade receivables	4,602	18,333	33,212	43,441
Retention receivables	19,563	22,496	27,007	26,919
Other receivables, deposits and prepayments	<u>6,849</u>	<u>6,195</u>	<u>13,772</u>	<u>12,080</u>
	<u>31,014</u>	<u>47,024</u>	<u>73,991</u>	<u>82,440</u>

Notes:

- (a) Trade receivables are past due when a counterparty has failed to make a payment when contractually due. The credit period granted to customers is 14 to 30 days from the date of issue of the payment certificate by the customer's consultant or architect or the invoice date. Trade receivables are denominated in HK\$.
- (b) The ageing analysis of the trade receivables based on payment certificate date/invoice date is as follows:

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 30 September 2017 HK\$'000
0–30 days	1,135	5,190	23,588	30,840
31–60 days	—	351	3,297	1,964
61–90 days	3,467	1,950	403	701
Over 90 days	<u>—</u>	<u>10,842</u>	<u>5,924</u>	<u>9,936</u>
	<u>4,602</u>	<u>18,333</u>	<u>33,212</u>	<u>43,441</u>

Trade receivables of approximately HK\$1,135,000, HK\$5,190,000, HK\$23,588,000 and HK\$30,840,000 as at 31 March 2015, 2016, 2017 and 30 September 2017 respectively were not yet past due and approximately HK\$3,467,000, HK\$13,143,000, HK\$9,624,000 and HK\$12,601,000 as at 31 March 2015, 2016, 2017 and 30 September 2017 respectively were past due but not impaired. These relate to trade receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made.

Age of trade receivables that are past due but not impaired:

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 30 September 2017 HK\$'000
Overdue by:				
1–30 days	1,442	351	3,297	1,964
31–60 days	2,025	1,950	403	701
61–90 days	—	8,440	1,805	—
Over 90 days	—	2,402	4,119	9,936
	<u>3,467</u>	<u>13,143</u>	<u>9,624</u>	<u>12,601</u>

- (c) Retention receivables were not past due as at 31 March 2015, 2016, 2017 and 30 September 2017, and were settled in accordance with the terms of respective contract.
- (d) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.
- (e) The carrying amounts of trade and other receivables approximate to their fair values as at 31 March 2015, 2016 and 2017 and 30 September 2017, respectively.

18 AMOUNT DUE FROM A DIRECTOR

Name of director	Maximum outstanding balance during the year ended 31 March			Six months ended 30 September 2017	As at 31 March 2015	As at 31 March 2016	As at 31 March 2017	As at 30 September 2017
	2015	2016	2017	2017	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Ms. KY Tsui	4	17,295	17,300	—	—	17,295	—	—

The balances were denominated in HK\$. The amount due was non-trade in nature, unsecured, non-interest bearing and had no fixed terms of repayment.

19 AMOUNT DUE FROM A RELATED COMPANY

Name of the related company	Maximum balance outstanding during the year ended 31 March			Six months ended 30 September 2017	As at 31 March 2015	As at 31 March 2016	As at 31 March 2017	As at 30 September 2017
	2015	2016	2017	2017	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Wise Trend International Limited ("Wise Trend International")	69	74	77	—	69	74	—	—

The balances were denominated in HK\$. The amount due from the related company was non-trade in nature, unsecured, interest-free and repayable on demand. Mr. Ng Wong Kwong, the spouse of Ms. KY Tsui, is the director of the related company.

20 AMOUNT DUE FROM/LOAN FROM A RELATED PARTY

Amount due from a related party

Name of the related party	Maximum balance outstanding during the year ended 31 March			Six months ended 30 September		As at	As at	As at	As at
	2015	2016	2017	2017	31 March	31 March	31 March	30 September	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000	
Mr. Ng Wong Kwong (<i>Notes</i> (a) & (b))	6,995	6,995	—	—	6,995	—	—	—	

Loan from a related party

Name of the related party	As at	As at	As at	As at
	31 March	31 March	31 March	30 September
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
Mr. Ng Wong Kwong (<i>Notes</i> (a) & (c))	1,600	1,600	1,600	—

Notes:

- (a) Mr. Ng Wong Kwong is the spouse of Ms. KY Tsui.
- (b) The balances were denominated in HK\$. The amount due from the related party was non-trade in nature, unsecured, interest-free and repayable on demand.
- (c) The balances were denominated in HK\$. The loan from the related party was non-trade in nature, unsecured, interest-free, had no fixed terms of repayment, but cannot be repaid or reduced without prior notice to the Government of Hong Kong. The Group has obtained the Government's consent to the repayment of such loan. This amount has been fully repaid in June 2017.

21 AVAILABLE-FOR-SALE FINANCIAL ASSET

	As at	As at	As at	As at
	31 March	31 March	31 March	30 September
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Certificate of deposit	—	—	—	2,994
Unlisted debt investment at fair value	—	—	—	—

During the period ended 30 September 2017, the gross fair value loss in respect of the Group's certificate of deposit recognised in other comprehensive income amounted to approximately HK\$23,000.

Investment in debt securities with a fixed rate of 1.6% per annum.

The fair value is within level 2 of the fair value hierarchy (Note 3(c)).

22 CASH AND BANK BALANCES

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 30 September 2017 HK\$'000
Cash at banks	<u>10,649</u>	<u>33,731</u>	<u>27,557</u>	<u>20,008</u>
Cash and cash equivalents	<u><u>10,649</u></u>	<u><u>33,731</u></u>	<u><u>27,557</u></u>	<u><u>20,008</u></u>

Notes:

- (a) The cash and cash equivalents are denominated in HK\$ as at 31 March 2015, 2016, 2017 and 30 September 2017 respectively.
- (b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

23 COMBINED CAPITAL

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 30 September 2017 HK\$'000
Combined capital	<u><u>11,010</u></u>	<u><u>11,010</u></u>	<u><u>11,010</u></u>	<u><u>—</u></u>

For the purpose of the preparation of the combined statements of financial position, the balance of combined capital:

- As at 31 March 2015, 2016 and 2017, represents the aggregate of the paid up share capital of the subsidiaries comprising the Group held by the controlling shareholders of the Company.
- As at 30 September 2017, represents the aggregate of the paid up share capital of the Company and Steer Vision held by the controlling shareholders of the Company.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 29 March 2017 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each and one share was issued thereafter.

