



BASETROPHY GROUP HOLDINGS LIMITED

基地錦標集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8460

PUBLIC OFFER

Sole Sponsor

FRONTPAGE 富比

Joint Lead Managers



Supreme China Securities Limited
智華證券有限公司

FRONTPAGE 富比

IMPORTANT

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



Basetrophy Group Holdings Limited 基地錦標集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED PUBLIC OFFER

Number of Offer Shares : 250,000,000 Shares
Offer Price : Not more than HK\$0.24 per Offer Share
and expected to be not less than HK\$0.20
per Offer Share (payable in full on
application in Hong Kong dollar and
subject to refund) plus brokerage of 1%,
SFC transaction levy of 0.0027% and
Stock Exchange trading fee of 0.005%
Nominal Value : HK\$0.01 per Share
Stock Code : 8460

Sole Sponsor

FRONTPAGE 富比

Frontpage Capital Limited

Joint Lead Managers



Supreme China Securities Limited
智華證券有限公司

FRONTPAGE 富比

Hong Kong Exchange 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" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

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

The Offer Price is currently expected to be fixed by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 20 June 2017. The Offer Price will be not more than HK\$0.24 and is currently expected to be not less than HK\$0.20 unless otherwise announced. If our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on the Price Determination Date (or such later date as may be agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters)), the Public Offer will not become unconditional and will lapse immediately. In such case, an announcement will be made immediately by our Company on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company's website at www.wbgroupfw.com.hk. The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range stated in this prospectus (which is HK\$0.20 to HK\$0.24 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notice of the reduction in the indicative Offer Price range will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.wbgroupfw.com.hk not later than the morning of the day which is the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure and conditions of the Public Offer" and "How to apply for the Offer Shares" of this prospectus.

The obligations of the Underwriters under the Public Offer Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Offer Shares, are subject to termination by the Joint Lead Managers (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting – Underwriting arrangements and expenses – Grounds for termination" of this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable US state securities laws.

14 June 2017

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the HKEx website at www.hkexnews.hk in order to obtain up-to-date information on GEM listed issuers.

EXPECTED TIMETABLE ^(NOTE 1)

If there is any change in the following expected timetable, we will issue an announcement on the respective website of our Company at www.wbgrouppfw.com.hk and the Stock Exchange at www.hkexnews.hk.

2017

Public Offer commences and WHITE and YELLOW

Application Forms be available from 9:00 a.m. on
Wednesday, 14 June 2017

Application lists of the Public Offer open ^(Note 2) 11:45 a.m. on
Monday, 19 June 2017

Latest time for lodging WHITE and YELLOW Application Forms 12:00 noon on
Monday, 19 June 2017

Latest time for giving electronic application instructions to
HKSCC ^(Note 3) 12:00 noon on
Monday, 19 June 2017

Application lists of the Public Offer close ^(Note 2) 12:00 noon on
Monday, 19 June 2017

Expected Price Determination Date on or before ^(Note 4) Tuesday, 20 June 2017

Announcement of the final Offer Price, the level of applications
in the Public Offer, the basis of allotment and results of
applications in the Public Offer to be published in our Company's
website at www.wbgrouppfw.com.hk and the website of the
Stock Exchange at www.hkexnews.hk on or before Monday, 26 June 2017

Announcement of results of allocations under the Public Offer
(with successful applicant's identification document numbers,
where appropriate) to be available through a variety of channels
including our Company's website at www.wbgrouppfw.com.hk
and the website of the Stock Exchange at www.hkexnews.hk
(for further details, please see the section headed "How to
Apply for the Offer Shares – 10. Publication of results" in
this prospectus) on or before Monday, 26 June 2017

Results of allocation in the Public Offer will be available at
www.tricor.com.hk/ipo/result with a "search by ID"
function from Monday, 26 June 2017

EXPECTED TIMETABLE *(NOTE 1)*

Despatch/collection of Share certificates or deposit of the
Share certificates into CCASS in respect of wholly or partially
successful applications pursuant to the Public Offer
on or before ^(Notes 5 to 8, 10) Monday, 26 June 2017

Despatch of refund cheques in respect of wholly or
partially successful applications (if applicable) or
wholly or partially unsuccessful applications pursuant to
the Public Offer on or before ^(Notes 5 to 9) Monday, 26 June 2017

Dealings in the Shares on the Stock Exchange expected to
commence at 9:00 a.m. on Tuesday, 27 June 2017

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Public Offer, including its conditions, are set out in the section headed “Structure and conditions of the Public Offer” of this prospectus.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 19 June 2017, the application lists will not open on that day. For further details, please see the section headed “How to apply for the Offer Shares – 9. Effect of bad weather on the opening of the application lists” of this prospectus.
3. Applicants who apply for Offer Shares by giving electronic application instructions to HKSCC should refer to the paragraph headed “How to apply for the Offer Shares – 5. Applying by giving electronic application instructions to HKSCC via CCASS” of this prospectus.
4. The Price Determination Date is expected to be on or before Tuesday, 20 June 2017. If, for any reason, the Offer Price is not agreed on or before Tuesday, 20 June 2017 between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters), the Public Offer will not proceed and will lapse accordingly.
5. Share certificates for the Offer Shares are expected to be issued on or before Monday, 26 June 2017 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 27 June 2017 provided that (a) the Public Offer has become unconditional in all respects; and (b) the Public Offer Underwriting Agreement has not been terminated in accordance with its terms.
6. Applicants for 1,000,000 Offer Shares or more on WHITE Application Form(s) may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Branch Share Registrar from 9:00 a.m. to 1:00 p.m. on Monday, 26 June 2017 or any other day as announced by us as the date of despatch of Share certificates/refund cheques.

Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which are eligible for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

7. Applicants for 1,000,000 Offer Shares or more on YELLOW Application Forms may collect their refund cheques, if any, in person but may not collect their Share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriated. The procedures for collection of refund cheques for YELLOW Application Form applicants are the same as those for WHITE Application Form applicants.

EXPECTED TIMETABLE *(NOTE 1)*

8. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed "How to apply for the Offer Shares – 13. Despatch/collection of share certificates and refund monies" of this prospectus.
9. Refund cheques will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.24 per Offer Share.
10. Share certificates will only become valid certificates of title provided that the Public Offer has become unconditional in all respects and the Public Offer Underwriting Agreement has not been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

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

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Public Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sole Sponsor, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters, and any of our/their respective directors, officers, employees, agents or representatives or any other party involved in the Public Offer. The contents on our website at www.wbgroupfw.com.hk do not form part of this prospectus.

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SUMMARY

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

OVERVIEW

We are a substructure subcontractor in Hong Kong capable of (i) foundation and site formation works; and (ii) other geotechnical engineering works such as slope works and other minor geotechnical works such as shotcreting.

We serve different customers which are primarily main contractors or subcontractors of various types of property development or civil engineering projects in Hong Kong. We, as subcontractor and sub-subcontractor, secure our projects from main contractors or other subcontractors, respectively. During the Track Record Period and up to the Latest Practicable Date, we have completed 24 projects. As at the Latest Practicable Date, we had 12 projects on hand (including projects in progress and projects which are yet to commence). For each of the three years ended 31 December 2014, 2015 and 2016, we derived revenue of approximately HK\$53.8 million, HK\$75.3 million and HK\$131.8 million, respectively. Our Directors estimate that the total revenue to be recognised subsequent to the Track Record Period from the projects completed and projects on hand would be approximately HK\$184.4 million.

We have a primary focus in private sector construction works projects which have contributed over 98% of our total revenue recognised during the Track Record Period. For details of our projects, please refer to the paragraph headed “Business – Projects of our Group” in this prospectus.

SUMMARY

OUR PROJECT BACKLOG

Set out below is the table showing the number of our projects completed and awarded to us and the respective aggregate contract sum during the Track Record Period and up to the Latest Practicable Date:

| | Number of contracts | Contract sum (Note) HK\$'000 |
|---|--------------------------------|---|
| <i>As at 1 January 2014</i> | | |
| Contracts on hand | 5 | 64,845 |
| <i>During the year ended 31 December 2014</i> | | |
| New contracts awarded | 8 | 92,552 |
| Contracts completed | 7 | <u>48,599</u> |
| <i>As at 31 December 2014</i> | | |
| Contracts on hand | 6 | 108,798 |
| <i>During the year ended 31 December 2015</i> | | |
| New contracts awarded | 8 | 124,647 |
| Contracts completed | 8 | <u>67,678</u> |
| <i>As at 31 December 2015</i> | | |
| Contracts on hand | 6 | 165,767 |
| <i>During the year ended 31 December 2016</i> | | |
| New contracts awarded | 11 | 141,667 |
| Contracts completed | 4 | <u>43,146</u> |
| <i>As at 31 December 2016</i> | | |
| Contracts on hand | 13 | 264,288 |
| <i>From 1 January 2017 up to the Latest Practicable Date</i> | | |
| New contracts awarded | 4 | 52,420 |
| Contracts completed | 5 | <u>135,457</u> |
| <i>As at Latest Practicable Date</i> | | |
| Contracts on hand | 12 | 181,251 |

Note: The total contract amount equals the initial contract sum and the amount derived from subsequent variation order(s) from the relevant project, if any, as agreed between our Group and the customer.

SUMMARY

As at the Latest Practicable Date, the aggregate contract sum of our Group's projects on hand amounted to approximately HK\$181.3 million. Based only on our projects completed and contracts on hand, we expect to recognise revenue of approximately HK\$143.4 million for the year ending 31 December 2017.

OUR CUSTOMERS

Our customers are principally main contractors and subcontractors of construction projects. For each of the three years ended 31 December 2014, 2015 and 2016, 95.7%, 99.6% and 100% of our revenue were derived from construction projects in private sector. We, as a subcontractor, send our quotations to our customers or potential customers and the terms with our customers were arrived based on arm's length negotiations. The following table sets out the number of quotations submitted, number of quotations accepted and our success rate during the Track Record Period and up to the Latest Practicable Date:

| | For the year ended 31 December | | | From 1 January 2017 up to the Latest Practicable Date |
|--------------------------------|-----------------------------------|-------|-------|--|
| | 2014 | 2015 | 2016 | |
| Number of quotations submitted | 49 | 42 | 60 | 24 |
| Number of quotations accepted | 9 | 6 | 10 | 4 |
| Success rate | 18.4% | 14.3% | 16.7% | 16.7% |

Our quotation success rate decreased during the Track Record Period given that our capacity has already been engaged by our projects on hand. Under such circumstances we normally factored in slightly higher profit margin to cover the cost for the needs of putting in additional resources, such as project management staff and subcontracting arrangements, which may have decreased the attractiveness of our quotations.

CUSTOMER CONCENTRATION

For each of the three years ended 31 December 2014, 2015 and 2016, the percentage of our total revenue attributable to our five largest customers in aggregate amounted to 100%, approximately 99.4% and 100%, respectively. In particular, the percentage of our total revenue attributable to our largest customer, Fong On, amounted to approximately 86.2%, 45.1% and 44.9% respectively for the same periods. Our Directors consider that our Group's business model is sustainable despite such customer concentration having regard to, among other factors, we are able to undertake foundation and site formation projects with different customers to reduce the level of customer concentration, and we will continue to diversify our customer base. Our Directors believe that the extent of customer concentration is likely to decrease in the future. For further information, please refer to the section headed "Business – Sales, marketing and customers – Customer concentration" in this prospectus.

SUMMARY

OUR SUPPLIERS

Our suppliers primarily supply us with construction materials and/or services which primarily include machinery rental and machinery repair and maintenance. For details of our suppliers, please refer to the paragraph headed “Business – Our suppliers” in this prospectus.

During the Track Record Period, we had contra charge arrangement with some of our customers. In this context, we regard such customers as our suppliers as well. For details of the contra charge arrangement, please refer to the paragraph headed “Business – Sales, marketing and customers – who were also our suppliers/subcontractors – 1. Contra charge arrangement with our customers” in this prospectus.

OUR SUBCONTRACTORS

We subcontract certain components of works to our subcontractors, such as trial pit works, ELS works and piling works, depending on our capability and resources level.

During the Track Record Period, the total subcontracting charges recognised in our combined statements of profit and loss and other comprehensive income amounted to approximately HK\$28.8 million, HK\$26.5 million and HK\$43.1 million, representing 70.0%, 48.8% and 40.2% of our total cost of sales for each of the three years ended 31 December 2014, 2015 and 2016, respectively.

Our top five subcontractors accounted for approximately HK\$24.0 million, HK\$22.9 million and HK\$33.1 million of subcontracting charges including those incurred but not yet recognised in the profit or loss due to the timing difference between when costs are incurred and when works are completed and certified, or 58.2%, 42.2% and 30.9% of our total cost of sales for each of the three years ended 31 December 2014, 2015 and 2016, respectively. Our largest subcontractor accounted for approximately HK\$10.0 million, HK\$7.9 million and HK\$17.0 million of subcontracting charges including those incurred but not yet recognised in the profit or loss due to the timing difference as mentioned above, or 24.2%, 14.6% and 15.8% of our total cost of sales for each of the three years ended 31 December 2014, 2015 and 2016, respectively.

Our Group plans to enhance our own operating capacity by expanding our manpower and machinery fleet to enable us to place less reliance on our subcontractors. Based on our Group’s past records and experience, our Directors are of the view that undertaking projects with our own operating capacity rather than by subcontractors substantially would enable us to exercise better cost, quality and safety control over the projects, which in turn would improve our financial and operational performance.

Subcontractor with a dual role as our customer on other projects

Ming Lee Foundation, one of our top five customers, had also been our subcontractor during the Track Record Period. For details, please refer to the paragraph headed “Sale, marketing and customers – Customers who were also our suppliers/subcontractors – 2. Ming Lee Foundation and its affiliated entity” in this prospectus.

SUMMARY

UTILISATION RATE OF OUR MAJOR TYPES OF MACHINERY

The following table sets forth the utilisation rate of our major types of machinery during the Track Record Period up to the Latest Practicable Date:

| | For the year ended 31 December | | | From 1 January 2017 to the Latest Practicable Date |
|----------------------------|-----------------------------------|-------|-------|---|
| | 2014 | 2015 | 2016 | |
| Utilisation rate | | | | |
| Pile drivers | 71.8% | 75.0% | 90.3% | 91.6% |
| Drilling rigs | 58.3% | 81.6% | 92.2% | 91.7% |
| Air compressors | 58.3% | 82.0% | 92.8% | 92.1% |
| Excavators | N/A ^(Note 1) | 84.3% | 93.1% | 93.3% |
| Others ^(Note 2) | 56.4% | 82.1% | 92.7% | 92.3% |

Note:

1. We did not own any excavator during the year ended 31 December 2014.
2. Others mainly include generators, grout pumps and grout mixers.

COMPETITIVE STRENGTHS

Our Directors believe that our success is attributable to our competitive strengths as follows:

- we have an experienced and dedicated management team;
- we are an established geotechnical engineering works subcontractor in Hong Kong with stable relationship with our major customers, suppliers and subcontractors; and
- we are flexible and capable of providing recommendations for our projects.

BUSINESS STRATEGIES

- Acquisition of additional machinery
- Expanding our manpower by recruiting additional experienced and skilled operations staff and workers

SUMMARY

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We believe the more significant risks relating to our business are as follows:

- a significant portion of our revenue was generated from contracts which were not recurrent in nature and were awarded by a few customers, and there is no guarantee that our customers will provide us with new businesses;
- as we from time to time engage subcontractors in our works, we may bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of our subcontractors; and
- there may be discrepancies between the ground investigation findings and the actual geological conditions of the site which may cause our Group to incur additional cost or result in potential claims which are not insured and adversely affect our profitability as our contracts are usually fixed sum without price adjustment mechanism.

A detailed discussion of the risk factors is set forth in the section headed “Risk Factors” in this prospectus, and investors should read the entire section before deciding to invest in the Offer Shares.

FATAL ACCIDENT

In August 2015, two site workers employed by our subcontractor were assigned to conduct dismantling works at a metal working platform at a height of approximately 15 metres at the site. Whilst they were performing dismantling works on the platform, they fell down together with the platform, resulting in death of one of the site workers and rib and pelvis injury of the other.

As a result, our Group was convicted of four criminal offences under the Factories and Industrial Undertakings Ordinance and the Buildings Ordinance with penalties imposed amounted to HK\$50,000 in aggregate. As at the Latest Practicable Date, we had duly paid the penalties. Subsequent to the fatal accident and the conviction of criminal offences, the management committee of the CIC has decided to temporarily suspend Workbase Engineering’s registration as a registered subcontractor under the trade specialty of general civil works in the Subcontractors Registration Scheme for three months effective from 1 April 2017.

Having considered that (i) none of our projects on hand falls into public sector general civil works, which requires to have such registration as at the Latest Practicable Date; (ii) we do not have any short term plan to submit any quotations for public sector works; (iii) over 98% of our Group’s revenue during the Track Record Period was derived from private sector; and (iv) the Temporary Suspension will be lifted unconditionally upon the expiry of the Suspension Period, our Directors are of the view that the Temporary Suspension has no material impact on our Group’s business, financial position, operating results and prospects going forward.