24 FINANCE LEASE LIABILITIES

At 31 March 2015, 2016, 2017 and 30 September 2017, the Group had finance leases repayable as follows:

	As at 31 March 2015		As at 31 March 2016		As at 31 March 2017		As at 30 September 2017	
	Present value of the minimum lease payment	Total minimum lease payments	Present value of the minimum lease payment	Total minimum lease payments	Present value of the minimum lease payment	Total minimum lease payments	Present value of the minimum lease payment	Total minimum lease payments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	65	71	68	71	18	18	—	—
More than one year but not more than two years	68	71	18	18	—	—	—	—
More than two years but not more than five years	18	18	—	—	—	—	—	—
	<u>151</u>	<u>160</u>	<u>86</u>	<u>89</u>	<u>18</u>	<u>18</u>	<u>—</u>	<u>—</u>
Less: total future interest expenses		<u>(9)</u>		<u>(3)</u>		<u>—</u>		<u>—</u>
Present value of lease obligations		<u>151</u>		<u>86</u>		<u>18</u>		<u>—</u>

The carrying amounts of balances of the Group approximate their fair values as at 31 March 2015, 2016 and 2017 and 30 September 2017.

The Group's motor vehicles with an aggregate net book value of approximately HK\$162,000, HK\$101,000, HK\$40,000 and Nil as at 31 March 2015, 2016, 2017 and six months period ended 30 September 2017 respectively (Note 13) are secured as the rights to the leased assets revert to the lessors in the event of default.

Finance leases with carrying amounts of approximately HK\$151,000, HK\$86,000, HK\$18,000 and Nil as at 31 March 2015, 2016, 2017 and six months period ended 30 September 2017 respectively are guaranteed by personal guarantee given by a director of the Company.

The Group had committed finance lease facilities which bore interest at 2.75%, 2.75%, 2.75% and Nil, per annum as at 31 March 2015, 2016, 2017 and six months period ended 30 September 2017 respectively.

The carrying amounts of all finance lease liabilities are denominated in HK\$.

25 PROVISION FOR LONG SERVICE PAYMENTS

Under the Hong Kong Employment Ordinance, the Group is obligated to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations. The long service payments are paid out from the Group's cash at banks when such payments are required.

	Total <i>HK\$'000</i>
At 1 April 2014	573
Credited to profit or loss	<u>(16)</u>
At 31 March 2015 and 1 April 2015	557
Charged to profit or loss	<u>104</u>
At 31 March 2016 and 1 April 2016	661
Credited to profit or loss	<u>(72)</u>
At 31 March 2017 and 1 April 2017	589
Credited to profit or loss	<u>(32)</u>
At 30 September 2017	<u><u>557</u></u>

26 DEFERRED TAX LIABILITIES

The components of deferred tax liabilities recognised in the combined statements of financial position and the movements during the Track Record Period are as follows:

Deferred tax liabilities arising from tax depreciation:	Total <i>HK\$'000</i>
At 1 April 2014	174
Credited to profit or loss (<i>Note 10</i>)	<u>(79)</u>
At 31 March 2015 and 1 April 2015	95
Charged to profit or loss (<i>Note 10</i>)	<u>96</u>
At 31 March 2016 and 1 April 2016	191
Credited to profit or loss (<i>Note 10</i>)	<u>(103)</u>
At 31 March 2017 and 1 April 2017	88
Credited to profit or loss (<i>Note 10</i>)	<u>(57)</u>
At 30 September 2017	<u><u>31</u></u>

27 TRADE AND OTHER PAYABLES

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
Trade payables	36,688	41,888	27,959	29,596
Accruals and other payables	639	803	3,760	10,882
Deposits received	<u>6,100</u>	<u>2,326</u>	<u>—</u>	<u>—</u>
	<u><u>43,427</u></u>	<u><u>45,017</u></u>	<u><u>31,719</u></u>	<u><u>40,478</u></u>

Note:

- (a) Payment terms granted by suppliers are generally 7 to 90 days from the invoice date of the relevant purchases.

The ageing analysis of trade payables based on the invoice date is as follows:

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 30 September 2017 HK\$'000
0–30 days	33,887	26,788	16,312	27,243
31–60 days	1,857	257	1,551	1,765
61–90 days	239	8	22	588
Over 90 days	705	14,835	10,074	—
	<u>36,688</u>	<u>41,888</u>	<u>27,959</u>	<u>29,596</u>

- (b) All trade and other payables are denominated in HK\$.
- (c) The carrying amounts of trade and other payables approximate to their fair values as at 31 March 2015, 2016 and 2017 and 30 September 2017, respectively.

28 NOTES TO COMBINED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from/(used in) operations

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Six months ended 30 September 2016 HK\$'000 (Unaudited)	Six months ended 30 September 2017 HK\$'000
Profit before income tax	10,385	36,039	32,480	13,263	8,669
Adjustments for:					
Depreciation	1,624	1,487	1,326	692	595
Interest expense on finance leases	12	6	3	2	—
Interest expense on bank borrowings	1	—	—	—	—
Interest income	—	(6)	—	—	(45)
Loss on disposal of property, plant and equipment	—	—	—	—	8
Provision for long service payments	(16)	104	(72)	(50)	(32)
Operating profit before working capital changes	12,006	37,630	33,737	13,907	9,195
(Increase)/Decrease in gross amounts due from customers for contract work	(31,085)	14,248	(7,007)	(14,915)	(3,615)
Decrease/(Increase) in trade and other receivables	4,281	(16,010)	(26,967)	(2,301)	(8,449)
Increase/(Decrease) in trade and other payables	30,654	1,590	(13,298)	(7,298)	8,759
(Decrease)/Increase in gross amounts due to customers for contract work	(5,554)	(586)	1,136	4,063	(2,457)
Cash generated from/(used in) operations	<u>10,302</u>	<u>36,872</u>	<u>(12,399)</u>	<u>(6,544)</u>	<u>3,433</u>

(b) Material non-cash transactions

During the year ended 31 March 2016, an amount due from Mr. Ng Wong Kwong, a related party (Note 20), to Wise Trend Engineering with the amount of HK\$6,995,000 was assigned to Ms. KY Tsui, a director of the Company (Note 18).