For details of the accident and the enhanced safety measures, please refer to the paragraph headed “Business – Non-Compliance” in this prospectus.

SUMMARY

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and up to the Latest Practicable Date, there had been (i) eight employees' compensation claims submitted to the Labour Department and (ii) one employees' compensation claim for which legal proceedings had commenced against our Group. Four of the eight employees' compensation claims were fully settled while the remaining four outstanding employee's compensation claims (including the one employees' compensation claim for which legal proceedings had commenced against our Group) are still ongoing. These accidents were caused during the usual and ordinary business of our Group and did not cause material disruption to our Group's business.

Although our Group has been involved in four outstanding employees' compensation claims and may be subject to potential claims, our Directors are of the view that the outstanding and potential claims against the Group will not have a material adverse impact on the operation or financial position or business of our Group. For details of the outstanding and potential claims against our Group, please refer to the paragraph headed "Business – Litigation and potential claims" in this prospectus.

Please refer to the paragraph headed "Business – Litigation and potential claims" in this prospectus for further details.

NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we were convicted of four criminal offences under the Factories and Industrial Undertakings Ordinance and the Buildings Ordinance in connection with the fatal accident happened in August 2015 to which Workbase Engineering's registration as a registered subcontractor under the trade specialty of general civil works in the Subcontractors Registration Scheme was temporarily suspended for three months effective from 1 April 2017. For details, please refer to the paragraph headed "Business – Non-Compliance" in this prospectus.

MR. LAU'S ASSISTANCE TO THE ICAC'S INVESTIGATION

Mr. Lau had assisted the ICAC in the investigation in around July 2006. After the Assistance, Mr. Lau was not invited by the ICAC for other interviews or investigations and Mr. Lau was not charged by the ICAC. For details, please refer to the paragraph headed "Business – Internal controls – Mr. Lau's assistance to the ICAC's investigation" and the section headed "Directors, Senior Management and Employees" in this prospectus.

SUMMARY OF FINANCIAL INFORMATION

The following tables summarise the combined financial information of our Group during the Track Record Period. The summary financial data should be read in conjunction with the combined financial information in the Accountants' Report set out in Appendix I to this prospectus.

SUMMARY

Revenue

The following table sets forth the breakdown of our revenue by contract size during the Track Record Period:

| | For the year ended 31 December | | | | | |
|---------------------------------|--------------------------------|---------------|--------------------|---------------|--------------------|----------------|
| | 2014 | | 2015 | | 2016 | |
| | Number of projects | HK\$'000 | Number of projects | HK\$'000 | Number of projects | HK\$'000 |
| Contract size | | | | | | |
| HK\$10 million or above | 5 | 49,602 | 8 | 67,383 | 7 | 127,642 |
| HK\$5 million to HK\$10 million | – | – | 1 | 6,543 | – | – |
| HK\$1 million to HK\$5 million | 3 | 3,412 | 1 | 356 | 2 | 3,881 |
| Below HK\$1 million | <u>2</u> | <u>771</u> | <u>5</u> | <u>1,038</u> | <u>1</u> | <u>290</u> |
| Total | <u>10</u> | <u>53,785</u> | <u>15</u> | <u>75,320</u> | <u>10</u> | <u>131,813</u> |

Cost of sales

The following table sets forth our Group's cost structure during the Track Record Period:

| | For the year ended 31 December | | | | | |
|---|--------------------------------|--------------|---------------|--------------|----------------|--------------|
| | 2014 | | 2015 | | 2016 | |
| | HK\$'000 | % | HK\$'000 | % | HK\$'000 | % |
| Cost of sales | | | | | | |
| Costs of construction materials | 3,354 | 8.1 | 5,770 | 10.6 | 19,384 | 18.1 |
| Staff costs | 3,185 | 7.7 | 9,763 | 18.0 | 28,201 | 26.3 |
| Subcontracting charges | 28,819 | 70.0 | 26,509 | 48.8 | 43,057 | 40.2 |
| Depreciation charges | 1,567 | 3.8 | 3,511 | 6.5 | 3,226 | 3.0 |
| Machinery and equipment leasing expense | 740 | 1.8 | 2,342 | 4.3 | 6,159 | 5.7 |
| Repair and maintenance | 170 | 0.4 | 648 | 1.2 | 778 | 0.7 |
| Others | <u>3,354</u> | <u>8.2</u> | <u>5,779</u> | <u>10.6</u> | <u>6,411</u> | <u>6.0</u> |
| Total | <u>41,189</u> | <u>100.0</u> | <u>54,322</u> | <u>100.0</u> | <u>107,216</u> | <u>100.0</u> |

The increase in our cost of sales was in line with the increase in revenue during the Track Record Period. In particular, for the year ended 31 December 2016, (i) the revenue recognised from our foundation and site formation works increased and hence the corresponding value of works subcontracted, constructions materials costs and machinery rental fees increased; and (ii) the increase in our staff costs as a result of an increase in number of working hours on site to cope with our business growth.

SUMMARY

Gross profit margin and net profit margin

The following table sets forth a breakdown of our gross profit margin and net profit margin by type of service during the Track Record Period:

| | For the year ended 31 December | | |
|--------------------------------------|--------------------------------|------|------|
| | 2014 | 2015 | 2016 |
| | % | % | % |
| Gross profit margin | | | |
| Foundation and site formation works | 23.3 | 27.8 | 18.6 |
| Other geotechnical engineering works | 26.4 | 32.5 | 26.5 |
| Overall | 23.4 | 27.9 | 18.7 |

| | For the year ended 31 December | | |
|--------------------------------------|--------------------------------|------|------|
| | 2014 | 2015 | 2016 |
| | % | % | % |
| Net profit margin | | | |
| Foundation and site formation works | 14.4 | 15.2 | 5.7 |
| Other geotechnical engineering works | 17.6 | 19.8 | 13.6 |
| Overall (Note) | 14.6 | 15.2 | 5.7 |

Note: Excluding the listing expenses recognised in the profit or loss, the adjusted net profit margin for the year ended 31 December 2015 and 2016 would have been approximately 18.2% and 9.3%, respectively.

The decrease in net profit margin was generally in line with the fluctuation of our gross profit margin and was also attributable to the general upward trend of our administrative and other operating expenses.

HIGHLIGHTS OF COMBINED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

| | For the year ended 31 December | | |
|--|--------------------------------|----------|----------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue | 53,785 | 75,320 | 131,813 |
| Gross profit | 12,596 | 20,998 | 24,597 |
| Profit and total comprehensive income for the year attributable to owners of the Company | 7,857 | 11,456 | 7,547 |

SUMMARY

HIGHLIGHTS OF COMBINED STATEMENTS OF FINANCIAL POSITION

| | As at 31 December 2014 <i>HK\$'000</i> | As at 31 December 2015 <i>HK\$'000</i> | As at 31 December 2016 <i>HK\$'000</i> |
|---------------------|---|---|---|
| Non-current assets | 6,097 | 11,155 | 9,049 |
| Current assets | 25,207 | 41,829 | 56,807 |
| Current liabilities | 17,396 | 25,340 | 32,193 |
| Net current assets | 7,811 | 16,489 | 24,614 |
| Net assets | 13,262 | 24,718 | 32,265 |

HIGHLIGHTS OF COMBINED STATEMENTS OF CASH FLOWS

| | For the year ended 31 December 2014 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--|---|-------------------------|-------------------------|
| Operating profit before working capital changes | <u>11,831</u> | <u>18,187</u> | <u>14,073</u> |
| Net cash generated from/(used in) operating activities | 4,055 | 14,768 | (5,658) |
| Net cash used in investing activities | (3,357) | (3,772) | (5,848) |
| Net cash (used in)/generated from financing activities | <u>(537)</u> | <u>561</u> | <u>3,950</u> |
| Net increase/(decrease) in cash and cash equivalents | 161 | 11,557 | (7,556) |
| Cash and cash equivalents at the beginning of year | <u>1,359</u> | <u>1,520</u> | <u>13,077</u> |
| Cash and cash equivalents at the end of year | <u><u>1,520</u></u> | <u><u>13,077</u></u> | <u><u>5,521</u></u> |

SUMMARY

Our Group recorded net operating cash outflow of approximately HK\$5.7 million for the year ended 31 December 2016 primarily due to the increase in trade and other receivables of approximately HK\$14.4 million mainly arising from the substantial value of construction works completed near the year end of 2016. All of our trade receivables as at 31 December 2016 were aged 30 days or less from the date of payment certificates issued by our customers, which were within the credit period granted to our customers. As at the Latest Practicable Date, all of our trade receivables as at 31 December 2016 had been settled. For details of our cash flows, please refer to the section headed “Financial Information – Liquidity and Capital Resources – Cash flows” in this prospectus.

SUMMARY OF FINANCIAL RATIOS

| | Year ended or as at 31 December | | |
|--------------------------------|---------------------------------|------------|------------|
| | 2014 | 2015 | 2016 |
| Profitability ratios | | | |
| Return on total assets | 25.1% | 21.6% | 11.5% |
| Return on equity | 59.2% | 46.3% | 23.4% |
| Liquidity ratios | | | |
| Current ratio | 1.4 times | 1.7 times | 1.8 times |
| Quick ratio | 1.4 times | 1.7 times | 1.8 times |
| Capital adequacy ratios | | | |
| Gearing ratio (<i>Note</i>) | 29.6% | 44.8% | 48.7% |
| Interest coverage | 22.1 times | 34.9 times | 22.5 times |

Note: Gearing ratio is calculated based on the total debt at the end of the period divided by total equity at the end of the respective period. Total debt represents bank and other borrowings, and amounts due to related parties not incurred in the ordinary course of business.

SHAREHOLDERS INFORMATION

Immediately following completion of the Public Offer, Mr. Lau and Brightly Ahead (an investment holding company owned as to 99.9% and 0.1% by Mr. Lau and Ms. Yuen, respectively, which has not commenced any substantive business activities as at the Latest Practicable Date) will control 75% of our Company’s issued share capital. For the purpose of the GEM Listing Rules, Mr. Lau, Ms. Yuen and Brightly Ahead are the Controlling Shareholders. For details, please refer to the section headed “Relationship with our Controlling Shareholders” in this prospectus.

SUMMARY

DIVIDEND AND DISTRIBUTABLE RESERVE

Our Group did not distribute any dividends during the Track Record Period. On 1 June 2017, members of our Group declared a dividend to their then shareholders in an amount of HK\$9.0 million of which approximately HK\$8.4 million was set off against the net amount due from director and approximately HK\$0.6 million to be settled by cash by internal resources before Listing. Our Directors consider that there has not been any material adverse impact on our Group's financial and liquidity position arising out of the dividend payment as our Group continues to maintain net current assets and net assets positions after such payment.

We do not have a fixed dividend policy and our Company does not have any predetermined dividend payout ratio. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on the future operations and earnings, capital requirements and surplus, general financial condition and other factors that our Directors deem relevant. Investors should note that historical dividend distributions are not indicative of our Company's future dividend distribution policy. Our Company did not have any distributable reserve available for distribution to our Shareholders as at 31 December 2016.

RECENT DEVELOPMENTS

Following the Track Record Period, we have been continuously approached by customers for submitting quotations for new projects. After the Track Record Period and up to the Latest Practicable Date, we responded to and submitted 24 quotations where our proposed contract value ranged from HK\$180,000 to HK\$284.4 million, and we have secured four new contracts with a contract sum of approximately HK\$52.4 million. As at the Latest Practicable Date, we had 12 projects on hand (including contracts in progress as well as contracts that were awarded to us but not yet commenced). The aggregate contract sum of all contracts on hand is approximately HK\$181.3 million of which approximately HK\$10.7 million of revenue has been recognised during the Track Record Period. Based only on our projects completed and contracts on hand, we expect to recognise revenue of approximately HK\$143.4 million for the year ending 31 December 2017. Please refer to the paragraph headed "Business – Projects of our Group" for further details. As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and none of them have had any material interruption. However, as our customers may amend the specifications and scope of works originally contracted, and there may be variation to designs which may result in delays in works undertaken and project completion, the amount of revenue expected to be recognised is therefore subject to change in accordance with the actual progress, scope of works performed, and commencement and completion dates of our projects. During the Track Record Period, our Group has experienced delays in project completion due to change in design by employers of our customers, please refer to the section headed "Risk Factors – Risk relating to our business – Our Group determines the project price based on the estimated time and costs to be involved, and the actual time and costs incurred may exceed our estimations due to unexpected circumstances, thereby affect our operations and financial results" in this prospectus for details. Nevertheless, having considered (i) the outlook of Hong Kong's construction industry remains positive and the weight of subcontractors in the overall construction work is expected to continual grow as stated in the Ipsos Report; and (ii) the increasing number of quotations submitted by our Group and accepted by our customers up to the Latest Practicable Date, in this regard, our Directors have been cautiously optimistic in preparing our quotations with an aim to expand our business.

SUMMARY

The management committee of the CIC has decided to temporarily suspend Workbase Engineering's registration as a registered subcontractor under the trade specialty of general civil works (which include earthwork, roadworks, road drainage and sewer, geotechnical works, marine works and ground investigation) in the Subcontractors Registration Scheme for three months effective from 1 April 2017 with regards to our convictions of the fatal accident. Upon enquiry with the CIC, we were confirmed that the Temporary Suspension will be lifted unconditionally upon the expiry of the Suspension Period and no further actions will be taken by the CIC in relation to the fatal accident. As at the Latest Practicable Date, none of our projects on hand falls into public sector general civil works, which require the possession of the suspended registration, and we do not have any short term plan to submit any quotations for public sector works. As advised by our Legal Counsel, the Temporary Suspension does not affect our ongoing projects and our Group is equipped with all necessary licences, permits, consents and approval for our business. Our Directors, having considered our Legal Counsel's opinion, are of the view that the aforesaid Temporary Suspension has no material impact on our Group's business, financial position, operating results and prospects going forward. For details, please refer to the paragraph headed "Business – Non-compliance" in this prospectus.

On 1 June 2017, members of our Group declared a dividend in an amount of approximately HK\$9.0 million. Save as disclosed above, our Directors confirm that there have not been any material adverse changes on our financial and trading position and our prospect after the Track Record Period and up to the date of this prospectus, other than the impact of listing expenses, and the expected increase in depreciation expenses and staff cost from implementing our Group's business strategies by the proceeds from the Public Offer. For details of our business strategies and use of proceeds, please refer to the paragraphs headed "Business – Business Strategies" and "Business Objectives and Future Plans – Use of proceeds" respectively.

SUFFICIENCY OF WORKING CAPITAL

Upon Listing, our sources of funds will be a combination of internally generated funds, available banking facilities and the net proceeds from the Public Offer.

Our Directors consider that the collection of trade receivables subsequent to the Track Record Period has been satisfactory. All of our trade receivables as at 31 December 2016 were subsequently settled up to the Latest Practicable Date. Besides, approximately 93.7% of the gross amounts due from customers for contract works as at 31 December 2016 have been subsequently billed, of which approximately 82.2% of the billed amounts have been subsequently settled by the relevant customers up to the Latest Practicable Date.

Although our Group has experienced delays in project completion due to changes in design by employers of our customers during the Track Record Period, there has been no material changes to the contract sums of the relevant contracts. The delayed projects have continued to contribute revenue to our Group in 2017 and have not imposed any material adverse impact to our working capital. In addition, our Group had unutilised banking facilities of approximately HK\$1.9 million by invoice financing as at 30 April 2017, being the latest practicable date for determining indebtedness.

SUMMARY

Despite the net cash used in operating activities of approximately HK\$5.7 million for the year ended 31 December 2016, taking into consideration our cash and bank balances, our projects on hand, the satisfactory trade receivables collection and subsequent billing progress of the gross amounts due from customers for contract works, the available banking facilities, and the estimated net proceeds of approximately HK\$35.7 million based on the mid-point of the proposed Offer price range per Offer Share from the Public Offer, our Directors are of the view that our Group has sufficient working capital for at least 12 months commencing from the date of this prospectus.

LISTING EXPENSES

Our Directors expect that our total listing expenses are non-recurring in nature. Assuming the Offer Price of HK\$0.22 per Offer Share (being the mid-point of the indicative offer price range stated in this prospectus), the total estimated listing expenses incurred in relation to the Public Offer are approximately HK\$19.3 million, without taking into account any discretionary incentive fees, of which approximately HK\$5.8 million is directly attributable to the issuance of Offer Shares and will be capitalised and deducted from equity upon Listing in the financial year of 2017, approximately HK\$2.2 million and HK\$4.7 million were charged to the combined statements of profit or loss and other comprehensive income for each of the two years ended 31 December 2015 and 2016, respectively, and approximately HK\$6.6 million is expected to be charged for the year ending 31 December 2017. The final amount to be recognised to the profit or loss of our Group or to be capitalised is subject to adjustment based on audit and the changes in variables and assumptions. In the circumstances, we expect that the expenses in connection with the Listing will have a negative effect on our results of operations and financial condition for the year ending 31 December 2017.

PUBLIC OFFER STATISTICS

| | | |
|--|---|--|
| Market capitalisation at Listing <i>(Note 1)</i> | : | HK\$200 million to HK\$240 million |
| Offer size | : | 25% of the enlarged issued share capital of our Company |
| Offer Price per Offer Share | : | HK\$0.20 to HK\$0.24 |
| Number of Offer Shares | : | 250,000,000 Shares |
| Board lot | : | 10,000 Shares |
| Unaudited pro forma adjusted net tangible assets per Share <i>(Note 2)</i> | : | HK\$0.07 based on an Offer Price of HK\$0.20 per Share; and HK\$0.08 based on an Offer Price of HK\$0.24 per Share |

Notes:

1. The calculation of the market capitalisation of the Shares is based on 1,000,000,000 Shares in issue immediately after completion of the Public Offer.
2. The unaudited pro forma adjusted net tangible assets per Share has been arrived at after the adjustments referred to under the paragraph headed "Unaudited pro forma adjusted combined net tangible assets" in the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus and on the basis of 1,000,000,000 Shares in issue at the respective Offer Prices of HK\$0.20 and HK\$0.24 per Share immediately following completion of the Public Offer.

SUMMARY

3. The unaudited pro forma adjusted net tangible assets of our Group does not take into account the dividend of approximately HK\$9.0 million declared by our Group members in June 2017. The unaudited pro forma net tangible assets per Share would have been HK\$0.06 and HK\$0.07 per Share based on the Offer Price of HK\$0.20 and HK\$0.24 respectively, after taking into account the declaration of dividend in the sum of approximately HK\$9.0 million.

USE OF PROCEEDS

Based on the Offer Price of HK\$0.22 per Offer Share, being the mid-point of the proposed Offer Price range of HK\$0.20 to HK\$0.24 per Offer Share, the net proceeds from the Public Offer, after deducting underwriting commissions and estimated expenses paid and payable by us in connection with the Public Offer, are estimated to be approximately HK\$35.7 million. We currently intend to apply such net proceeds from the Public Offer as follows:

| | Total <i>(HK\$'000)</i> | Approximate percentage <i>(%)</i> |
|---|-----------------------------------|---|
| Strengthening our machinery fleet equipment | 20,000 | 56.1 |
| Expanding manpower | 9,500 | 26.6 |
| Investment in steel materials | 4,000 | 11.2 |
| General working capital | <u>2,156</u> | <u>6.1</u> |
| | <u><u>35,656</u></u> | <u><u>100.0</u></u> |

Please refer to the section headed “Business Objectives and Future Plans” in this prospectus for details.

REASONS FOR LISTING

Our Directors believe that the Listing will enhance our profile and recognition, and hence our ability to attract new businesses. According to the Ipsos Report, our Group accounted for approximately 0.3% of the total market share of the foundation and site formation industry in Hong Kong for 2015 in terms of revenue. Our Directors consider that a listing on GEM signifies a degree of financial strength of our Group and a public listing status will enable our Group to stand out from our competitors since the public disclosure of information of our Group would offer extra confidence to our customers who are otherwise not expected to obtain the similar information from our competitors not publicly listed. In addition, the Listing will provide our Company with additional avenues to raise capital for our future business expansion and long-term development, and expand and diversify our capital base and Shareholders base as institutional funds and retail investors in Hong Kong can easily participate in the equity of our Company. For details, please refer to the paragraph headed “Business objectives and future plans – Reasons for the Public Offer” in this prospectus.

DEFINITIONS

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

| | |
|---|--|
| “Accountants’ Report” | the accountants’ report of our Group for the Track Record Period, the text of which is set out in Appendix I to this prospectus |
| “Application Form(s)” | WHITE Application Form(s) and YELLOW Application Form(s) or where the context requires, any of them, relating to the Public Offer |
| “Articles of Association” or “Articles” | the articles of association of our Company adopted on 7 June 2017 and which will become effective upon the Listing, as amended from time to time, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law – Articles of Association” in Appendix III to this prospectus |
| “associate(s)” | has the meaning ascribed to it under the GEM Listing Rules |
| “Audit Committee” | the audit committee of our Board |
| “Brightly Ahead” | Brightly Ahead Limited (啟皓有限公司), a company incorporated in the BVI on 23 November 2015 with limited liability and is owned as to 99.9% and 0.1% by Mr. Lau and Ms. Yuen respectively |
| “Board” | the board of Directors |
| “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” | a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong |

DEFINITIONS

| | |
|-------------------------------|---|
| “BVI” | the British Virgin Islands |
| “Cape Road Project” | the foundation and site formation project undertaken by our Group for residential redevelopment in Chung Hom Kok, whose contract sum amounted to approximately HK\$16.7 million and HK\$39.0 million for the stages one and two of the project respectively |
| “Capitalisation Issue” | the issue of 749,990,000 Shares to be made upon capitalisation of certain sums standing in the credit of the share premium account of our Company referred to in the paragraph headed “A. Further information about our Company – 3. Written resolutions of our existing Shareholder passed on 7 June 2017” in Appendix IV to this prospectus |
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “CCASS Clearing Participant” | a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant |
| “CCASS Custodian Participant” | a person admitted to participate in CCASS as a custodian participant |
| “CCASS Investor Participant” | a person or persons admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation |
| “CCASS Participant” | a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant |
| “China” or “PRC” | the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau Special Administrative Region and Taiwan |
| “Companies Law” | the Companies Law (as revised) of the Cayman Islands, as amended, supplemented and/or otherwise modified from time to time |
| “Companies Ordinance” | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented and/or otherwise modified from time to time |

DEFINITIONS

| | |
|---|---|
| “Companies (Winding Up and Miscellaneous Provisions) Ordinance” | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time |
| “Company” or “our Company” | Basetrophy Group Holdings Limited (基地錦標集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 4 January 2016 |
| “connected person(s)” | has the meaning ascribed to it under the GEM Listing Rules |
| “Construction Industry Council” | the Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) |
| “Controlling Shareholder(s)” | has the meaning ascribed to it under the GEM Listing Rules and in the context of this prospectus, refers to Mr. Lau, Ms. Yuen and Brightly Ahead. Please see the section headed “Relationship with our Controlling Shareholders” in this prospectus for further details |
| “Corporate Governance Code” | the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules |
| “Deed of Indemnity” | a deed of indemnity dated 7 June 2017 entered into between our Controlling Shareholders and our Company (for itself and as trustee for and on behalf of its subsidiaries), under which our Controlling Shareholders have given certain indemnities in favour of our Company containing, among others, the indemnities referred to in the paragraph headed “E. Other information – 1. Tax and other indemnities” in Appendix IV to this prospectus |
| “Deed of Non-competition” | a deed of non-competition dated 7 June 2017 between our Company (for itself and as trustee for and on behalf of its subsidiaries) and each of our Controlling Shareholders, particulars of which are set out in the paragraph headed “Relationships with our Controlling Shareholders – Non-competition undertakings” in this prospectus |
| “Director(s)” or “our Directors” | the director(s) of our Company |

DEFINITIONS

| | |
|---|---|
| “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 |
| “Environmental Protection Department” | the Environmental Protection Department of Hong Kong |
| “Frontpage Capital” or “Sole Sponsor” | Frontpage Capital Limited, a licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the Sole Sponsor for the Listing, and an independent third party |
| “GEM” | the Growth Enterprise Market of the Stock Exchange |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, as amended, supplemented and/or otherwise modified from time to time |
| “Government” | the government of Hong Kong |
| “Group”, “our Group”, “we”, “us” or “our Company” | our Company and its subsidiaries or, where the context requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time |
| “Hong Kong” or “HK” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong Branch Share Registrar” | Tricor Investor Services Limited |
| “Hong Kong dollars” or “HK\$” and “cents” | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong |
| “HKASs” | Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants |
| “HKFRSs” | the Hong Kong Financial Reporting Standards, including the Hong Kong Accounting Standards and interpretation issued by the Hong Kong Institute of Certified Public Accountants |

DEFINITIONS

| | |
|--|--|
| “HKSCC” | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| “HKSCC Nominees” | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC |
| “Hong Kong” or “HK” | the Hong Kong Special Administrative Region of the PRC |
| “independent third party(ies)” | an individual(s) or a company(ies) who or which is independent from and not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executive, substantial shareholders of our Company, its subsidiaries or any of their respective associates |
| “Ipsos” | Ipsos Limited, a professional market research company and an independent third party |
| “Ipsos Report” | the market research report commissioned by us and prepared by Ipsos on the market and competitive landscape of foundation and site formation industry in Hong Kong, the content of which is disclosed in this prospectus |
| “Labour Department” | the Labour Department of Hong Kong |
| “Latest Practicable Date” | 5 June 2017, being the latest practicable date for ascertaining certain information contained therein in this prospectus prior to its publication |
| “Legal Counsel” | Mr. Yuen Siu Kei, barrister-at-law of Hong Kong |
| “Listing” | the listing of the Shares on the Stock Exchange |
| “Listing Date” | the date on which dealings in Shares on GEM first commence |
| “Listing Division” | the Listing Division of the Stock Exchange |
| “Joint Lead Managers | Frontpage Capital and Supreme China Securities |
| “Mandatory Provident Fund Schemes Ordinance” | the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |

DEFINITIONS

| | |
|---|---|
| “Memorandum of Association” or “Memorandum” | the memorandum of association of our Company |
| “Mr. Lau” | Mr. Lau Chung Ho (劉頌豪), our executive Director, Chief Executive Officer, a Controlling Shareholder and the spouse of Ms. Yuen |
| “Ms. Yuen” | Ms. Yuen Suk Har (袁淑霞), our executive Director, Chairman, a Controlling Shareholder and the spouse of Mr. Lau |
| “Nomination Committee” | the nomination committee of our Board |
| “NRMM Regulation” | the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Offer Price” | the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of HK\$0.005%), at which Offer Shares are to be subscribed, to be determined in the manner further described in the section headed “Structure and Conditions of the Public Offer – Offer Price” of this prospectus |
| “Offer Share(s)” | the 250,000,000 new Shares offered for subscription at the Offer Price under the Public Offer, as detailed in the section headed “Structure and Conditions of the Public Offer” of this prospectus |
| “Predecessor Companies Ordinance” | the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance |
| “Price Determination Agreement” | the agreement to be entered into by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price |

DEFINITIONS

| | |
|---------------------------------------|---|
| “Price Determination Date” | the date, expected to be on or around Tuesday, 20 June 2017, on which the Offer Price is fixed by our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) for the purpose of the Public Offer |
| “Public Offer” | the conditional offer to the public in Hong Kong for subscription of the Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, as further described in the section headed “Structure and Conditions of the Public Offer” of this prospectus and the related Application Forms |
| “Public Offer Underwriting Agreement” | the underwriting agreement dated 9 June 2017 relating to the Public Offer and entered into by, among others, our Company, our executive Directors, the Controlling Shareholders, the Joint Lead Managers and the Underwriters, as further described in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Public Offer Underwriting Agreement” of this prospectus |
| “Regulation S” | the Regulation S under the U.S. Securities Act |
| “Remuneration Committee” | the remuneration committee of our Board |
| “Repurchase Mandate” | the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, further details of which are contained in the section headed “Further Information about our Company – A. Further information about our Company – 6. Repurchase of Share by our Company” in Appendix IV to this prospectus |
| “Reorganisation” | the corporate reorganisation of our Group in preparation for the Listing as described in the section headed “History, Development and Reorganisation” in this prospectus |
| “Repurchase Mandate” | the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, further details of which are contained in the paragraph headed “A. Further information about our Company” in Appendix IV to this prospectus |

DEFINITIONS

| | |
|------------------------------|---|
| “Safety Adviser” | Mr. Chan Shing Wa, a safety auditor registered under section 4(1) of the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong) with effect from November 2000 |
| “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) of HK\$0.01 each in the share capital of our Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Share Option Scheme” | the share option scheme of our Company, conditionally approved and adopted by our Company, the principal terms of which are summarised in the paragraph headed “D. Share option scheme” in Appendix IV to this prospectus |
| “SME” | small and medium enterprises, with fewer than 100 employees for manufacturing enterprises and fewer than 50 employees for non-manufacturing enterprises |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | has the meaning ascribed to it in section 15 of the Companies Ordinance |
| “substantial shareholder(s)” | has the meaning ascribed to it under the GEM Listing Rules |
| “Supreme China Securities” | Supreme China Securities Limited, a licensed corporation for carrying on type 1 (dealing in securities) regulated activity under the SFO |
| “Takeovers Code” | the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time |
| “Teamwork” | Teamwork Engineering Co. (協雋工程公司), a sole proprietorship registered in Hong Kong on 24 January 2011 and wholly-owned by Mr. Lau, which have ceased business since December 2015 |
| “Track Record Period” | the period comprising the three financial years ended 31 December 2016 |

DEFINITIONS

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| “Underwriters” | the underwriters of the Public Offer, whose names are set out in the section headed “Underwriting – Underwriters” in this prospectus |
| “US” or “U.S.” or “United States” | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| “US\$” or “U.S. dollars” | United States dollars, the lawful currency of the United States of America |
| “U.S. Securities Act” | the United Securities Act of 1933, as amended, supplemented or otherwise modified from time to time |
| “Wide View” | Wide View Enterprises Limited (群景企業有限公司), a company incorporated in the BVI on 20 November 2015 with limited liability, which shall be a direct wholly-owned subsidiary of the Company upon completion of the Reorganisation |
| “Workbase Engineering” | Workbase Engineering Limited (雋基工程有限公司), a company incorporated in Hong Kong on 16 July 2003 with limited liability, which shall be an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation |
| “sq.m.” | square metre |
| “%” | per cent. |
| “ WHITE Application Form(s)” | the application form(s) for use by the public who require(s) such Offer Shares to be issued in the applicant’s/applicants’ own name(s) |
| “ YELLOW Application Form(s)” | the application form(s) for use by the public who require(s) such Offer Shares to be deposited directly into CCASS |

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as at the Latest Practicable Date.

In this prospectus, the terms “associates”, “close associates”, “connected person”, “connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.

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

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

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| “air compressor” | a machine that converts power from an engine or motor into potential energy by forcing air into a smaller volume, thus increasing its pressure. Energy stored in the compressed air can be applied in various ways, usually by utilising the kinetic energy of the air as it is depressurised |
| “bored pile” or “bored piling” | a type of pile installed by machine boring to the required level and subsequently filling the hole with concrete |
| “boring rig” | a construction machine for piling in foundation engineering and mainly applied to drill in sandy soil, clay and silty |
| “CAGR” | compound annual growth rate |
| “casing” | a tube (typically made of steel) inserted into a bore hole formed in soil conditions where caving or rock deformation can occur. Casing prevents caving or sloughing |
| “ELS” or “excavation and lateral support works” | excavation and lateral support, the system of construction works for the purposes of shoring support in the excavated area and, if applicable, drainage measures and avoidance of adverse effect on the adjacent structures |
| “erosion control” | the practice of preventing or controlling wind or water erosion in land development and construction |
| “excavator” | a power-driven machine for digging, moving, or transporting loose gravel, sand, or soil |
| “foundation works” | in respect of our business, generally include works in relation to the construction of foundations for general building construction |

GLOSSARY OF TECHNICAL TERMS

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| “Green Card” | Construction Safety Training Certificate issued by Labour Department proving the workers’ enrollment of occupational health and safety training courses recognised by the Labour Department. It is valid for a period from one year to three years |
| “grouting” | the placing of grout which usually involves injecting a grout material through a tube into void spaces by pressure |
| “H-pile” or “H-piling” | a dimensionally square structural beam designed to be driven into bed rock to transfer structural loads to rock layers with higher load-bearing capacity |
| “hydraulic drilling rigs” | a machine that creates holes in the earth sub-surface powered by an auxiliary hydraulic system |
| “hydraulic hammer drill” | a percussive top-head device that is used in the drilling of hard rocks and soil |
| “hydraulic rotator” | a machine used together with a boring rig to drill holes through concrete or rock using a rotational driving action |
| “ISO” | the International Organisation for Standardisation standards, for quality management which ensures an organisation’s products conform to customer requirements and applicable statutory and regulatory standards and which sets requirements for what an organisation must do to manage processes influencing product quality |
| “ISO 14001:2004” | a standard of the ISO 14000 environmental management series published by ISO, which specifies the requirements for an environmental management system of an organisation |
| “ISO 9001:2008” | a standard of the ISO 9000 quality management series published by ISO, which specifies the requirements for a quality management system of an organisation to consistently provide products that meet customer requirements and applicable statutory and regulatory standards |

GLOSSARY OF TECHNICAL TERMS

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| “mini-pile” or “mini-piling” | a type of pile which consists of a bundle of steel bars encased by grout inside a bored hole generally not greater than 400 millimeters in diameter |
| “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 18001:2007” | a standard of the OHSAS 18000 occupational health and safety management series, which specifies the requirements for the control of occupational health and safety risks associated with an organisation |
| “pile cap” | a concrete structure placed on, and usually fastened to, the top of a pile or a group of piles for transmission of loads from such building or structure to the pile or group of piles |
| “pile driver” | a machine used to drive percussive piles into soil by mounted with hydraulic hammer and it is also used to install percussive drilling boreholes by mounted with hydraulic rotator and equipped with down-the-hole hammer |
| “piling” | any work in connection with or for the forming of a pile in the ground by hammering, screwing, boring, vibrating, casting or any other means, and also involves the driving of any casing (whether permanent or temporary) into the ground for purposes of constructing a foundation |
| “pipe pile” | a column which is typically made of steel, wood, concrete or plastic and in the shape of a pipe that is driven into the ground to provide support and stability to a building’s foundation |
| “pre-boring” | removal of ground or underground obstacles by boring or other means to enable a pile to be installed |
| “sheet pile” or “sheet piling” | a type of pile of thin interlocking steel sheet used to construct a continuous barrier in the ground |

GLOSSARY OF TECHNICAL TERMS

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| “shotcrete” or “shotcreting” | a process in which compressed air forces mortar or concrete through a hose onto a surface at a high velocity |
| “site formation works” | in respect of our business, generally include clearance of sites, such as the removal of trees, shrubs, surface soil and debris, the levelling of land by excavation or filling in of land, demolition of any unwanted structures and constructing retaining walls, access roads and drainage systems |
| “socketed H-pile” | a type of pile formed by inserting a steel H-pile section into a pre-bored hole formed into the bedrock and the cavity is then filled with cement grout |
| “soldier pile” | installation of a type of pile which is also known as soldier pile, or king pile, construction into the ground for earth retention prior to excavation |
| “Subcontractors Registration Scheme” | an industry-wide initiative to improve the regulation and management of subcontracting which aims at building up a pool of capable and responsible subcontractors with specialised skills and strong professional ethics |

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements including, without limitation, words and expressions such as “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “plan”, “seek”, “will”, “would” or similar words or statements, in particular, in the sections headed “Business” and “Financial Information” of this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on various assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions including the risk factors described in this prospectus and the following:

- our business and operating strategies and the various measures to implement such strategies;
- our dividend policy;
- our operations and business prospects, including development plans for our existing and new businesses;
- the future competitive environment for the industries in which we operate;
- the regulatory environment as well as the general industry outlook for the industries in which we operate;
- future developments in the industries in which we operate;
- the effects of the global financial markets and economic crisis; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations and the GEM Listing Rules, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, unless otherwise stated, statements of or references to our 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

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Public Offer. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospect of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

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

We believe that there are certain risks involved in our business and operations. These risks can be classified into: (i) risks relating to our business; (ii) risks relating to the foundation and site formation industry in which we operate; (iii) risks relating to the Public Offer; and (iv) risks relating to the statements made in this prospectus.