29 COMMITMENTS**Operating lease commitments — Group as lessee**

At the end of each of the Track Record Period, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 30 September 2017 HK\$'000
Within one year	780	1,128	1,001	443
In the second to fifth years inclusive	<u>—</u>	<u>706</u>	<u>—</u>	<u>—</u>
	<u>780</u>	<u>1,834</u>	<u>1,001</u>	<u>443</u>

The Group is the lessee in respect of premises and car parks under operating leases. The leases typically run for an initial period of 1 to 2 years.

30 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

Save as disclosed in Notes 18, 19, 20, 28(b) and 32 to this report, the Group had the following significant related party transactions during the Track Record Period:

(a) Transactions with related party

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Six months ended 30 September 2017 HK\$'000
Management fee and rental of office Top Wealthy Limited ("Top Wealthy") (Notes (i) & (ii))	<u>747</u>	<u>739</u>	<u>736</u>	<u>367</u>

Notes:

- (i) The management fee and rental expenses for premise payable to the above related party are based on the agreements entered into between the parties involved.
- (ii) Top Wealthy is owned by Ms. KY Tsui, Ms. May Ng and Tang Shuk Ngar, Elli (the spouse of Mr. Benjamin Ng) as to 62.5%, 12.5% and 25% respectively.
- (b) The emoluments of the directors and senior executives (representing the key management personnel) during the Track Record Period are disclosed in Note 8.

- (c) Guarantee from related party

At 31 March 2015, 2016, 2017 and six months period ended 30 September 2017, finance lease liabilities of approximately HK\$151,000, HK\$86,000, HK\$18,000 and Nil, respectively were guaranteed by Mr. Benjamin Ng.

- (d) The banking facilities are secured by personal guarantees from Ms. KY Tsui, Ms. May Ng and Mr. Benjamin Ng. Guarantees from Ms. KY Tsui, Ms. May Ng and Mr. Benjamin Ng will be released and replaced by a corporate guarantee to be provided by the Company upon listing.

31 SURETY BONDS AND CONTINGENT LIABILITIES

Certain customers of construction contracts undertaken by the Group require the Group to issue guarantees for the performance of contract works in the form of surety bonds of approximately HK\$17,426,000, HK\$12,298,000, HK\$22,998,000 and HK\$21,910,000 as at 31 March 2015, 2016, 2017 and 30 September 2017 respectively. Mr. Ng Wong Kwong, Ms. KY Tsui, Ms. May Ng and Mr. Benjamin Ng, have unconditionally and irrevocably agreed to indemnify to the insurance companies that issue such surety bonds for claims and losses the insurance companies may incur in respect of the bonds. The surety bonds will be released when the contracts are completed or substantially completed pursuant to the relevant contract.

As at 31 March 2015, 2016, 2017 and 30 September 2017, the Group paid a cash collateral of approximately HK\$5,264,000, HK\$3,947,000, HK\$7,194,000 and HK\$6,741,000 respectively to the insurance companies for the issuance of surety bonds and are included in other receivables, deposits and prepayments (Note 17).

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

32 AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

Amount due from ultimate holding company is unsecured, interest-free and repayable on demand.

III DIRECTORS' REMUNERATION

Save as disclosed in Note 8 to this report, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Track Record Period. Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31 March 2018 is expected to be approximately HK\$1,909,500.

IV SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 September 2017:

- (a) The Reorganisation as set out in Note 1 of Section II was completed on 8 March 2018.
- (b) The Company adopted a share option scheme on 13 March 2018, a summary of the terms and conditions of which are set out in the paragraph headed "D. Share option scheme" in Appendix IV "Statutory and General Information" to the Prospectus.
- (c) On 13 March 2018, the authorised share capital of the Company was increased from HK\$380,000 to HK\$50,000,000 by the creation of an additional of 4,962,000,000 shares of HK\$0.01 each.

V SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 September 2017.

APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION
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The information set out in this Appendix does not form part of the Accountants' Report prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included in this prospectus for information only.

The following unaudited pro forma financial information prepared in accordance with paragraph 4.29 of the Main Board Listing Rules is for illustrative purposes only, and is set out here to provide investors with further information about how the proposed listing might have affected the consolidated net tangible assets of our Group as if the Share Offer had occurred on 30 September 2017. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of our Group's financial results and positions of the financial periods concerned.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 30 September 2017. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 30 September 2017 or at any future date following the Share Offer.

	Audited consolidated net tangible assets attributable to owners of the Company as at 30 September 2017 HK\$'000 (Note 1)	Estimated net proceeds from the Share Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets per Share HK\$ (Note 3)
Based on the Offer Price of HK\$1.5 per Share	<u>91,008</u>	<u>83,950</u>	<u>174,958</u>	<u>0.66</u>

Notes:

1. The audited consolidated net tangible assets attributable to owners of the Company as at 30 September 2017 is extracted without adjustment from the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$1.5 per Share, after deduction of relevant estimated underwriting fees and other related fees and expenses (excluding approximately HK\$10,449,000 listing related expenses which have been accounted for prior to 30 September 2017), but takes no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is determined after the adjustments as described in note 2 above and on the basis that 264,000,000 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 options which may be granted under the Share Option Scheme.

4. No adjustment has been made to reflect any trading result or other transactions entered into subsequent to 30 September 2017.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

TO THE DIRECTORS OF WANG YANG HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Wang Yang Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The pro forma financial information consists of the pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 September 2017 and related notes (the "Pro Forma Financial Information") as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 19 March 2018 (the "Prospectus"). The applicable criteria on the basis of which the directors have compiled the Pro Forma Financial Information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed public offer and placing of the Company's shares (the "Share Offer") on the Group's financial position as at 30 September 2017 as if the Share Offer had taken place at 30 September 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for each of the three years ended 30 September 2017, on which an accountants' report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “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 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2017 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The engagement also involves evaluating the overall presentation of the 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 Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Kwok Kin Leung

Practising Certificate Number: P05769

Hong Kong, 19 March 2018

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 March 2017 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 13 March 2018. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the 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 authorised representative) or representing by

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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 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.