RISKS RELATING TO OUR BUSINESS

We have recorded negative operating cash flows for the year ended 31 December 2016

Our Group recorded net cash used in operating activities of approximately HK\$5.7 million for the year ended 31 December 2016 primarily due to the increase in trade and other receivables of approximately HK\$14.4 million mainly arising from the substantial value of construction works completed near the year end of 2016. For details of our cash flows, please refer to the paragraph headed “Financial Information – Liquidity and capital resources – Cash flows” in this prospectus. We cannot assure that we will not experience periods of net cash outflow from operating activities in the future. If we continue to record net operating cash outflows in the future, our working capital may be constrained which may materially and adversely affect our business, financial condition, results of operation and growth prospects.

RISK FACTORS

It is not uncommon in our industry to have occurrence of accidents causing injury to our or our subcontractors' employees. Our performance may be adversely affected by such injury claims and litigations

It is not uncommon in the foundation industry to have occurrence of accidents causing injury to our or our subcontractors' employees, which may subsequently give rise to the corresponding employees' compensation claims and common law personal injury claims. We may be in disputes with the injured persons in respect of our responsibilities in connection with the accidents for various reasons. Such disputes may be in connection with contributory negligence of such injured person or whether the accident occurred during his/her employment with us or our respective subcontractors. Please refer to the paragraphs headed "Business – Litigation and potential claims" and "Business – Fatal accident during the Track Record Period" in this prospectus for further information of accidents occurred during the Track Record Period and up to the Latest Practicable Date.

A significant portion of our revenue was generated from contracts which were not recurrent in nature and were awarded by a few customers, and there is no guarantee that our customers will provide us with new businesses

Our revenue is typically derived from projects which are non-recurrent in nature. During the Track Record Period, we secured new businesses mainly through direct invitation for quotation by customers.

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 the three years ended 31 December 2014, 2015 and 2016 accounted for 100%, approximately 99.4% and 100% of our revenue, respectively. For the same period, our largest customer, Fong On, accounted for approximately 86.2%, 45.1% and 44.9% of our revenue, respectively. For details of our relationship with Fong On, please refer to the paragraph headed "Business – Sales, marketing and customers – Our relationship with Fong On" in this prospectus. We generally do not enter into long-term agreements 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 or they will maintain their respective level of business with us in the future. In addition, we cannot guarantee that we will be able to broaden successfully our customer base by obtaining significant numbers of new foundation and site formation projects from new or other existing 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 our future business.

In the event that our Group fails to secure new projects or there is a significant decrease in the number of quotation invitations in the future, the business and financial positions and prospects of our Group may be materially and adversely affected.

RISK FACTORS

As we from time to time engage subcontractors in our works, we may bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of our subcontractors

For each of the three years ended 31 December 2014, 2015 and 2016, subcontracting charges incurred by us amounted to approximately HK\$28.8 million, HK\$26.5 million and HK\$43.1 million, respectively. Subcontracting may expose us to risks associated with non-performance, delayed performance or sub-standard performance by our subcontractors. As a result, we may experience deterioration in the quality or delivery of our works, incur additional costs due to the delays or at a higher price in sourcing the services, equipment or supplies in default, or be subject to liability under the relevant projects. Such events could impact upon our profitability, financial performance and reputation, or result in litigation or damage claims.

If our subcontractors violate any laws, rules or regulations in relation to health, safety and environmental matters, we may expose ourselves as an obligor to prosecutions by relevant authorities, and may become liable to claims for losses and damages if such violations cause any personal injuries or death or damage to properties. In the event that there is any violation, whether substantial or minor in nature of any laws, rules or regulations, occurred at sites for which we are responsible, our operations and hence our financial position may be adversely affected.

There may be discrepancies between the ground investigation findings and the actual geological conditions of the site which may cause our Group additional cost or result in potential claims

Prior to commencement of our foundation works, we may conduct ground investigation or our customers may supply us with ground investigation reports. However, the details uncovered by these reports may not be sufficient to reveal the actual geology beneath our construction sites due to limitations in the scope of the underground investigation works that can be carried out at the site or other technical limitations. Underground investigation works usually involve sampling, field testing and in the course of conducting underground investigation, certain parameters such as the number and deposition of boreholes and trial pits, the depth of ground investigation, as well as the use of empirical data, requires the use of judgement and estimates in the process of applying investigation technique. Although underground investigation is conducted by a registered specialist contractor in accordance with relevant codes and regulations of the industry, 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 structures beneath the site, artificial underground obstruction, bomb, contaminated soil, presence of unknown obstacles due to historical use of site, methane gas leakage during construction, collapse of temporary structure and land subsidence, which may not have been anticipated at the preliminary stage. All of these may eventually present potential issues in carrying out the foundation and/or associated works or even affect the

RISK FACTORS

foundation layout design, thereby exposing our Group to uncertainties in the course of implementation of our projects, and such unexpected condition may make our foundation works difficult, affect our work progress and incur higher project expenses. Our Directors confirm that we had not experienced any cases of which our fees were materially reduced for the aforesaid reasons during the Track Record Period. However, our Group may incur additional costs in dealing with these unforeseen conditions and we will have to bear such increase in expenses ourselves as our contracts are fixed sum without price adjustment mechanism in this regard and our profitability may be adversely affected. It may also cause a delay in completion of the projects, resulting in potential claims for liquidated damages from our customers.

Our Group determines the project price based on the estimated time and costs to be involved, and the actual time and costs incurred may exceed our estimations due to unexpected circumstances, thereby adversely affect our operations and financial results

We determine the project price based on our estimation of time required and costs involved in a project, plus a certain mark-up margin. The actual time and costs involved in completing our foundation and site formation projects may be adversely affected by a number of uncontrollable factors, including shortage and cost escalation in materials and direct labour, difficult geological conditions, adverse weather conditions, disputes with our subcontractors, change in design by the employers of our customers, work site accidents and changes in the Government's policy. These factors can give rise to unexpected delays in completion and cost overruns, which will in turn diminish the mark-up margin. There is no assurance that the actual time and costs would not exceed our estimation during project implementation.

In particular, labour costs and costs of construction materials are the major cost components for foundation works in Hong Kong. Due to labour shortage, the average foundation worker wage per day has increased at a CAGR of 9.9%, from HK\$842.3 in 2011 up to HK\$1,347.5 in 2016 and is expected to continue to rise. In addition, the cost of construction materials such as steel reinforcements, Portland cement and H-piles, may fluctuate depending on various factors including the demand for new construction work, and the infrastructure investment in China. For example, the average wholesale price of Portland cement in Hong Kong increased from about HK\$662.9 per tonne in 2011 to about HK\$714.7 per tonne in 2016, at a CAGR of about 1.5%. Please refer to the paragraph headed "Industry Overview – Overview of the foundation and site formation industry in Hong Kong – Cost of foundation contracting works" in this prospectus for details. If there is any unexpected significant increase in labour costs and costs of construction materials, there is no assurance that we will be able to shift the increase in cost to our customers. Such cost overruns with our initial estimate may cause our profitability be lower than what we expected.

RISK FACTORS

During the Track Record Period, our Group has experienced delays in project completion due to change in design by employers of our customers, which has resulted in delays in works undertaken and revenue recognised. Notwithstanding that such projects delays during the Track Record Period had not caused any material adverse impact to our Group's operation and financial performance, we cannot guarantee that we will not encounter cost overruns or delays on our current and future foundation and site formation projects in which case we would exceed our budget or be required to pay liquidated damages with a consequential reduction in, or elimination of, the anticipated profits on our contracts.

Our business operations depend on the expertise and continuing performance of our key management personnel and there is no assurance that our Group can hire and retain them

Our Board and senior management comprise a group of highly experienced individuals in the foundation industry, which has an average industry experience of over a decade. Mr. Lau, our Chief Executive Officer and executive Director, has over 33 years of experience in the construction industry. His experience, coupled with extensive knowledge of the foundation industry in Hong Kong, enables him to understand market dynamics and industry practice for foundation works. In addition, Mr. Lau has established close relationships with our customers, suppliers and subcontractors. Ms. Yuen, our Chairman and executive Director, joined our Group since July 2003, and she has been responsible for our Group's operation, business development, human resources, finance and administration. Mr. Yung Kwok Leung, our Finance Director, possesses over 35 years of experience in accounting and finance. Each of Mr. Shum Yam Shun, our Site Superintendent, and Mr. To Kam Ming, our Project Manager, has extensive experience in the construction industry. We believe that our management team has the ability to develop and manage efficient operations which enables us to formulate and execute sound business strategies. There is no assurance that our Group can retain the continuous services of our executive Directors and other members of senior management. If we cannot retain their continuous services in the management of our Group or we may not be able to find suitable replacements in a timely manner, there could be an adverse and material impact on the business, results of operation and profitability of our Group.

RISK FACTORS

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

We operate our business on a project-by-project basis. For each of the three years ended 31 December 2014, 2015 and 2016, our revenue was approximately HK\$53.8 million, HK\$75.3 million and HK\$131.8 million, respectively. For the same period, our gross profit was approximately HK\$12.6 million, HK\$21.0 million and HK\$24.6 million, respectively. Our gross profit margin increased from 23.4% for the year ended 31 December 2014 to 27.9% for the year ended 31 December 2015, and decreased to 18.7% for the year ended 31 December 2016. Our profit margins may fluctuate from project to project due to a number of factors including those set out in the section headed “Business – Sales, marketing and customers – Pricing policy” in this prospectus. There is an inherent risk in using our historical projects financial information to estimate our financial performance in the future, as they only reflect our past performance under particular conditions. We may not be able to sustain our historical growth rate, revenue and profit margin for various reasons, including, intensification of competition among foundation and site formation works subcontractors, aggravation in labour shortage, and other unforeseen factors such as adverse weather and geological conditions.

Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

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

We do not generally receive any sums as prepayment from our customers for our foundation and site formation projects. Nonetheless, we have to incur various costs, including purchases of raw materials and wages to our workers and our subcontractors’ workers after commencement of our projects. As such, we are subject to credit risks of our customers and our liquidity is dependent on our customers making prompt progress payments and release of retention monies due to us. For details of the mechanisms of the progress payment and retention monies, please refer to the paragraphs headed “Business – Sales, marketing and customers – Credit policy and payment by customers” and “Business – Sales, marketing and customers – Retention money” in this prospectus.

RISK FACTORS

As at 31 December 2014, 31 December 2015 and 31 December 2016, the trade receivables amounted to approximately HK\$5.0 million, HK\$3.4 million and HK\$15.2 million, respectively. As at the same dates, the retention receivables amounted to approximately HK\$4.3 million, HK\$6.0 million and HK\$8.8 million, respectively, whereas the respective trade receivables and retention receivables accounted for approximately 37.0%, 22.3% and 42.1% of the total current assets, respectively. Additionally, the average trade receivables turnover days were approximately 32.9 days, 20.4 days and 25.7 days for each of the three years ended 31 December 2014, 2015 and 2016, respectively. For details of the fluctuations in our trade and retention receivables from customers and trade receivables turnover days, please refer to the paragraph headed “Financial Information – Discussion of certain combined statements of financial position items – Trade and other receivables – Trade receivables analysis” in this prospectus. We cannot assure you that we will be able to recover all or any part of the amounts due from our customers or we will be able to collect all or any part of the retention receivables from our customers within the agreed credit terms or at all.

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

Any failure, damage or loss of our machinery, or failure to invest in suitable machinery may adversely affect our market competitiveness

Our capacity to carry out works for our customers depends on, among others, the availability of our machinery. Included in the paragraph headed “Business – Machinery” in this prospectus are the details relating to our machinery. For each of the three years ended 31 December 2014, 2015 and 2016, the utilisation rates of our machinery and equipment was 58.3%, 81.6% and 92.4%, respectively, and the average remaining useful life of our major machinery as at 31 December 2016 was 2.8 years. There is no assurance that our machinery will not be damaged or lost as a result of, among others, improper operation, accidents, fire, adverse weather conditions, theft or robbery. In addition, machinery may break down or fail to function normally due to wear and tear or mechanical issues. Any failure, damage or loss of our machinery may adversely affect our operations and financial reference. In addition, if we fail to stay abreast of market trends and invest in suitable machinery to cope with changing customer demands and specifications, our overall competitiveness and financial position and operation results may be adversely affected. For details about our plans on acquiring machinery, please refer to the paragraph headed “Business objectives and future plans – Use of proceeds” in this prospectus.

RISK FACTORS

There is no assurance that we will be able to renew our registration in the Subcontractors Registration Scheme of the Construction Industry Council

Our principal operating subsidiary, Workbase Engineering, has registered with the Construction Industry Council as a registered subcontractor under trade specialties of bored piles, micro piles and general civil works. Some of our customers may prefer to engage subcontractors who are registered in the Subcontractors Registration Scheme of the Construction Industry Council to which we can fulfil such requirement.

Renewal of all of the abovementioned subcontractor registrations is required every two years and is generally subject to certain technical and relevant industry experience requirements. There is no assurance that we will be able to renew such registration every time in the future. In the event of non-renewal of such registration, our reputation, our ability to obtain future businesses, and our business and financial position may be materially and adversely affected.

We are exposed to certain types of liabilities against which our insurance coverage generally does not include

During the Track Record Period, our Group maintained insurance coverage against, among others, (i) liability for third-party bodily injury occurred in our office premises; (ii) loss or damage to our machinery; and (iii) third-party liability in relation to the use of our vehicles. Included in the paragraph headed “Business – Insurance” in this prospectus are the relevant details. Certain types of risks, such as the risk in relation to the collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. In the event that an uninsured liability arise, we may suffer losses which may adversely affect our financial position. There can be no assurance that all potential losses and claims, regardless of the cause, would be sufficiently covered and/or recoverable from the insurers.

There is no guarantee that safety measures and procedures implemented at construction sites could prevent the occurrence of industrial accidents of all kinds, which in turn might lead to claims given rise from employees’ compensation, personal injuries, and/or property damage against us

We are committed to providing a safe and healthy working environment. However, we cannot guarantee that all of the safety measures and procedures are strictly adhered to at all times, nor can we assure you that our safety measures and procedures are sufficient to prevent the occurrence of industrial accidents of all kinds. If the safety measures and procedures implemented at construction sites are insufficient or not strictly adhered to, it may result in industrial accidents which would in turn lead to claims given rise from employees’ compensation, personal injuries, fatal accidents, and/or property damage against us. These would result in significant financial loss, damages to our reputation in the industry, and adversely affect our financial condition. Please refer to the paragraph headed “Business – Occupational health and safety” in this prospectus for details.

RISK FACTORS

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

We may be involved in disputes with our employees, customers, suppliers, subcontractors and other project parties from time to time in respect of various matters, including delay in completion of foundation and site formation works, as well as other geotechnical engineering works, personal injury claims, complaints about the quality of completed works and damages to machinery and equipment arising from daily operation.