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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

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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.

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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 dispatch 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

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(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 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 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

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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 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 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.

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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

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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

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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 dispatch 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 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.

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(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.

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(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 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.

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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 authorised 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 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 Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

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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 summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised 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.

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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.

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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 summarised 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 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.

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(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 29 March 2017 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

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 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 Companies Law;
- (iv) writing-off the preliminary expenses of the company; and

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- (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 Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

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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 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.

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(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.

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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 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.

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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 authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(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

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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 Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 29 March 2017. Our Company has established a principal place of business in Hong Kong at Offices E & F, 7th Floor, King Palace Plaza, No. 55 King Yip Street, Kwun Tong, Kowloon, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 8 August 2017. Adrian Yeung & Cheng of Suite 1201–2A, 12th Floor, Golden Centre, 188 Des Voeux Road Central, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to our constitution, which comprises the Memorandum and the Articles. A summary of various provisions of our constitution and relevant aspects of the Companies Law is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, our Company has an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. 1 Share was allotted and issued nil-paid to the subscriber on 29 March 2017, and was subsequently transferred to Profound Contractors on the same day.
- (b) On 8 March 2018, our Company and Profound Contractors entered into a share sale and purchase agreement, pursuant to which our Company acquired the entire share capital of Steer Vision from Profound Contractors. In consideration of the above, 1 nil paid share held by Profound Contractors was credited as fully paid and 9,999 Shares all credited as fully paid were allotted and issued to Profound Contractors.
- (c) On 13 March 2018, our sole Shareholder resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$50,000,000 by the creation of an additional of 4,962,000,000 Shares, each ranking pari passu with the Shares then in issue in all respects.
- (d) Assuming that the Share Offer becomes unconditional and the issue of the Shares pursuant to the Capitalisation Issue and Share Offer mentioned herein are made but taking no account of our Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, 264,000,000 Shares will be issued fully paid or credited as fully paid, and 4,736,000,000 Shares will remain unissued.
- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “3. Written resolutions of the sole Shareholder passed on 13 March 2018” in this appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

- (f) Save as disclosed in sub-paragraph (c) above, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of the sole Shareholder passed on 13 March 2018

On 13 March 2018, resolutions in writing were passed by the sole Shareholder pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum and the Articles, the material terms of which are summarised in Appendix III to this prospectus;
- (b) the authorised share capital of our Company be increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 Shares of HK\$0.01 each by the creation of an additional of 4,962,000,000 Shares of HK\$0.01 each, ranking *pari passu* with the existing Shares in all respects;
- (c) conditional on the Listing Division granting listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme) and on the obligations of the Underwriter under the Public Offer Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Public Offer Underwriting Agreement or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
- (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank *pari passu* with the then existing Shares in all respects;
- (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" below in this appendix, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
- (iii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of HK\$1,979,900 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 197,990,000 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on 13 March 2018 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved;

- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares not exceeding 20% of the number of Share of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the number of Share in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate number of Shares of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. The Reorganisation involved the following major steps:

- (a) On 16 March 2017, Profound Contractors was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of US\$1.00 each. 625 fully paid ordinary shares of Profound Contractors were allotted and issued to Ms. KY Tsui, 250 fully paid ordinary shares of Profound Contractors were allotted and issued to Mr. Benjamin Ng and 125 fully paid ordinary shares of Profound Contractors were allotted and issued to Ms. May Ng all on 16 March 2017.
- (b) On 29 March 2017, Steer Vision was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of US\$1 each. 1 fully paid ordinary share of Steer Vision was allotted and issued to Profound Contractors on 29 March 2017.
- (c) On 29 March 2017, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 per share. 1 nil-paid Share was allotted and issued to the subscriber to the memorandum and articles of association of our Company, and was subsequently transferred to Profound Contractors on the same day.
- (d) On 21 April 2017, Build Wise was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of US\$1 each. 1 fully paid ordinary share of Build Wise was allotted and issued to Steer Vision on 21 April 2017.
- (e) On 21 April 2017, United Prosperous was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of US\$1 each. 1 fully paid ordinary share of United Prosperous was allotted and issued to Steer Vision on 21 April 2017.
- (f) On 21 April 2017, Grand Basework was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of US\$1 each. 1 fully paid ordinary share of Grand Basework was allotted and issued to Steer Vision on 21 April 2017.
- (g) On 27 June 2017, the following share transfers took place:
 - (i) Build Wise, as directed by Profound Contractors, acquired 6,250,000 ordinary shares in Wise Trend Engineering (representing 62.5% of its then entire issued share capital) from Ms. KY Tsui, and in consideration, Profound Contractors allotted and issued 2,000 shares in Profound Contractors, credited as fully paid, to Ms. KY Tsui; Build Wise, as directed by Profound Contractors, acquired 2,500,000 ordinary shares in Wise Trend Engineering (representing 25% of its then entire issued share capital) from Mr. Benjamin Ng, and in consideration, Profound Contractors allotted and issued 1,500 shares in Profound Contractors, credited as fully paid, to Mr. Benjamin Ng; Build Wise, as directed by Profound Contractors, acquired 1,250,000 ordinary shares in Wise Trend

Engineering (representing 12.5% of its then entire issued share capital) from Ms. May Ng, and in consideration, Profound Contractors allotted and issued 1,125 shares in Profound Contractors, credited as fully paid, to Ms. May Ng;