Further, disputes may arise between our customers and us as to the value of work properly done in a particular period, and the progress payment that we are entitled to in the relevant period. In some projects, the subcontracts may include variation clauses which empower our customers of the construction projects and/or the main contractors to give instructions to vary the subcontract works which we are generally obliged to follow. The value of such variations is generally ascertained by reference to the rates and prices specified in the subcontracts for the like or analogous works. If no rates and prices are specified, or if they are not applicable, such value shall be proper and reasonable in all circumstances, failing which, at a rate agreed between the main contractors and our Group. In the event that we fail to reach an agreement, the rates shall be fixed by the main contractors at a reasonable and proper price in their opinion. If we and the main contractors take different views on the valuation results, contractual disputes with our customers may arise.

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

The handling of accidents and subsequent claims, litigations and other legal proceedings may sometimes involve a high degree of our management's attention and input. Handling of litigations and legal proceedings can be both costly and time-consuming, and may significantly divert the efforts and resources of our management. In addition, should any claims, litigation and legal proceedings against us fall outside the scope and/or limit of our insurance coverage, our financial position may be adversely affected.

We may be liable for damage caused to underground utilities and infrastructures beneath our construction site when carrying out foundation works and/or associated works

When we carry out foundation works and/or associated works, we may encounter fresh and flush water piping, electrical cables, optical fibre telephone lines and high pressure gas mains and other utilities and infrastructures which are laid underground or below carriageways and footways. If damage is made to those utilities during our works, we may be liable for the costs for the repair of such damaged utilities and infrastructures and the relevant remedial works will increase our costs for the projects and may cause delay in our project schedule.

RISK FACTORS

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

We would delegate specific work tasks to different subcontractors from time to time.

As at 31 December 2014, 31 December 2015 and 31 December 2016, the trade payables amounted to approximately HK\$8.0 million, HK\$7.3 million and HK\$9.3 million, respectively. As at the same date, the retention payables amounted to approximately HK\$1.1 million, HK\$1.4 million and HK\$3.5 million, respectively, whereas the respective trade and retention payables accounted for approximately 52.1%, 34.4% and 39.6% of the total current liabilities, respectively. In addition, the average trade payables turnover days were 49.5 days, 51.2 days and 28.2 days for each of the three years ended 31 December 2014, 2015 and 2016, respectively. For details of the fluctuations in our trade payables to our suppliers and the trade payable turnover days, please refer to the paragraph headed “Financial Information – Discussion of certain combined statements of financial position items – Trade and other payables” in this prospectus.

We rely on cash inflow from our customers to meet our payment obligations to our suppliers and subcontractors. Our cash inflow is dependent on prompt settlement of progress payments, and timely release of retention monies by our customers. As such, we would record significant cash outflow in the event that we take up too many substantial projects at a particular period of time.

Our business plans and strategies may not be successful or achieved within the expected time frame or the estimated budget

We intend to further enhance our machinery and strengthen our manpower in order to cope with the expected increase in demand for our services. However, our plans and strategies may be hindered by risks including but not limited to those mentioned elsewhere in this section. There is no assurance that we will be able to successfully maintain or increase our market share or grow our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans could materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

RISKS RELATING TO THE FOUNDATION AND SITE FORMATION INDUSTRY IN WHICH WE OPERATE

Our performance is dependent on market conditions and trends in the construction industry and in the overall state of Hong Kong's economy which may change adversely

Our performance and financial condition are heavily dependent on the state of economy in Hong Kong where we generate most of our revenue. The future growth and level of profitability of the foundation industry in Hong Kong are likely to depend primarily upon the continued availability of major construction projects. According to the Ipsos Report, the growth of Hong Kong's foundation industry has been supported by the demand for construction structures work for infrastructure projects and the housing market. The nature, extent and timing of our projects will, however, be determined by the interplay of a variety of factors, in particular, the Government's spending patterns on housing and infrastructure, the investment of property developers and the general conditions and prospects of the economy. Apart from the public spending of the Government, there are numerous factors affecting the foundation industry, including cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in private sector. Should there be a recurrence of recession in Hong Kong, deflation or any changes in Hong Kong's currency policy, or should the demand for foundation works in Hong Kong deteriorate, our operations and profits could be adversely affected.

Weather conditions, natural disasters, other acts of God, political unrest and other events may have negative impact on the foundation industry

Weather conditions, natural disasters and other acts of God which are beyond our control may materially and adversely affect the economy, the foundation industry and our business. Our operations and financial condition may be adversely affected. Political unrest may also cause damage or disruption to our business, our employees and our markets, any of which could materially and adversely affect our overall results of operations and financial condition.

In addition, power failures, fire or explosions or other natural disasters could cause disruptions in our Group's operations or cause delays in its delivery schedules.

Furthermore, Hong Kong has in recent years encountered different types of epidemics, which have caused various degrees of damage to the economy of Hong Kong and, in turn, the foundation industry. If an epidemic outbreak occurs in Hong Kong, the economy of Hong Kong may suffer which will in turn adversely affect our results of operations.

RISK FACTORS

We operate in a competitive industry

According to the Ipsos Report, the foundation industry in Hong Kong has a number of participants and is competitive. There were our estimated aggregate of approximately 500 foundation main contractors and subcontractors in Hong Kong as of May 2017. Occasionally, new market participants, which possess the appropriate skills, local experience, necessary machinery and equipment, capital, emerge and are granted the requisite registrations by the relevant governmental authorities. Increased competition may result in lower operating margins and loss of market share, resulting in an adverse impact on our profitability and operating results.

We are exposed to environmental liability

Our operations are subject to certain laws and regulations in relation to environmental protection. Included in the section headed “Business – Environment” in this prospectus are our measures and work procedures that are required to be followed by our operations staff and workers in respect of environmental protection compliance. Our Directors consider that our measures and work procedures adopted are appropriate and adequate. During the Track Record Period and up to the Latest Practicable Date, we did not have any violation of applicable environmental laws and regulations which would have had a material impact on our business, financial condition or results of operations. In the event that our Group fails to comply with the relevant laws and regulations in relation to environmental protection, we may be imposed fines and penalty may be imposed on us by relevant authorities which would adversely affect our business, financial condition and results of operations.

Changes in the rules and regulations governing the construction industry, the licensing regime and other health, work safety and environmental responsibilities may adversely affect our operations and profitability

Under the relevant laws of Hong Kong, construction and foundation works are required to comply with certain registration requirements and fulfil certain health, safety and environmental responsibilities. In the event that there is any changes in the current regulatory regime that governs the foundation industry, we may incur more costs in complying with the new requirements, and failing of which may lead to the suspension or ceasing of our relevant registration to operate our business or result in regulatory non-compliances and, in turn, adversely affect our operation and financial results.

RISK FACTORS

Construction labours may launch industrial actions or strikes to demand for higher wages and/or shorter working hours

Construction works are usually divided into various different trades. Each trade requires specialised labour of its own and cannot be easily replaced by labour of another trade. Industrial action of any trade may disrupt our operation and/or the operation of our customers and/or subcontractors and thus the work progress of projects undertaken by us. Although there was no industrial actions or strikes on the construction sites of our Group during the Track Record Period, there is no assurance that trade unions will not launch any industrial actions or strikes to demand for higher wages and/or shorter working hours in the future. If their demands are to be met, we may incur additional subcontracting costs and/or experience delay in the completion of our projects where our customers may in turn claim against us for not being able to meet the time schedule requirements of the contracts. In either case, these industrial actions or strikes may have adverse impact on our profitability and results of operation.

RISKS RELATING TO THE PUBLIC OFFER

An active trading market of the Shares may not develop

Prior to the Public Offer, there has been no public market for any of the Shares. The initial Offer Price range for the Offer Shares was the result of negotiations among our Company and Joint Lead Managers (for themselves and on behalf of the Underwriters). The Offer Price may differ significantly from the market price for the Shares following the Public Offer. However, even if approved, being listed on GEM does not guarantee that an active trading market for the Shares will develop following the Public Offer or that the Shares will always be listed and traded on GEM. Our Group cannot assure that an active trading market will develop or be maintained following completion of the Public Offer, or that the market price of the Shares will not fall below the Offer Price.

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

Upon Listing, the trading volume and market price of our Shares may be affected or influenced by a number of factors from time to time, including but not limited to, the revenues, earnings and cash flows of our Group and announcements of new services and/or investments of our Group, strategic alliances and/or acquisitions, fluctuations in market prices for our Group's services or fluctuations in market prices of comparable companies, changes of senior management of our Group, and general economic conditions. Any such developments may result in large and sudden changes in the volume and price at which the Shares will trade. There is no assurance that such developments will or will not occur and it is difficult to quantify the impact on our Group and on the trading volume and market price of our Shares. In addition, shares of other companies listed on GEM have experienced substantial price volatility in the past. It is likely that from time to time, our Shares will be subject to changes in price that may not be directly related to our Group's financial or business performance.

RISK FACTORS

Purchasers of the Offer Shares will experience an immediate dilution and may experience further dilution if our Company issues additional Shares or other securities in the future

Based on the Offer Price range, the Offer Price is expected to be higher than the net tangible asset value per Share immediately prior to the Public Offer. Therefore, the purchasers of the Offer Shares will experience an immediate dilution in unaudited pro forma net tangible asset value to approximately HK\$0.07 per Share and approximately HK\$0.08 per Share based on the Offer Price of HK\$0.20 per Offer Share and HK\$0.24 per Offer Share respectively. Additional funds may be required in the future to finance the expansion or new developments of the business and operations of our Group or new 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 existing Shareholders, the percentage ownership of the Shareholders in our Company may be diluted or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

Future sales by existing Shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares

The Shares held by the Controlling Shareholders are subject to lock-up beginning on the date on which trading in the Shares commences on GEM. There is no assurance that our Controlling Shareholders will not dispose of the Shares held by them. Our Group cannot predict the effect, if any, of any future sales of the Shares by any substantial shareholder of our Company or our Controlling Shareholder, or the availability of Shares for sale by any substantial shareholder or our Controlling Shareholder may have on the market price of the Shares. Sales of a substantial amount of Shares by any substantial shareholder of our Company or Controlling Shareholder or the issuance of a substantial amount of new Shares by our Company, or the market perception that such sales or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

Historical dividends may not be indicative of the amount of future dividend payments or our Company's future dividend policy

No dividend was paid or declared by our Company during the Track Record Period. On 1 June 2017, members of our Group declared a dividend to their then shareholders in an amount of approximately HK\$9.0 million, of which approximately HK\$8.4 million was set off against the net amount due from director and approximately HK\$0.6 million to be settled by cash by internal resources before Listing. Our Company's ability to pay dividends or make other distributions to the Shareholders is subject to the future financial performance and cash flow position of our Group. Our Company may not be able to distribute dividends to the Shareholders as a result of the abovementioned factors.

RISK FACTORS

Accordingly, our Group's historical dividend distribution should not be used as a reference or basis to determine the level of dividends that may be declared and paid by our Group in the future. Our Group may not be able to record profits and have sufficient funds above its funding requirements, other obligations and business plans to declare dividends to our Shareholders.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ from those in Hong Kong

The corporate affairs are governed by the Memorandum and Articles of Association and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This may mean that the remedies available to our Company's minority shareholders may be different from those they would have under the laws of other jurisdictions. A summary of the Companies Law is set out in Appendix III to this prospectus.

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS

Statistics and facts in this prospectus have not been independently verified

This prospectus includes certain statistics and facts that have been extracted from Government official sources and publications or other sources. Our Company believes the sources of these statistics and facts are appropriate for such statistics and facts and has taken reasonable care in extracting and reproducing such statistics and facts. Our Company has no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts from these sources have not been independently verified by our Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters, any of their respective directors or any other parties involved in the Public Offer and therefore, our Company makes no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

Forward-looking statements contained in this prospectus may prove inaccurate and therefore investors should not place undue reliance on such information

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of the Directors and our Group. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements. The actual financial results, performance or achievements of our Group may differ materially from those discussed in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Public Offer and the Listing of the Offer Shares, which is sponsored by the Sole Sponsor. The Offer Shares are fully underwritten by the Underwriters under the terms and conditions of the Public Offer Underwriting Agreement. For further information about the underwriting arrangements, please refer to the section headed “Underwriting” of this prospectus.

INFORMATION ON THE PUBLIC OFFER

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Public Offer to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters, any of our/their respective directors, officers, employees, agents, representatives or any other person or party involved in the Public Offer. For further details of the Structure of the Public Offer, including its conditions, please refer to the section headed “Structure and Conditions of the Public Offer” in this prospectus.

RESTRICTIONS ON SALE AND OFFER OF THE OFFER SHARES

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

Save as mentioned above, no action has been taken in any jurisdiction other than Hong Kong to permit an offer or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Public Offer in any jurisdiction or, in any circumstance 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFER

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

No invitation may be directly or indirectly by or on behalf of the Company to the public in the Cayman Islands to subscribe for or acquire any of the Offer Shares. The Public Offer is made solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Public Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters, and any of their respective directors or affiliates of any of them or any other person and party involved in the Public Offer. The contents as shown in the website of the Company of www.wbgroupfw.com.hk do not form part of this prospectus.

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

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. No part of the share or loan capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission of dealing is being or is proposed to be sought.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Public Offer or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void. The Shares are freely transferable. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees. A total of 250,000,000 Shares for subscription, which represent 25% of our Company's enlarged issued share capital will be in the hands of the public immediately following the completion of the Public Offer and upon Listing (assuming the options that may be granted under the Share Option Scheme are not exercised).

INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFER

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the “minimum prescribed percentage” of 25% or such applicable percentage of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

No part of the Shares or the loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

If investors are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or exercise of any rights in relation to the Offer Shares, they should consult an expert. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Joint Lead Managers, the Underwriters, any of our/their respective directors, officers, employees, agents, representatives or any other person or party involved in the Public Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to the Offer Shares.

HONG KONG BRANCH REGISTER OF MEMBERS AND STAMP DUTY

All the Offer Shares will be registered on the Hong Kong branch share register of members to be maintained in Hong Kong by Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong. Dealings in the Shares registered on the principal share registrar 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.

Dealings in the Shares registered on our Company’s branch register of members maintained in Hong Kong will be subject to the Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends in respect of Shares will be paid to the Shareholders by ordinary post, at the Shareholders’ risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the 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 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFER

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 advisers.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Tuesday, 27 June 2017. The Shares will be traded in board lots of 10,000 each. The stock code for the Shares is 8460. Our Company will not issue any temporary documents of title. Dealings in the Shares on GEM will be effected by participants of GEM whose bid and offer quotations will be available on the GEM's teletext page information system. Delivery and payment for Shares dealt on GEM will be effected on the second Business Day following the transaction date. Only certificates for Shares registered on the branch share register of our Company will be valid for delivery in respect of transactions effected on GEM. If you are unsure about the procedures for dealings and settlement arrangement on GEM on which the Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER

Details of the structure of the Public Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Public Offer" in this prospectus.

LANGUAGE

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

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE PUBLIC OFFER

DIRECTORS

| Name | Residential address | Nationality |
|------|---------------------|-------------|
|------|---------------------|-------------|

Executive Directors

| | | |
|---------------------------|---|---------|
| Ms. Yuen Suk Har (袁淑霞) | No. 43, 1st Street, Section C, Fairview Park, Yuen Long, New Territories Hong Kong | Chinese |
|---------------------------|---|---------|

| | | |
|---------------------------|---|---------|
| Mr. Lau Chung Ho (劉頌豪) | No. 43, 1st Street, Section C, Fairview Park, Yuen Long, New Territories Hong Kong | Chinese |
|---------------------------|---|---------|

Independent non-executive Directors

| | | |
|------------------------|--|---------|
| Mr. Ng Ki Man (吳祺敏) | Flat G, 27th Floor Tower 2, Goodrich Garden 9 Leung Tak Street Tuen Mun New Territories Hong Kong | Chinese |
|------------------------|--|---------|

| | | |
|--------------------------------|---|---------|
| Mr. Iu Tak Meng Teddy (余德鳴) | Flat A, 18th Floor Fu Chak Yuen Chi Fu Fa Yuen 18 Chi Fu Road Pok Fu Lam Hong Kong | Chinese |
|--------------------------------|---|---------|

| | | |
|-----------------------------|--|---------|
| Mr. Chong Kam Fung (莊金峰) | Flat G, 19th Floor, Block 3A Tierra Verde 33 Tsing King Road Tsing Yi New Territories Hong Kong | Chinese |
|-----------------------------|--|---------|

Further information about our Directors is disclosed in the section headed “Directors, Senior Management and Employees” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE PUBLIC OFFER

PARTIES INVOLVED IN THE PUBLIC OFFER

Sole Sponsor

Frontpage Capital Limited

26th Floor

Siu On Centre

188 Lockhart Road

Wan Chai

Hong Kong

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

Joint Lead Managers and Underwriters

Frontpage Capital Limited

26th Floor

Siu On Centre

188 Lockhart Road

Wan Chai

Hong Kong

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

Supreme China Securities Limited

Suite 2701-2, 27/F, Everbright Centre

108 Gloucester Road

Wan Chai

Hong Kong

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

Legal advisers to our Company

as to Hong Kong law:

CFN Lawyers in association with Broad and Bright

Room 4124, 41st Floor

Sun Hung Kai Centre

30 Harbour Road

Wan Chai

Hong Kong

(Solicitors of Hong Kong SAR)

DIRECTORS AND PARTIES INVOLVED IN THE PUBLIC OFFER

| | |
|--|---|
| | <i>as to Cayman Islands law:</i> Appleby 2206-19 Jardine House 1 Connaught Place Central Hong Kong <i>(Cayman Islands attorneys-at-law)</i> |
| Legal advisers to the Sole Sponsor and the Underwriters | <i>as to Hong Kong law:</i> T. S. Chu Lawyers Room 1003, 10th Floor Jubilee Centre 46 Gloucester Road Wan Chai Hong Kong <i>(Solicitors of Hong Kong SAR)</i> |
| Auditor and reporting accountants | HLB Hodgson Impey Cheng Limited 31/F, Gloucester Tower The Landmark, 11 Pedder Street Central Hong Kong <i>(Certified Public Accountants)</i> |
| Market research consultant | Ipsos Limited 22nd Floor, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong |
| Receiving Bank | Standard Chartered Bank (Hong Kong) Limited 15/F, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong, Kowloon Hong Kong |

CORPORATE INFORMATION

| | |
|---|---|
| Headquarters and principal place of business in Hong Kong as registered under Part 16 of the Companies Ordinance | Unit 18, 29th Floor New Tech Plaza 34 Tai Yau Street San Po Kong Kowloon |
| Registered office | P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands |
| Company secretary | Ms. Yim Sau Ping (嚴秀屏) (HKICPA) 2/F, 596 Wonderland Tai Po Tau, Tai Wo New Territories Hong Kong |
| Authorised representatives (for the purpose of the GEM Listing Rules) | Mr. Lau Chung Ho (劉頌豪) No. 43, 1st Street, Section C, Fairview Park, Yuen Long, New Territories Hong Kong Ms. Yim Sau Ping (嚴秀屏) (HKICPA) 2/F, 596 Wonderland Tai Po Tau, Tai Wo New Territories Hong Kong |
| Compliance officer | Mr. Lau Chung Ho (劉頌豪) No. 43, 1st Street, Section C, Fairview Park, Yuen Long, New Territories Hong Kong |

CORPORATE INFORMATION

| | |
|---|--|
| Audit committee | Mr. Ng Ki Man (吳祺敏) (<i>Chairman</i>) Mr. Iu Tak Meng Teddy (余德鳴) Mr. Chong Kam Fung (莊金峰) |
| Remuneration committee | Mr. Iu Tak Meng Teddy (余德鳴) (<i>Chairman</i>) Mr. Ng Ki Man (吳祺敏) Ms. Yuen Suk Har (袁淑霞) Mr. Chong Kam Fung (莊金峰) |
| Nomination committee | Ms. Yuen Suk Har (袁淑霞) (<i>Chairlady</i>) Mr. Ng Ki Man (吳祺敏) Mr. Iu Tak Meng Teddy (余德鳴) Mr. Chong Kam Fung (莊金峰) |
| Compliance adviser | Frontpage Capital Limited 26th Floor Siu On Centre 188 Lockhart Road Wan Chai Hong Kong (A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO) |
| Cayman Islands principal share registrar and transfer office | Estera Trust (Cayman) Limited P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands |
| Hong Kong branch share registrar and transfer office | Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong |

CORPORATE INFORMATION

Principal bankers

Dah Sing Bank, Limited

34/F, Everbright Centre
108 Gloucester Road
Hong Kong

The Bank of East Asia, Limited

38th Floor, BEA Tower
Millennium City 5
418 Kwun Tong Road
Kowloon
Hong Kong

Standard Chartered Bank (Hong Kong) Limited

26/F, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Company's website address

www.wbgroupfw.com.hk

*(the information contained in this website does not
form part of this prospectus)*

INDUSTRY OVERVIEW

The information that appears in this section has been prepared by Ipsos and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Ipsos should not be considered as the opinion of Ipsos as to the value of any security or the advisability of investing in our Company. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Ipsos and set out in this section has not been independently verified by our Group, the Sole Sponsor, the Joint Lead Managers, the Underwriters or any other party involved in the Public Offer and none of them gives any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

SOURCE OF INFORMATION

We commissioned Ipsos, an independent professional market research company, to assess the industry development trends, market demand and competitive landscape of foundation industry, especially foundation subcontracting works, in Hong Kong for the period from 2011 to 2021, at a fee of HK\$516,800 and our Directors consider that such fee reflects market rates. Ipsos is an independent market research company and consulting company which conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence and which has been engaged in a number of market assessment projects in connection with Public Offer in Hong Kong. Founded in Paris, France in 1975 and publicly-listed on the NYSE Euronext Paris since 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the acquisition, Ipsos became one of the largest market research and consulting companies in the world, which employs over 16,000 personnel worldwide across 87 countries.

The information contained in the Ipsos Report is derived by means of data and intelligence gathering through: (i) desktop research including Government statistics, journals and financial reports; and (ii) primary research, including face-to-face and phone interviews with key stakeholders and industry experts in Hong Kong, such as the Government officials, developers, main contractors, subcontractors, architects, quantity surveyors, industry experts and associations in the construction industry in Hong Kong. Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques. According to Ipsos, information gathered can be cross-referenced to ensure accuracy. Nevertheless, we cannot assure you regarding the accuracy or completeness of the factors, forecasts and statistics in this prospectus obtained from sources such as Government publications, market data providers and the Ipsos Report.

INDUSTRY OVERVIEW

Our Directors believe that the disclosure of future projections and industry data in this section is not biased or misleading. We believe that the sources of information in this section are appropriate and we have taken reasonable care in extracting and reproducing this information. Our Directors confirm that, after taking reasonable care, there has been no adverse change in the market information since the date of Ipsos Report up to the Latest Practicable Date which may qualify, contradict or have a material impact on the information in this section.

MACROECONOMIC ENVIRONMENT AFFECTING CONSTRUCTION INDUSTRY IN HONG KONG

Gross fixed capital formation value in Hong Kong

The gross fixed capital formation value in Hong Kong increased gradually from about HK\$455.3 billion in 2011 to about HK\$536.2 billion in 2016, at a CAGR of approximately 3.3%. The growth in the gross fixed capital formation is attributed to the increasing number of construction projects, in both general buildings and civil engineering. The on-going and upcoming construction projects in both public and private sectors are expected to drive the growth of gross fixed capital formation in Hong Kong.

Other macroeconomic factors affecting the construction industry in Hong Kong

Demand for residential property

The demand of residential property has been robust in recent years. The residential property price index (1999=100) rose from about 206.2 in 2012 to about 286.1 in 2016, given the high demand for real estate properties. The Government plans to provide land for approximately 20,000 residential flats every year and a total of about 470,000 housing units for the next 10 years was devised. In addition, the 2015 Policy Address estimates that about 210,000 residential units will be ready by 2019. Such demand and policies will continue to serve as a main growth drivers for construction industry in Hong Kong.

INDUSTRY OVERVIEW

Government policies and regulations affecting the construction industry in Hong Kong

The Land Sale Programme

The Land Sale Programme of 2015 to 2016 is expected to provide around 29 residential sites to construct 16,000 flats. The aggregate government sites sold in 2014 and 2015 will supplement residential development space for about 20,300 flats over the expected target of 18,800 flats. Boosted by the Government's initiatives to increase the supply of residential buildings, growth in Hong Kong's construction industry, including building construction, foundation and site formation works, will be strong.

Initiatives to aid the insufficient labour supply in the construction industry

Under the Supplementary Labour Scheme, employers are permitted to outsource workers from overseas when faced with labor supply shortages. While foreign workers are permitted to work in Hong Kong, protocols are also set up to ensure that recruitments first occur locally. Local workers are guaranteed priority placements to safeguard their employment benefits and opportunities. Besides, to alleviate the labor shortage in construction industry, approximately HK\$420 million has been allocated to the Construction Industry Council for investing in training programmes and subsidy schemes to attract the younger generation to join Hong Kong's construction labour force.

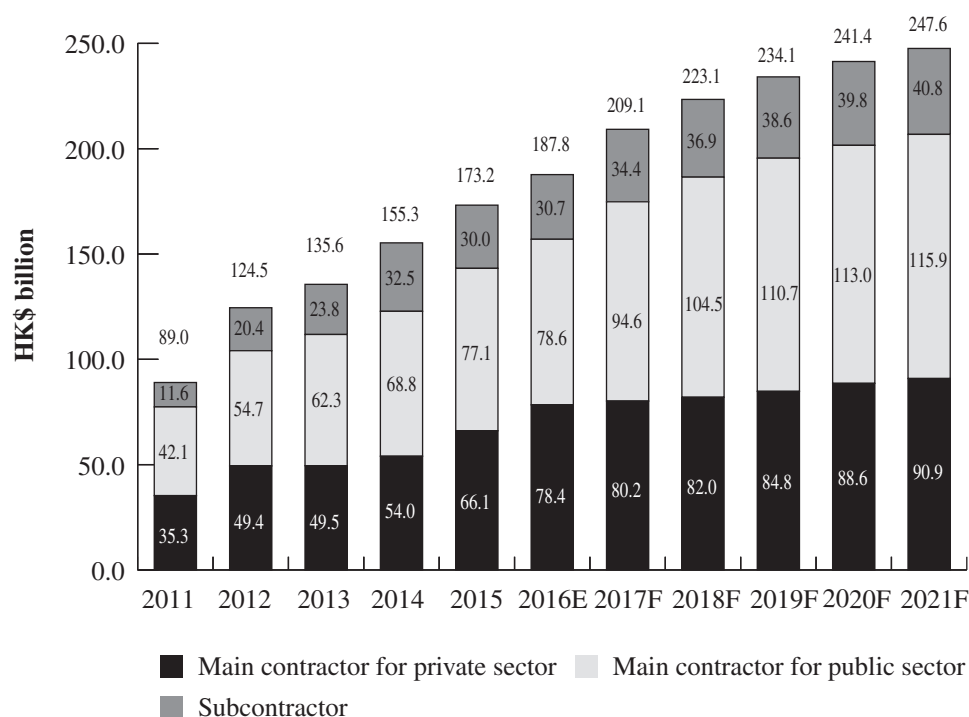
INDUSTRY OVERVIEW

MARKET OVERVIEW OF CONSTRUCTION INDUSTRY IN HONG KONG

Gross output value of construction works in Hong Kong

The construction industry in Hong Kong accounted for about 3.3% to 4.7% of the total GDP from 2010 to 2015. The total gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong surged from approximately HK\$89.0 billion in 2011 to approximately HK\$187.8 billion in 2016, representing a CAGR of approximately 16.1%. The gross output value of construction works is expected to increase from about HK\$187.8 billion in 2016 to HK\$247.6 billion in 2021. The following diagram illustrates the actual and expected gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong from 2011 to 2016 and from 2017 to 2021, respectively.

Gross Output Value of Construction Works Performed by Main Contractors and Subcontractors at Construction Sites in Hong Kong from 2011 to 2021



Sources: Census and Statistics Department, HKSAR and Ipsos Report

INDUSTRY OVERVIEW

The gross output value of the construction works performed by subcontractors experienced a growth at a CAGR of about 21.5% from 2011 to 2016. This is mainly attributed to the growing size and complexity of the projects. Large and complex contract packages are awarded to multi-disciplinary contractors. These main contractors will then subcontract parts of their works to different subcontractors. With such kind of multilayer outsourcing and subcontracting trend, along with the positive outlook of Hong Kong's construction industry, the weight of subcontractor in the overall construction work is expected to continual grow.

Residential housing and commercial development in Hong Kong

The total number of private residential housing units completed in Hong Kong is around 12,423 in 2015 and is expected to reach to around 18,203 in 2016. The total floor area of private commercial buildings is expected to reach to around 103,000 m² in 2015 and around 121,000 m² in 2016. In addition, according to the 2016 Policy Address, the Government will continue to increase the land used for commercial and economic activity through measure such as converting suitable Government, Institution or Community sites in core business districts into commercial use and the development of Kowloon East as an alternative core business district. In addition, according to 2016-17 Policy Address, the 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 continual efforts the Government put into commercial land use will support the construction industry in Hong Kong in the next 5 years.

Total investment value in construction projects in Hong Kong

The total investment value in construction projects increased from HK\$203.6 billion in 2011 to HK\$334.0 billion in 2015 at a CAGR of 13.2% owing to growing costs of construction works. Higher costs of construction works such as growing costs of raw materials, labour and contract fee to subcontractors trigger additional charges in construction projects. For instance, the hourly wage of construction workers grew at a CAGR of approximately 9.7% between 2011 and 2015.

INDUSTRY OVERVIEW

Major participants in the construction industry in Hong Kong

In Hong Kong, the land owners, property developers, or Government departments are the major customers of the main contractors in the construction industry. Land owners or property developers win auctions for the public land sites in order to obtain land ownership, usually for building projects including residential, commercial, and industrial projects. These projects can be divided by the nature of construction activity, including site formation, piling, demolition, erection of architectural superstructure, and structural alteration. These main contractors are majority in charge of the entire construction projects, and then outsource parts of the construction works to different subcontractors in accordance with their expertise and specialist knowledge. Accordingly, multilayer subcontracting is a common practice in Hong Kong's construction industry.

Number of workers engaging in construction industry

The total number of workers involved in the construction works industry in Hong Kong grew from 69,395 in 2011 to 101,982 in 2015, at a CAGR of approximately 10.1%. As the Government has strived on ascending the affordable housing supply, the demand for building construction contracting services has subsequently increased the demand for more construction workers. As the labour shortage and ageing problem have been a common issue in Hong Kong's construction industry, the Government has taken actions to increase the construction workers supply including organising training courses and implementing subsidy scheme to encourage young people to join the industry.

OVERVIEW OF THE FOUNDATION AND SITE FORMATION INDUSTRY IN HONG KONG

Foundation works generally include site formation, ELS works, excavation and piling works and the works usually take place at construction sites and are needed before the construction of buildings, structures and facilities.

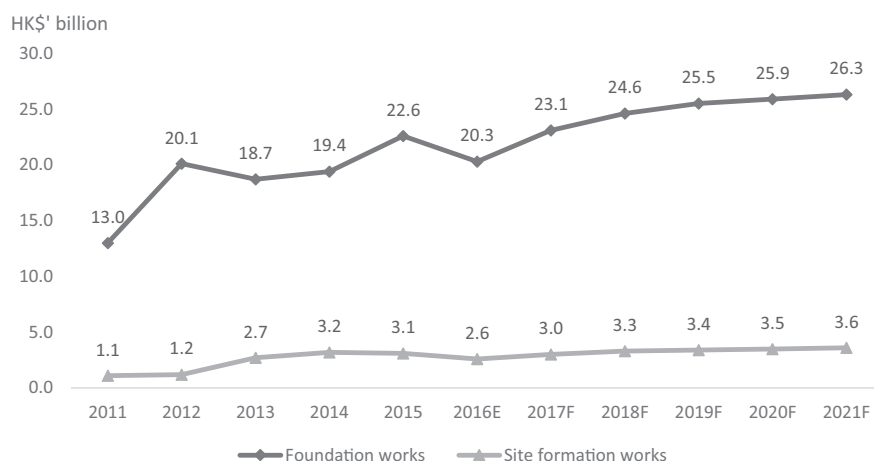
The demand for foundation works depends largely on the demand for construction structures works, as common foundation works such as drilling and piling are usually conducted once a construction project commence. Accordingly, the growth of the foundation industry has been supported by the growth of the construction industry. In 2016, the revenue of Hong Kong's foundation industry accounted for about 10.8% of the gross output value performed by main contractors and subcontractors at local construction sites, suggesting the importance of foundation works in a construction project.

As mentioned above, multilayer subcontracting is a common practice in Hong Kong's construction industry. It is therefore common for main foundation contractors to subcontract their works to foundation subcontracting service providers.

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Revenue of foundation and site formation industry in Hong Kong

The chart below shows the gross output value (or revenue) of foundation and site formation industry in Hong Kong between 2011 and 2016 and the forecast from 2017 and 2021:



Sources: Census and Statistics Department, HKSAR; Ipsos Report

The gross output value of Hong Kong's foundation contracting industry grew at a CAGR of 9.3% from HK\$13.0 billion in 2011 to HK\$20.3 billion in 2016 driven by various infrastructure projects and the housing market. The revenue of the foundation industry is forecasted to increase at a CAGR of about 3.3% over 2017 to 2021, from HK\$23.1 billion to HK\$26.3 billion due to the expected increase in demand for residential and commercial buildings. A slight decrease in revenue is being recorded in 2016 as some of the foundation works in major infrastructures projects have already delivered before 2016, while other projects are still in the stage of planning, such as the northern New Territories new development areas projects. Nevertheless, in the 2016 Policy Address, another housing policy was launched to continue increasing the residential housing supply including public housing and subsidized sale flats. Moreover, in the 2017 Policy address, the private sector is expected to produce about 94,000 residential units by 2021. Thus, the continuous investment in property development is expected to increase the housing supply and drive the total gross output value of foundation works in Hong Kong during the coming years.