- (ii) United Prosperous, as directed by Profound Contractors, acquired 7,000 ordinary shares in Wise Trend Construction & Engineering (representing 70% of its then entire issued share capital) from Ms. KY Tsui, and in consideration, Profound Contractors allotted and issued 1,750 shares in Profound Contractors, credited as fully paid, to Ms. KY Tsui; United Prosperous, as directed by Profound Contractors, acquired 3,000 ordinary shares in Wise Trend Construction & Engineering (representing 30% of its then entire issued share capital) from Mr. Benjamin Ng, and in consideration, Profound Contractors allotted and issued 375 shares in Profound Contractors, credited as fully paid, to Mr. Benjamin Ng;
 - (iii) Grand Basework, as directed by Profound Contractors, acquired 750,000 ordinary shares in Wise Trend Construction (representing 75% of its then entire issued share capital) from Ms. KY Tsui, and in consideration, Profound Contractors allotted and issued 1,750 shares in Profound Contractors, credited as fully paid, to Ms. KY Tsui; Grand Basework, as directed by Profound Contractors, acquired 250,000 ordinary shares in Wise Trend Construction (representing 25% of its then entire issued share capital) from Mr. Benjamin Ng, and in consideration, Profound Contractors allotted and issued 375 shares in Profound Contractors, credited as fully paid, to Mr. Benjamin Ng;
 - (iv) Steer Vision, as directed by Profound Contractors, acquired 1 ordinary share in Prosperous Contractors (representing its then entire issued share capital) from Ms. KY Tsui, and in consideration, Profound Contractors allotted and issued 125 shares in Profound Contractors, credited as fully paid, to Ms. KY Tsui.
- (h) After the aforesaid share transfers,
- (i) each of Wise Trend Engineering, Wise Trend Construction & Engineering and Wise Trend Construction became a wholly-owned subsidiary of Build Wise, United Prosperous and Grand Basework respectively;
 - (ii) each of Wise Trend Engineering, Wise Trend Construction & Engineering and Wise Trend Construction became an indirect wholly-owned subsidiary of Steer Vision;
 - (iii) each of Wise Trend Engineering, Wise Trend Construction & Engineering, Wise Trend Construction and Prosperous Contractors became an indirect wholly owned subsidiary of Profound Contractors; and
 - (iv) the total number of issued shares of Profound Contractors was 10,000, of which, 6,250 shares were owned by Ms. KY Tsui, 2,500 shares were owned by Mr. Benjamin Ng and 1,250 shares were owned by Ms. May Ng.
- (i) On 8 March 2018, Profound Contractors as vendor, Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng as warrantor and our Company as a purchaser entered into a sale and purchase agreement, pursuant to which our Company acquired 1 share (representing 100% of the

issued share capital of Steer Vision) from Profound Contractors, and as consideration for which the 1 nil-paid Share of our Company held by Profound Contractors was credited as fully paid and a further 9,999 Shares of our Company were allotted and issued to Profound Contractors, all credited as fully paid.

- (j) The aforesaid share transfer was completed on 8 March 2018, after which, our Company held one share in Steer Vision, being the entire issued share capital of Steer Vision, and Steer Vision became a wholly-owned subsidiary of our Company.

For further details of the reorganisation, please refer to the section headed “History and development” in this prospectus.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountants’ Report of our Company, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the paragraph headed “A. Further information about our Company — 4. Corporate reorganisation” in this appendix and in the section headed “History and Development” in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the three years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of the Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, a summary of which is set out below:

(i) Shareholders’ approval

The Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the sole Shareholder on 13 March 2018, a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is

required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

(ii) Source of Funds

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the Listing Rules. Our Company may not repurchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person" (as defined in the Listing Rules), which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company on the Stock Exchange.

(b) Exercise of the Repurchase Mandate

On the basis of 264,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (taking no account of 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 would be authorised under the Repurchase Mandate to repurchase up to 26,400,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable law and regulations from time to time in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers and Share Repurchases (the "**Takeovers Code**"). In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of the Shares pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules). No core connected person (as defined in the Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:

- (a) a sale and purchase agreement dated 27 June 2017 entered into, amongst others, Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng as vendors and Profound Contractors as purchaser, pursuant to which, Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng transferred their respective 6,250,000 ordinary shares, 2,500,000 ordinary shares and 1,250,000 ordinary shares in Wise Trend Engineering to Profound Contractors (which directed Build Wise as the transferee) and as consideration for which 2,000 ordinary shares, 1,500 ordinary shares and 1,125 ordinary shares in Profound Contractors were allotted and issued to Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng respectively;
- (b) bought and sold notes dated 27 June 2017 executed between Ms. KY Tsui and Build Wise for the transfer of 6,250,000 ordinary shares in Wise Trend Engineering from Ms. KY Tsui to Build Wise as referred to in paragraph (a) above;
- (c) an instrument of transfer dated 27 June 2017 entered into between Ms. KY Tsui and Build Wise for the transfer of 6,250,000 ordinary shares in Wise Trend Engineering from Ms. KY Tsui to Build Wise as referred to in paragraph (a) above;
- (d) bought and sold notes dated 27 June 2017 executed between Mr. Benjamin Ng and Build Wise for the transfer of 2,500,000 ordinary shares in Wise Trend Engineering from Mr. Benjamin Ng to Build Wise as referred to in paragraph (a) above;
- (e) an instrument of transfer dated 27 June 2017 entered into between Mr. Benjamin Ng and Build Wise for the transfer of 2,500,000 ordinary shares in Wise Trend Engineering from Mr. Benjamin Ng to Build Wise as referred to in paragraph (a) above;
- (f) bought and sold notes dated 27 June 2017 executed between Ms. May Ng and Build Wise for the transfer of 1,250,000 ordinary shares in Wise Trend Engineering from Ms. May Ng to Build Wise as referred to in paragraph (a) above;
- (g) an instrument of transfer dated 27 June 2017 entered into between Ms. May Ng and Build Wise for the transfer of 1,250,000 ordinary shares in Wise Trend Engineering from Ms. May Ng to Build Wise as referred to in paragraph (a) above;
- (h) a sale and purchase agreement dated 27 June 2017 entered into, amongst others, Ms. KY Tsui and Mr. Benjamin Ng as vendors and Profound Contractors as purchaser, pursuant to which, Ms. KY Tsui and Mr. Benjamin Ng transferred their respective 7,000 ordinary shares and 3,000 ordinary shares in Wise Trend Construction & Engineering to Profound Contractors (which directed United Prosperous as the transferee) and as consideration for which 1,750 ordinary shares and 375 ordinary shares in Profound Contractors were allotted and issued to Ms. KY Tsui and Mr. Benjamin Ng respectively;