The gross output value of site formation works in Hong Kong increased from approximately HK\$1,102 million in 2011 to approximately HK\$2,579 million in 2016, at a high CAGR of approximately 18.5% driven by the rising number and contract value of projects for civil engineering and the increasing public expenditure on infrastructure in Hong Kong. It is predicted that the gross output value of site formation works will grow from HK\$2,994 million in 2017 to HK\$3,595 million in 2021, at a CAGR of approximately 4.7%.

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Cost of foundation contracting works

The estimated average fee per foundation work project in Hong Kong increased at a CAGR of approximately 5.9% from HK\$28.9 million to HK\$34.3 million between 2011 and 2014. Labour costs and costs of materials, including steel reinforcement and cement, are the major cost components for foundation works in Hong Kong.

Average daily wage of construction workers in the foundation contracting industry in Hong Kong

The average foundation worker wage per day has increased at a CAGR of 9.9%, from HK\$842.3 in 2011 up to HK\$1,347.5 in 2016. Such increase is mainly due to the labor shortage, a result of the shrinking number of new construction workers as well as an ageing workforce. According to the Construction Industry Council's press release on 16th December 2016, over the next five years, there is expected to be a shortage of around 10,000 to 15,000 skilled workers in Hong Kong's construction industry. Hong Kong Construction Industry Employees General Union also expect an increase in overall construction industry wages over the next year to help retain current skilled workers and help attract younger workforce as well as new entrants to the construction industry in the short term. Furthermore, on 20 January 2017, the Labour Department announced the increase the Statutory Minimum Wage (SMW) rate to HK\$34.5 per hour (up from the current HK\$32.5 per hour) that came into effect on 1 May 2017. Together with the current construction industry labour shortage, aging experienced workforce, slow replacement rate to the industry, the construction industry council's on-going efforts to attract more new entrants to the construction industry, as well as an overall wage increase in Hong Kong, average wage for construction workers in the foundation industry is expected to continue increasing during the forecast period.

Price trend of steel reinforcements, Portland cement and H-piles in Hong Kong

The following table sets out the average price trend for major materials used in the foundation industry in Hong Kong:

| Materials | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|---------|---------|---------|---------|---------|---------|
| Steel reinforcements (HK\$ per tonne) | 6,454.1 | 5,921.6 | 5,282.2 | 4,775.2 | 3,723.6 | 3,514.4 |
| Portland cement (HK\$ per tonne) | 662.9 | 690.3 | 698.5 | 720.4 | 739.2 | 714.7 |
| H-piles (HK\$ per kilogram) | 6.3 | 5.9 | 5.5 | 5.1 | 4.3 | N.A. |

Note:

1. Data for the price of H-piles for the year of 2016 will be released at the end of 2016.

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

INDUSTRY OVERVIEW

The average wholesale price of steel reinforcements dropped from about HK\$6,454.1 per tonne in 2011 to about HK\$3,514.4 per tonne in 2016, at a CAGR of -11.4%. The average wholesale price of H-piles in Hong Kong decreased from around HK\$6.3 per kilogram in 2011 to HK\$4.3 per kilogram in 2015, at a CAGR of about -9.1%.

The decrease in the average wholesale price for steel reinforcements and H-piles was attributed to the decrease in downstream industries' demand for steel production and H-piles during this period due to difficulty in financing caused by the deteriorating European economy and China's monetary tightening policies, and the global drop in demand for new construction work, paired with oversupply of steel. Due to the previous oversupply of steel production from China pushing down global steel prices, China's state council announced in November of 2016 that China will reduce crude steel output by 100 million tonnes to 150 million tonnes by 2020 according to the Ministry of Industry and Information Technology's 2016-2020 plan for updating the steel sector. As the largest steel producing country accounting for 50% of world steel production, a reduction in up to 10% of the global steel supply during this period is expected to bring prices of steel products up within the forecast period.

The average wholesale price of Portland cement in Hong Kong increased from about HK\$662.9 per tonne in 2011 to about HK\$714.7 per tonne in 2016, at a CAGR of about 1.5%. The price has been slowly increasing at a relatively stable rate between 2011 and 2015, and dropped in 2016. Such decrease was attributable to the falling prices offered by the cement companies in China under the backdrop of the slowdown in economy with lower expected infrastructure investment. Cement prices are expected to remain stable over the forecast period with an outlook of minor price increment due to increasing demand from the property market in China.

Concentration of customers in the subcontracting and sub-subcontracting segments

The overall construction industry is characterized by its large numbers of subcontractors and sub-subcontractors. In the foundation and site formation subcontracting and sub-subcontracting segments, the majority are small to medium sized companies, who may possess limited resources, both in specialized machinery, construction materials and skilled manpower. Foundation and site formation projects are generally large scale and labor-intensive. It is common for small to medium sized subcontractors or sub-subcontractors to focus on a few projects concurrently, due to limited specialized resources, which restrict the scale and complexity of projects they can undertake. As a result, many players focus on a few projects and have a limited customer base, which consequently leads to the industry norm of high customer concentration. According to the Ipsos Report, it is not uncommon that the top five customers generate over 80% of a subcontractor's revenue, with one main customer sometimes representing over 50% of the revenue.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE OF THE FOUNDATION CONTRACTING INDUSTRY IN HONG KONG

Industry structure

According to the Ipsos Report, there were an estimated aggregate of approximately 500 foundation main contractors and subcontractors in Hong Kong as of May 2017. The foundation industry in Hong Kong is fairly consolidated. The top five players are all main contractors, with revenue each ranged from approximately HK\$1,182.8 million to HK\$3,504.0 million and in aggregate had a market share of approximately 48.2% for 2015 in terms of revenue. As for the foundation subcontractors, the top five foundation subcontractors had revenue each ranged from approximately HK\$308.3 million to HK\$634.4 million and in aggregate had a market share of approximately 9.4% for 2015 in terms of revenue.

Positioning of our Group in Hong Kong

Our Group, as one of the foundation subcontractors in the foundation and site formation industry, recorded approximately HK\$75.3 million of revenue in 2015, which accounted for approximately 0.3% of the total market share of the foundation and site formation industry in Hong Kong for 2015 in terms of revenue according to the Ipsos Report. Due to the lack of sufficient publicly available information, our ranking in the foundation and site formation industry in Hong Kong was not provided in the Ipsos Report.

Factors of competition

Established strategic relationships with customers, subcontractors, raw material suppliers and workers

Maintaining strategic relationships with its customers, subcontractors and raw material suppliers increase the competitiveness of a foundation contractor. For instance, main contractors tend to outsource their projects to subcontractors whom they have previously collaborated with. Besides, maintaining good customer relationships increases the probability to win project quotations for foundation contractors while long-term business relationships with raw material suppliers and subcontractors provide more flexibility in price negotiation and resources allocation for foundation contractors. In addition, strategic employment relationships are crucial to retain skilled labor as well.

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Past experience in foundation works project management and technical expertise

Past experience in foundation project management and technical expertise are the essential factors to meet project timeline, quality and budget. Potential problems would be more foreseeable if the project management team are more experienced with the foundation works. The experience of the contractor also determined the capability to source and to allocate the resources effectively and efficiently. Foundation contractors with higher flexibility in sourcing and allocating resources are more capable of meeting the project timeline and requirements. Therefore, they are more likely to win foundation project quotations.

Industry reputation and proven track record

Reputable service providers with a high credibility are able to retain their customers. These can be maintained by providing a proven track record, ensuring the customers with their reliability and experience in completing foundation works. In addition to the good reputation with track record, foundation contractors with proven safety records are also considered as the competitive ones. Proven safety records would shows that they are more capable to avoid accidents and minimise the casualties

Competitive project pricing

Foundation contractors who are able to offer lower price for their services in the market are more competitive to the customers. Competitive pricing strategies serve as a differentiation for the contractors, as well as enhancing their market position in the foundation industry. Hence, foundation contractors that can offer high quality foundation works at competitive price are able to differentiate themselves from their competitors.

Entry barriers for the foundation subcontracting industry in Hong Kong

The foundation subcontracting industry in Hong Kong has moderately high entry barriers. Specific entry barriers are set forth below:

Proven practical industry experience and established reputation

In general, customers of foundation works will first evaluate on contractor's ability to meet the technical, safety, time and budget requirements of a project. They will then award the quotations to the most capable contractor. Accordingly, the practical industry experience is one of the entry barriers of the foundation industry in Hong Kong. Therefore, new entrants with little foundation work track record would not have enough proven project management and work experience to support their capabilities during the project quotations. New entrants without sufficient practical experiences might find it challenging to obtain technical qualifications and therefore it is difficult to enter into the industry.

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Sufficiency of initial capital

The foundation subcontractors are able to increase their flexibilities in meeting different requirements of different projects if they possess their own specialised machineries, which in turn requires a substantial amount of capital investment. Accordingly, such requirement of investment in purchasing specialised machineries create an entry barrier into the industry.

Market drivers of the foundation subcontracting industry in Hong Kong

The rising population and the Government's plans to increase local housing supply

The Hong Kong population has been increasing and it will potentially reach 8.6 million in 2036. The rising population will boost the demand for residential buildings and so there will be more renovation and construction projects of private and public residential buildings. The Government has taken initiatives to increase the housing supply. For instance, the 2013 and 2014 Policy Address has enabled 150 sites reserved for the construction of residential units in Hong Kong, which could potentially provide 210,000 public and private housing units. Also, according to 2016 Policy Address, the statutory planning procedure for 46 of these sites have been completed, which is capable of producing 41,000 flats. Such plans have raised and will undoubtedly raise the number of works for contractors and subcontractors.

Threats to the foundation subcontracting industry in Hong Kong

Skilled labor shortage and aging workforce

The ageing workforce and the decreasing number of youngsters joining the construction and foundation industries have led to the problem of labor shortage. As per the information provided by CIC, there are approximately 41.6% of the 356,083 registered workers who have been in the construction industry for more than 10 years were aged over 50 in August 2015.

Adding on with the large scale construction projects in Macau and China, the problem of labor shortage has been becoming more serious. The main reason for that is because the salary offered by the construction industry in Macau and China is relatively higher, so there was a labor-shift and this labor problem will further delay the projects of the foundation construction industry in Hong Kong.

INDUSTRY OVERVIEW

Increasing operation costs

Growing operation costs and its upward trend were observable in the foundation industry in Hong Kong due to the rising cost of labor. For example, as mentioned above in this section, the average daily wage of construction workers in the foundation contracting industry in Hong Kong has increased at a CAGR of 9.9%, from HK\$842.3 in 2011 to HK\$1,347.5 in 2016. According to the Construction Industry Council's press release on 16th December 2016, over the next five years, there is expected to be a shortage of around 10,000 to 15,000 skilled workers in Hong Kong's construction industry. Hong Kong Construction Industry Employees General Union also expect an increase in overall construction industry wages over the next year to help retain current skilled workers and help attract younger workforce as well as new entrants to the construction industry in the short term. Furthermore, on 20 January 2017, the Labour Department announced the increase the Statutory Minimum Wage (SMW) rate to HK\$34.5 per hour (up from the current HK\$32.5 per hour) that came into effect on 1 May 2017. Together with the current construction industry labour shortage, aging experienced workforce, slow replacement rate to the industry, the construction industry council's on-going efforts to attract more new entrants to the construction industry, as well as an overall wage increase in Hong Kong, average wage for construction workers in the foundation industry is expected to continue increasing during the forecast period.

Our competitive strengths

Please refer to the section headed "Business – Our competitive strengths" for detailed discussion.

REGULATORY OVERVIEW

This section sets out summaries of the relevant laws and regulations which are relevant to our business.

CONSTRUCTION WORKERS REGISTRATION ORDINANCE (CHAPTER 583 OF THE LAWS OF HONG KONG)

The Construction Workers Registration Ordinance provides for, among other things, the registration of construction workers and the regulation of construction workers personally carrying out construction work. Under the Construction Workers Registration Ordinance, a person shall not personally carry out construction work on a construction site unless the person is a registered construction worker of the Registrar of Construction Workers. Likewise, subcontractors, among others, of the construction site are required to employ only registered construction workers.

Under the Construction Workers Registration Ordinance, a subcontractor, in relation to a principal contractor, is defined as any person who enters into a contract with another person (whether or not the principal contractor) to undertake all or any part of the construction work that the principal contractor has undertaken). Our Group is considered a subcontractor of our projects and is required to only employ registered construction workers to personally carry out construction works for our projects.

Any person who employs a person who is not a registered construction worker to personally carry out construction work on a construction site shall be guilty of an offence and shall be liable on conviction to a maximum fine of HK\$50,000.

The Construction Workers Registration Ordinance also contains a “designated workers for designated skills” provision, which provides that only registered skilled or semi-skilled workers of designated trade divisions are permitted to carry out construction works on construction sites relating to those trade divisions independently. Unregistered skilled or semi-skilled workers are only allowed to carry out construction works of designated trade divisions (i) under the instruction and supervision of registered skilled or semi-skilled workers of relevant designated trade division(s); (ii) in proposed emergency works (i.e. construction works which are made or maintained consequential upon the occurrence of emergency incidents); or (iii) in small-scale construction works (e.g. value of works not exceeding HK\$100,000).

Stage 1 of the “designated workers for designated skills” provision, of which “designated works” will include construction, re-construction, addition, alternation and building services works, shall be implemented with immediate effect from 1 April 2017. Upon implementation of Stage 1 of the “designated workers for designated skills” provision pursuant to the Construction Workers Registration Ordinance, registered skilled and semi-skilled workers for designated trade divisions shall be included as registered construction workers of the Register of Construction Workers, and accordingly, subcontractors of construction sites are required to employ only registered skilled and semi-skilled workers for designated trade divisions to carry out construction works on construction sites relating to those trade divisions independently.

REGULATORY OVERVIEW

As at the Latest Practicable Date, all of our site staff carrying out construction works on our construction sites were registered as registered construction workers under the Construction Workers Registration Ordinance.

FACTORIES AND INDUSTRIAL UNDERTAKINGS ORDINANCE (CHAPTER 59 OF THE LAWS OF HONG KONG)

Industrial undertakings, which include construction work, are subject to the Factories and Industrial Undertakings Ordinance, and any person or body corporate having the management or control of the business carried on in an industrial undertaking is required to comply with the Factories and Industrial Undertakings Ordinance and provide for the safety and health protection to workers in the industrial undertaking.

Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor of an industrial undertaking (namely the person or body corporate having the management or control of the business carried on in an industrial undertaking) to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by it at the industrial undertaking. The duties of a proprietor include: (i) providing and maintaining plant and work systems that do not endanger safety or health; (ii) making arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances; (iii) providing all necessary information, instructions, training and supervision for ensuring safety and health; (iv) providing and maintaining safe access to and egress from the workplaces; and (v) providing and maintaining a safe and healthy working environment.

A proprietor who contravenes any of these requirements willfully and without reasonable excuse commits an offence and could be held liable to a fine of HK\$500,000 and to imprisonment for 6 months. As our operations encompass the management or control of industrial undertakings for the time being of our projects, our Group may be considered a proprietor under the Factories and Industrial Undertakings Ordinance and as such any breach of our duties under the Factories and Industrial Undertakings Ordinance may constitute an offence and result in our Group being liable to a fine of HK\$500,000.

Further, as our project team is responsible for the on-site supervision and inspection works of our projects, members of our project team are required to carry with their persons valid Green Cards or an equivalent document in accordance with the Factories and Industrial Undertakings Ordinance while carrying out such on-site supervision and inspection works.

REGULATORY OVERVIEW

Pursuant to section 6BA of the Factories and Industrial Undertakings Ordinance, persons employed by industrial undertakings engaging in construction work must attend a relevant safety training course recognised under the Factories and Industrial Undertakings Ordinance and be issued a Green Card for attendance of such safety training course. On and after the appointed day (as defined in the Factories and Industrial Undertakings Ordinance) it shall be the duty of every relevant person employed at an industrial undertaking engaging in construction work who has been issued a relevant Green Card which has not expired to, among other things, carry with his person the Green Card or an equivalent document while at work at the undertaking, and it is the duty of every proprietor of an industrial undertaking engaging in construction work not to employ at the undertaking a relevant person who has not been issued a relevant Green Card or whose relevant Green Card has expired. A Green Card shall expire between 1 to 3 years after the day on which the certificate was issued.

Any proprietor who contravenes section 6BA commits an offence and is liable to a fine of HK\$50,000. However, it shall be a defence for an offence contrary to section 6BA for the proprietor to show that it believed, and that it was reasonable for it to believe, that the relevant person to whom the offence relates had been issued with a relevant Green Card and that it had not expired.

We are also required to comply with subsidiary regulations of the Factories and Industrial Undertakings Ordinance such as the Construction Sites (Safety) Regulation. The Construction Sites (Safety) Regulation provides for, among others, (i) the prohibition of employment of persons under 18 years of age on construction sites (save for certain exceptions); (ii) maintenance and operation of construction plants (including any plant, equipment, gear, machinery, apparatus, or appliance, or any part thereof) used or intended to be used for the purpose of construction work; (iii) the duty of a contractor responsible for a construction site to ensure the safety of the place of construction work; (iv) the duty of a contractor responsible for a construction site to take adequate steps to prevent falls; and (v) provision of first aid facilities.