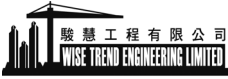

- (i) bought and sold notes dated 27 June 2017 executed between Ms. KY Tsui and United Prosperous for the transfer of 7,000 ordinary shares in Wise Trend Construction & Engineering from Ms. KY Tsui to United Prosperous as referred to in paragraph (h) above;
- (j) an instrument of transfer dated 27 June 2017 entered into between Ms. KY Tsui and United Prosperous for the transfer of 7,000 ordinary shares in Wise Trend Construction & Engineering from Ms. KY Tsui to United Prosperous as referred to in paragraph (h) above;
- (k) bought and sold notes dated 27 June 2017 executed between Mr. Benjamin Ng and United Prosperous for the transfer of 3,000 ordinary shares in Wise Trend Construction & Engineering from Mr. Benjamin Ng to United Prosperous as referred to in paragraph (h) above;
- (l) an instrument of transfer dated 27 June 2017 entered into between Mr. Benjamin Ng and United Prosperous for the transfer of 3,000 ordinary shares in Wise Trend Construction & Engineering from Mr. Benjamin Ng to United Prosperous as referred to in paragraph (h) above;
- (m) a sale and purchase agreement dated 27 June 2017 entered into, amongst others, Ms. KY Tsui and Mr. Benjamin Ng as vendors and Profound Contractors as purchaser, pursuant to which, Ms. KY Tsui and Mr. Benjamin Ng transferred their respective 750,000 ordinary shares and 250,000 ordinary shares in Wise Trend Construction to Profound Contractors (which directed Grand Basework as the transferee) and as consideration for which 1,750 ordinary shares and 375 ordinary shares in Profound Contractors were allotted and issued to Ms. KY Tsui and Mr. Benjamin Ng respectively;
- (n) bought and sold notes dated 27 June 2017 executed between Ms. KY Tsui and Grand Basework for the transfer of 750,000 ordinary shares in Wise Trend Construction from Ms. KY Tsui to Grand Basework as referred to in paragraph (m) above;
- (o) an instrument of transfer dated 27 June 2017 entered into between Ms. KY Tsui and Grand Basework for the transfer of 750,000 ordinary shares in Wise Trend Construction from Ms. KY Tsui to Grand Basework as referred to in paragraph (m) above;
- (p) bought and sold notes dated 27 June 2017 executed between Mr. Benjamin Ng and Grand Basework for the transfer of 250,000 ordinary shares in Wise Trend Construction from Mr. Benjamin Ng to Grand Basework as referred to in paragraph (m) above;
- (q) an instrument of transfer dated 27 June 2017 entered into between Mr. Benjamin Ng and Grand Basework for the transfer of 250,000 ordinary shares in Wise Trend Construction from Mr. Benjamin Ng to Grand Basework as referred to in paragraph (m) above;
- (r) a sale and purchase agreement dated 27 June 2017 entered into, amongst others, Ms. KY Tsui as vendor and Profound Contractors as purchaser, pursuant to which, Ms. KY Tsui transferred her 1 ordinary share in Prosperous Contractors to Profound Contractors (which directed Steer Vision as the transferee) and as consideration for which 125 ordinary shares in Profound Contractors was allotted and issued to Ms. KY Tsui;

- (s) bought and sold notes dated 27 June 2017 executed between Ms. KY Tsui and Steer Vision for the transfer of 1 ordinary share in Prosperous Contractors from Ms. KY Tsui to Steer Vision as referred to in paragraph (r) above;
- (t) an instrument of transfer dated 27 June 2017 entered into between Ms. KY Tsui and Steer Vision for the transfer of 1 ordinary share in Prosperous Contractors from Ms. KY Tsui to Steer Vision as referred to in paragraph (r) above;
- (u) a sale and purchase agreement dated 8 March 2018 entered into between Profound Contractors as vendor, our Company as purchaser and Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng as warrantors, pursuant to which our Company acquired 1 ordinary share in Steer Vision from Profound Contractors and as consideration for which 1 nil-paid Share of our Company held by Profound Contractors was credited as fully paid Share and 9,999 Shares were allotted and issued to Profound Contractors, all credited as fully paid;
- (v) an instrument of transfer dated 8 March 2018 and entered into between Profound Contractors and our Company for the transfer of 1 ordinary share in Steer Vision from Profound Contractors to our Company as referred to item (u) above;
- (w) the Deed of Indemnity;
- (x) the Deed of Non-competition;
- (y) the Public Offer Underwriting Agreement; and
- (z) the Placing Underwriting Agreement.

2. Intellectual Property Rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademark:

Trademark	Trademark number	Class	Registration Date	Place of Registration	Name of Owner
	304054464	35, 37 and 42	22 February 2017	Hong Kong	Wise Trend Engineering
					

(b) Domain name(s)

As at the Latest Practicable Date, our Group is the owner of the following domain names which as considered by our Directors, are material to the business of our Group:

Registered Owner	Domain Name	Registration Date	Expiry Date
Wise Trend Engineering	www.wangyang.com.hk	31 May 2017	1 June 2018
Wise Trend Engineering	www.wisetrend.com.hk	30 June 2009	30 June 2019

The contents of the website, registered or licenced, do not form part of this prospectus.

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of Interests

(a) Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and its associated corporations

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer, but taking no account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandates as referred to in the paragraph headed “A. Further information about our Company” in this appendix, the interests and short positions of our Directors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred

to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules in each case once our Shares are listed on the Stock Exchange, to be notified to our Company and the Stock Exchange, will be as follows:

(i) *Long position in the Shares*

Name of Director	Capacity/Nature	Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding immediately following completion of the Capitalisation Issue and the Share Offer
Ms. KY Tsui (Note 1)	Interest in controlled corporation/interest held jointly with another person	198,000,000	75%
Mr. Benjamin Ng (Note 2)	Interest in controlled corporation/interest held jointly with another person	198,000,000	75%
Ms. May Ng (Note 3)	Interest in controlled corporation/interest held jointly with another person	198,000,000	75%

Notes:

- These 198,000,000 Shares are held by Profound Contractors. Ms. KY Tsui beneficially owns 62.5% of the entire issued share capital of Profound Contractors. Therefore, Ms. KY Tsui is deemed, or taken to be, interested in all the Shares held by Profound Contractors for the purposes of the SFO. Ms. KY Tsui is a director of Profound Contractors.
- These 198,000,000 Shares are held by Profound Contractors. Mr. Benjamin Ng beneficially owns 25% of the entire issued share capital of Profound Contractors. Therefore, Mr. Benjamin Ng is deemed, or taken to be, interested in all the Shares held by Profound Contractors for the purposes of the SFO. Mr. Benjamin Ng is a director of Profound Contractors.
- These 198,000,000 Shares are held by Profound Contractors. Ms. May Ng beneficially owns 12.5% of the entire issued share capital of Profound Contractors. Therefore, Ms. May Ng is deemed, or taken to be, interested in all the Shares held by Profound Contractors for the purposes of the SFO. Ms. May Ng is a director of Profound Contractors.

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/Nature	No. of shares held	Percentage of Interest
Ms. KY Tsui	Profound Contractors	Beneficial owner (Note)	6,250	62.5%
Mr. Benjamin Ng	Profound Contractors	Beneficial owner (Note)	2,500	25%
Ms. May Ng	Profound Contractors	Beneficial owner (Note)	1,250	12.5%

Note: Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng beneficially own 62.5%, 25% and 12.5% each of the entire issued share capital of Profound Contractors, and they are deemed or taken to be interested in all the shares in Profound Contractors for the purpose of the SFO. Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng are the directors of Profound Contractors.

(b) Interests of substantial and other Shareholders in the Shares and Underlying Shares

So far as is known to our Directors and taking no account any Shares which may be issued pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature	Number of Shares held/ interested immediately following completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding immediately following completion of the Capitalisation Issue and the Share Offer
Profound Contractors (Note 1)	Interests held jointly with another person/Beneficial owner	198,000,000	75%
Mr. Ng Wong Kwong (Note 2)	Spouse interest	198,000,000	75%
Ms. Tang Shuk Ngar Elli (Note 3)	Spouse interest	198,000,000	75%
Mr. Tsang Wai Kuen (Note 4)	Spouse interest	198,000,000	75%

Notes:

1. In view of the concert party arrangement among Ms. KY Tsui, Mr. Benjamin Ng, Ms. May Ng and Profound Contractors, details of which are set out in the section headed “History and Development — Concert Party Deed” in this prospectus, Ms. KY Tsui, Mr. Benjamin Ng and Ms. May Ng, who will, through Profound Contractors, control an aggregate of 198,000,000 Shares, representing 75% of the enlarged issued share capital of our Company after the Capitalisation Issue and the Share Offer (taking no account of any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme). Hence, Ms. KY Tsui, Mr. Benjamin Ng, Ms. May Ng and Profound Contractors are a group of Controlling Shareholders within the meaning of Listing Rules.
2. Mr. Ng Wong Kwong, a member of our senior management, is the spouse of Ms. KY Tsui. Accordingly, Mr. Ng Wong Kwong is deemed, or taken to be, interested in all 198,000,000 Shares in which Ms. KY Tsui is interested for the purposes of the SFO.
3. Ms. Tang Shuk Ngar Elli is the spouse of Mr. Benjamin Ng. Accordingly, Ms. Tang Shuk Ngar Elli is deemed, or taken to be, interested in all 198,000,000 Shares in which Mr. Benjamin Ng is interested for the purposes of the SFO.
4. Mr. Tsang Wai Kuen is the spouse of Ms. May Ng. Accordingly, Mr. Tsang Wai Kuen is deemed, or taken to be, interested in all 198,000,000 Shares in which Ms. May Ng is interested for the purposes of the SFO.

2. Particulars of service contracts

None of our Directors has or is proposed to have any service agreement with our Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

3. Remuneration of Directors

The aggregate remuneration paid by our Group to our Directors for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 were approximately HK\$4.8 million, HK\$5.8 million, HK\$5.1 million and HK\$2.2 million.

4. Agency fees or commissions received

Save as disclosed in the paragraph headed “Underwriting arrangement and expenses — Commissions and expenses” in the section headed “Underwriting” of this prospectus and this appendix, none of our Directors or the experts named in the paragraph headed “E. Other information — 7. Consents of experts” in this appendix had received any agency fee or commissions from our Group within the three years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under note 30 to the Accountants’ Report set forth in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in the paragraph of the section headed “C. Further information about substantial shareholders, directors and experts” of this Appendix and this prospectus:

- (a) taking no account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Capitalisation Issue and the Share Offer, have an interest or short position in the Shares or underlying Shares which will fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (b) none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Main Board;
- (c) none of our Directors or the experts named in the paragraph headed “E. Other information — 6. Qualifications of experts” in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors or the experts named in the paragraph headed “E. Other information — 6. Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of our Directors or the experts named in the paragraph headed “E. Other information — 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;
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;

- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 13 March 2018. The following is a summary of the principal terms of the Share Option Scheme but does not form, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	13 March 2018, the date on which the Share Option Scheme is conditionally adopted by our sole Shareholder by way of written resolutions
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the Business Day immediately preceding the tenth anniversary thereof

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of the sole Shareholder passed on 13 March 2018:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (fulltime and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of our Group and to promote the success of the business of our Group.

(ii) *Who may join and basis of eligibility*

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer for the grant of the option, which must be a Business Day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of offer for the grant of the option, provided always that for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the new issue price shall be used as the closing price for any Business Day fall within the period before listing.

(iv) *Grant of options and acceptance of offers*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.00.

(v) *Maximum number of Shares*

(aa) Subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 26,400,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 26,400,000 Shares from time to time) to the participants under the Share Option Scheme.

(bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of

the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the Listing Rules in this regard.

- (cc) Our Company may seek separate approval of the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the Listing Rules.
- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(vi) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or other share option schemes of our Company, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) Grant of options to a Director, chief executive or Substantial Shareholder, or any of their respective associates

- (aa) Any grant of an option to a Director, chief executive or Substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the option).

(bb) Where any grant of options to a Substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the Listing Rules in this regard. The grantee, his associates and all core connected persons of our Company must abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

(aa) An offer for the grant of options shall not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (such date to first notify to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of the results for any year, half-year or quarterly under the Listing Rules, or other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcements.

(bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of our Company are published and:

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of six months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date when an offer for the grant is made and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(xv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of 3 months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvi) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee as near as the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and, or any persons controlled by the offeror and, or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xviii) Rights on winding-up

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than 2 Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapsed and determined. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of its officers.

(xx) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xiv), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by our Shareholders in general meeting.

(xxiii) Alteration to the Share Option Scheme

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of our Shareholders in general meeting.

- (bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the Listing Rules and the notes thereto and the supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) or any guidelines issued by the Stock Exchange from time to time.

(xxiv) Termination to the Share Option Scheme

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; (ii) the passing of the necessary resolution(s) to approve and adopt the Share Option Scheme by the Shareholders in general meeting or by way of written resolution; and (iii) the commencement of dealing of Shares on the Main Board of the Stock Exchange.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Division for listing of and permission to deal in 26,400,000 Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Tax and other indemnities**

Our Controlling Shareholders have, under a deed of indemnity referred to in item (i) of the paragraph headed “B. Further information about the business — 1. Summary of material contracts” in this appendix, given joint and several indemnities to our Company for itself and as trustee for its subsidiaries in connection with, among other things,

- (a) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which the Share Offer becomes unconditional;
- (b) any liability for Hong Kong estate duty which is or hereafter become payable by any member of our Group under or by virtue of the provisions of Section 35 and Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional;
- (c) the implementation of the Reorganisation and/or disposal or acquisition of the equity interest in any member of our Group since the date of incorporation of each member of our Group and up to the date on which the Share Offer becomes unconditional;
- (d) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional; and
- (e) any non-compliance with the applicable laws, rules or regulations by our Company and/or any member of our Group on or before the date on which the Share Offer becomes unconditional.

Our Controlling Shareholders will, however, not be liable under the deed of indemnity to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such liability in the audited combined accounts of our Company for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or

- (c) the taxation liability arises in the ordinary course of business of any members of our Group after 30 September 2017 up to and including the date on which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Save as disclosed in the section headed “Business — Litigation and potential claims” in this prospectus, Our Directors confirmed that as at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of our Group and no litigation or claim of material importance is pending or threatened by or against any member of our Group as at the Latest Practicable Date.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Division for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued as mentioned herein including any Shares to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

We agreed to pay the Sponsor a fee of HK\$5,000,000, which relates solely to services provided by the Sponsor in the capacity of sponsor.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$34,210 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

Name	Qualification
Dakin Capital Limited	A licenced corporation under the SFO to engage in type 6 (advising on corporate finance) of the regulated activity under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Appleby	Cayman Islands legal advisers to the Company
Chan Chung	Barrister-at-law of Hong Kong
Ipsos Limited	Industry research consultant
Garron Holdings Limited	Safety consultant

7. Consents of experts

Each of the parties listed in the paragraph headed “Statutory and general information — E. Other information — 6. Qualification of experts” in Appendix IV to this prospectus has given and has not withdrawn its/his written consents to the issue of this prospectus, with the inclusion of its/his letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which they respectively appear.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained by Boardroom Share Registrars (HK) Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company’s branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

10. No material adverse change

Save for the expenses expected to be incurred in connection with the Listing, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or its subsidiaries since 30 September 2017 (being the date to which the latest audited financial statements of our Group were made up) and up to the date of this prospectus, and there is no event since 30 September 2017 which would materially affect the information shown in our combined financial information included in the Accountants' Report set forth in Appendix I to this prospectus.

11. Taxation of holders of Shares*(a) Hong Kong*

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the 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.

12. Miscellaneous

(a) Save as disclosed in the paragraphs headed "A. Further information about our company" and "C. Further information about substantial shareholders, directors and experts" of this appendix to this prospectus:

(i) within the three years immediately preceding the date of this prospectus:

(aa) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

- (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
 - (cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries;
 - (dd) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued; and
 - (ee) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
 - (ii) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
 - (iii) none of the experts as set out in the paragraph headed “E. Other information — 6. Qualifications of experts” of this appendix:
 - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including our Shares; or
 - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;
 - (iv) our Company and its subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
 - (v) no company within our Group is presently listed on any stock exchange or traded on any trading system; and
 - (vi) our Group has no outstanding convertible debt securities.
- (b) The English text of this prospectus shall prevail over the Chinese text.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) copies of the Application Form(s); (b) the written consents referred to in the paragraph headed “E. Other information — 7. Consents of experts” in Appendix IV to this prospectus; and (c) copies of the material contracts referred to in the paragraph headed “B. Further information about the business — 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Adrian Yeung & Cheng at Suite 1201–2A, 12th Floor, Golden Centre, No. 188 Des Voeux Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the accountants’ report of our Group dated the date of this prospectus prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the audited combined financial statements of our Company as have been prepared for the companies comprising our Group for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017;
- (d) the report on unaudited pro forma financial information prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix II to this prospectus;
- (e) the material contracts referred to in the paragraph headed “B. Further information about the business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (f) the rules of the Share Option Scheme;
- (g) the written consents referred to in the paragraph headed “E. Other information — 7. Consents of experts” in Appendix IV to this prospectus;
- (h) the Companies Law;
- (i) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (j) the legal opinion prepared by the Legal Counsel dated the date of this prospectus;
- (k) the Ipsos Report; and
- (l) the safety review report prepared by the Safety Consultant dated the date of this prospectus.



Wang Yang Holdings Limited
泓盈控股有限公司