Rules arising from the Construction Sites (Safety) Regulation carry different levels of penalty and any person or body corporate who contravenes or fails to comply with a rule under the Construction Sites (Safety) Regulation commits an offence and may be liable to a fine corresponding to that rule. A contractor found guilty of an offence could be held liable to a fine of up to HK\$200,000 and imprisonment up to 12 months.

REGULATORY OVERVIEW

OCCUPATION SAFETY AND HEALTH ORDINANCE (CHAPTER 509 OF THE LAWS OF HONG KONG)

As our operations involve industrial workplaces such as construction sites and our workers may be exposed to injuries whilst carrying out construction work, our Group is subject to the Occupational Safety and Health Ordinance. Our project team is also responsible for providing safety and health protection to employees in workplaces, both industrial and non-industrial in accordance with the Occupational Safety and Health Ordinance.

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

Failure to comply with the above provisions constitutes an offence of which 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 Commissioner for Labour may also issue improvement notices against non-compliance of this Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

OCCUPIERS LIABILITY ORDINANCE (CHAPTER 314 OF THE LAWS OF HONG KONG)

Our Group has leased several properties and is considered to be the occupier of such properties under the Occupiers Liability Ordinance. As such, we are required to comply with the Occupiers Liability Ordinance, which regulates the obligations of a person or business occupying or having control of the premises on which injury resulting to persons or damage has been caused to goods or other property lawfully on the premises. For details of the properties we leased, please refer to the section headed “Business – Properties”.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of a premises to take such care so as to ensure that any person will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

REGULATORY OVERVIEW

WASTE DISPOSAL ORDINANCE (CHAPTER 354 OF THE LAWS OF HONG KONG)

The nature of our business operations creates significant solid and chemical waste, and as a construction waste producer we are subject to the Waste Disposal Ordinance.

Section 16B of the Waste Disposal Ordinance strictly prohibits depositing construction waste disposal on private lots, unless (i) the total area of the lot on which the construction waste has been deposited does not exceed 20 sq.m.; or (ii) the sole or all of the owners of the private lot has given valid permission for the depositing of construction waste on the lot. Such permission must be in the specified form under section 16C and must bear an acknowledgement by the Director of the Environmental Protection Department. Such acknowledgement must be submitted to the Environmental Protection Department at least 21 days before the intended date on which the depositing activity is to commence.

Any person who, except under and in accordance with an authorisation, does, causes or allows another person to do anything for which such 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.

The Construction Waste Disposal Charging Scheme has been established by the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, pursuant to which all construction waste to be disposed of in government waste disposal facilities carry respective construction waste disposal charges. As a construction waste producer, we are required to, prior to using government waste disposal facilities, pay applicable charges for such disposal. Construction waste is defined as any substance, matter or thing that is generated from construction work and abandoned, whether or not it has been processed or stockpiled before being abandoned.

For contracts with a value of HK\$1 million or above, it is the duty of the main contractor who undertakes construction work under a particular contract, within 21 days of the award of the contract, to establish a billing account with the Environmental Protection Department in respect of that contract and pay the prescribed charges for construction waste generated from works thereunder. For contracts with a value less than HK\$1 million, any person, including a subcontractor, may establish the account and make arrangements for the disposal of construction waste.

Under the Waste Disposal (Chemical Waste) (General) Regulation, any waste producer who produces or causes chemical waste to be produced is required to register as a chemical waste producer with the Environmental Protection Department. Chemical waste must be properly packaged, labelled and stored by chemical waste producers before transportation to designated disposal facilities by a licensed chemical waste collector.

REGULATORY OVERVIEW

Prior notification must be given to the Environmental Protection Department by us as a waste producer of the chemical waste, and the disposal must be in accordance with the directions issued by the Environmental Protection Department specifying the appropriate disposal facility for the waste and the date and time when the delivery of such waste should be made. Any person authorised to be the applicant on our behalf as a body corporate who fails to register as a chemical waste producer commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

DUMPING AT SEA ORDINANCE (CHAPTER 466 OF THE LAWS OF HONG KONG)

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

Under the Dumping at Sea Ordinance, a person who except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months on a first conviction; and to a fine of HK\$500,000 and to imprisonment for 2 years on a second or subsequent conviction; and in addition, to a further fine of HK\$100,000 for each day if the court is satisfied that the operation has continued.

IMMIGRATION ORDINANCE (CHAPTER 115 OF THE LAWS OF HONG KONG)

As a subcontractor, our Group is responsible for the control of the construction sites of our projects, and as such we are required to comply with the Immigration Ordinance. Under section 38A of the Immigration Ordinance, we are prohibited from recruiting illegal workers and are required to employ only lawfully employable workers to carry out works on our construction sites. Our subcontractors, whom may also be considered construction site controllers, are also required them to comply with section 38A of the Immigration Ordinance. A construction site controller is defined as a principal or main contractor and includes any subcontractor, owner, occupier or other person who has control over or is in charge of a construction site.

Under section 38A of the Immigration Ordinance, a construction site controller should prevent (i) illegal immigrants from being on the construction site; and (ii) persons who are not lawfully employable, as defined under the Immigration Ordinance, from taking employment on the construction site.

Any construction site controller who contravenes section 38A of the Immigration Ordinance may be held liable upon conviction of a fine of HK\$350,000. However, it is a defense in proceedings for an offence under section 38A for the construction site controller to prove that it took all practicable steps to prevent illegal immigrants from being on the construction site and/or persons who are not lawfully employable from taking employment on the construction site.

REGULATORY OVERVIEW

PNEUMOCONIOSIS AND MESOTHELIOMA (COMPENSATION) ORDINANCE (CHAPTER 360 OF THE LAWS OF HONG KONG)

The Pneumoconiosis and Mesothelioma (Compensation) Ordinance establishes the Pneumoconiosis Compensation Fund, which consists of monies received from the government and the relevant levies, surcharges and penalties received from contractors in relation to pneumoconiosis and mesothelioma. The Pneumoconiosis Compensation Fund is administered by the Pneumoconiosis Compensation Fund Board, a statutory body responsible for assessing and collecting the imposed levies and compensating persons suffering from pneumoconiosis and/or mesothelioma and/or family members of persons who died of pneumoconiosis and/or mesothelioma.

Under the Pneumoconiosis and Mesothelioma (Compensation) Ordinance, we are required to pay a levy for any construction operations carried out by us in Hong Kong with a total value exceeding HK\$1 million, at a rate of 0.15% of the total value of the construction operations concerned.

AIR POLLUTION CONTROL ORDINANCE (CHAPTER 311 OF THE LAWS OF HONG KONG)

The Air Pollution Control Ordinance and its subsidiary regulations regulate the emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources in Hong Kong.

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

In addition, the Air Pollution Control Ordinance requires that building works involving asbestos must be conducted only by registered asbestos contractors and under the supervision of registered asbestos consultants. Any owner of premises which contain or may reasonably be suspected of containing asbestos containing material and/or who intends to carry out work which involves the use or handling of any asbestos containing material in the premises must engage a registered asbestos consultant to carry out an investigation, prepare an asbestos management plan and monitor the implementation of the asbestos management plan and hire a registered asbestos contractor to implement the asbestos management plan and carry out the work.

REGULATORY OVERVIEW

Any owner of premises who fails to appoint a registered asbestos consultant to carry out an investigation, prepare an asbestos management plan or monitor the implementation of the asbestos management plan commits an offence and is liable to a fine of HK\$200,000 and to a further fine of HK\$5,000 for each day during which it is proved that the offence has continued. Any owner of premises who fails to appoint a registered asbestos contractor to implement an asbestos abatement plan or carry out work commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for 6 months and to a further fine of HK\$20,000 for each day during which it is proved that the offence has continued.

Under the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Law of Hong Kong), we are responsible, as a contractor for a construction site where notifiable work is proposed to be carried out, for giving notice to the Environmental Protection Department before the commencement of the work. Example of notifiable works include (i) site formation; (ii) reclamation; (iii) demolition of a building; (iv) construction of the foundation of a building; or (v) construction of the superstructure of a building.

It is the responsibility of the contractor for a construction site where a notifiable work is being carried out, to ensure that the work is carried out in accordance with the specified dust control requirements as under the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Law of Hong Kong). A contractor under the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Law of Hong Kong) is defined as any person or firm engaged in carrying out construction work by way of trade or business, either on his own account or pursuant to a contract or arrangement entered into with another person or firm.

Any contractor who contravenes the notification requirement under the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Law of Hong Kong) commits an offence and is liable on conviction to a fine of HK\$25,000 for the first offence and to a fine of HK\$50,000 for a second or subsequent offence. Any contractor who contravenes the dust control requirements under the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Law of Hong Kong) commits an offence and is liable on conviction to a fine of HK\$50,000 for the first offence and to a fine of HK\$100,000 and to imprisonment for 3 months for a second or subsequent offence, and in addition, if the offence is continuing, to a fine of HK\$10,000 for each day during which the offence continues.

However, notifiable works do not include certain types of construction works, such as renovation, maintenance and alteration work carried out entirely within the external walls and under the roof of a building, and do not require prior notification to the Environmental Protection Department before the commencement of the work or compliance with the specified dust control requirements.

REGULATORY OVERVIEW

AIR POLLUTION CONTROL (NON-ROAD MOBILE MACHINERY) (EMISSION) REGULATION (CHAPTER 311Z OF THE LAWS OF HONG KONG)

The NRMM Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery (“**NRMM**”), including non-road vehicles and regulated machines that are subject to the NRMM Regulation (the “**Regulated Machines**”).

Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under this regulation. Under section 5 of the NRMM 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 NRMM Regulation.

Under section 5 of the NRMM Regulation, any person who uses causes to be used a Regulated Machine in specified activities or locations without (i) exemption or the EPD’s approval is liable to a fine of up to HK\$200,000 and imprisonment for up to six months, and (ii) a proper label is liable to a fine of up to HK\$50,000 and imprisonment for up to three months.

Pursuant to the technical circular issued by the work branch of the Development Bureau on 8 February 2015 (“**Technical Circular**”), there is an implementation plan to phase out the use of four types of exempted NRMMs (namely generators, air compressors, excavators and crawler cranes) (the “**Implementation Plan**”) under which all new capital works contracts of public works including design and build contracts with an estimated contract value exceeding \$200 million and tenders invited on or after 1 June 2015 shall require the contractor to allow no exempted generator and air compressor to be used after 1 June 2015 and the number of exempted excavators and crawler cranes not to exceed 50%, 20% and 0% of the total units of exempted NRMMs from 1 June 2015, 1 June 2017 and 1 June 2019 respectively. Notwithstanding the Implementation Plan, exempted NRMMs may still be permitted at the discretion of the respective architect/engineer designated by the government if there is no feasible alternative. In accordance with a Legislative Council Brief issued by the EPD in January 2015 (the “**LC Brief**”), the panel in general supported the Development Bureau to require its construction contractors to progressively increase the use of NRMMs over four years in large-scale public work upon the enactment of the NRMM Regulation, although the LC Brief did not specify the contract sum of large-scale public work and it is conceded that it would not be practicable to set a mandatory retirement age for NRMMs across the board.

As at the Latest Practicable Date, our Group has obtained approval or exemption for all Regulated Machines in accordance with the relevant requirement.

REGULATORY OVERVIEW

NOISE CONTROL ORDINANCE (CHAPTER 400 OF THE LAWS OF HONG KONG)

The Noise Control Ordinance controls the noise generated from construction, industrial and commercial activities. As a contractor, our Group is required to comply with the Noise Control Ordinance in carrying out general construction works. For construction activities that are to be carried out during restricted hours, construction noise permits are required from the Environmental Protection Department in advance.

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in populated areas are not permitted between 7 p.m. and 7 a.m. or at any time on general holidays, unless with a construction noise permit and the prior approval of the Noise Control Authority.

Any person who carries out noisy construction work without a construction noise permit commits an offence and shall be liable to a fine of HK\$100,000 on the first conviction and to a fine of HK\$200,000 on a second or subsequent conviction and in any case to a fine of HK\$20,000 for each day during which the offence continues.

WATER POLLUTION CONTROL ORDINANCE (CHAPTER 358 OF THE LAWS OF HONG KONG)

The Water Pollution Control Ordinance regulates, among other things, the discharge of wastewater generated from construction activities into sewers or elsewhere in Hong Kong. As our operations generate wastewater, our Group is required to observe and comply with the Water Pollution Control Ordinance.

Under the Water Pollution Control Ordinance, discharge of wastewater generated from construction activities into sewers or elsewhere is not permitted unless (i) the discharge is exempted by the Environmental Protection Department; (ii) a license has been issued by the Environmental Protection Department and the discharge complies with the terms and conditions of the license; or (iii) an application for the discharge has been made to the Environmental Protection Department and the applicant has not been notified of a refusal to grant a license.

Generally, the Environmental Protection Department shall grant a license for the discharge of wastewater generated from construction activities into sewers or elsewhere unless, for example, the discharge endangers or is likely to endanger public health or is likely to be harmful to the health or safety of any person engaged in the operation or maintenance of a drainage or sewerage system.

A license shall expire not less than 2 years after the day it was granted, and the Environmental Protection Department may renew any license for a period of less than 2 years, cancel or vary the license thereafter.

REGULATORY OVERVIEW

PUBLIC HEALTH AND MUNICIPAL SERVICES ORDINANCE (CHAPTER 132 OF THE LAWS OF HONG KONG)

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

Under the Public Health and Municipal Services Ordinance, the Environmental Protection Department may cause a nuisance notice to be served on any contractor of construction works if, for example, any premises on which the construction works are taking place has been found to be in such a state as to be a nuisance or injurious or dangerous to health, or if the emission of dust from any building under construction or demolition has been found to be in such a manner as to be a nuisance. The nuisance notice shall require the person on whom the notice is served to do what is necessary for preventing the recurrence of the nuisance and, if the Environmental Protection Department thinks it desirable, specify any works to be executed for that purpose.

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.

Additionally, any accumulation of water on any premises found to contain mosquito larvae or pupae is actionable under the Public Health and Municipal Services Ordinance with a maximum penalty of HK\$25,000 upon conviction and a daily fine of HK\$450. Any accumulation of refuse which is a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance, with a maximum penalty of HK\$10,000 upon conviction and a daily fine of HK\$200.

It is the responsibility of the contractor of construction works to observe and comply with the Public Health and Municipal Services Ordinance.

REGULATORY OVERVIEW

ENVIRONMENTAL IMPACT ASSESSMENT ORDINANCE (CHAPTER 499 OF THE LAWS OF HONG KONG)

The Environmental Impact Assessment Ordinance seeks to minimise and control the adverse impact that certain projects in Hong Kong, such as large-scale industrial activities, may have on the environment, through an environmental impact assessment process and environmental permit system prior to commencement of the operations.

Under the Environmental Impact Assessment Ordinance, designated projects must be (i) exempted by the Environmental Protection Department; or (ii) approved and an environmental permit has been issued by the Environmental Protection Department before commencement of the project. For the approval of a designated project which will cause limited impacts on the environment, an application for an environmental permit may be made directly with the Environmental Protection Department. For other projects, an application for an environmental permit made to the Environmental Protection Department must be accompanied with an environmental impact assessment report.

Any person who constructs or operates a designated project or decommissions a designated project without an environmental permit for the project or contrary to the conditions, if any, set out in the permit, could be held liable (i) on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 6 months; (ii) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for 2 years; (iii) on a first summary conviction to a fine at HK\$100,000 and to imprisonment for 6 months; (iv) on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for 1 year, and in any case where the offence is of a continuing nature, a fine of HK\$10,000 for each day on which the offence has continued.

BUILDINGS ORDINANCE (CHAPTER 123 OF THE LAWS OF HONG KONG)

The Buildings Ordinance regulates the planning, design and construction of buildings and associated works. It provides that before to the commencement of any building works: (i) prior approval and consent from the Building Authority must be obtained; (ii) authorised persons, such as architects, engineers and surveyors registered under the Buildings Ordinance, must be appointed to coordinate the works, prepare and submit plans for the approval from the Building Authority; (iii) registered professionals must be appointed to design and supervise the works; and (iv) registered contractors must be appointed to carry out the works.

REGULATORY OVERVIEW

Section 14(1) of the Buildings Ordinance provides that no person shall commence or carry out any building works, including site formation works and foundation works, without having obtained such prior approval and consent from the Building Authority and such proper appointments. 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 exempt from the requirement for approval and consent from the Building Authority if the works do not involve the structure of the building.

If the building works are within the purview of section 41(3), the works must further comply with the building standards specified in the relevant Building Regulations empowered under the Buildings Ordinance. The Buildings Ordinance further requires that any authorised person of the buildings works must be appointed by the ultimate beneficiary of the works, the employer of the works or the contractor.

THE SUBCONTRACTOR REGISTRATION SCHEME

A main contractor involved in public works contracted to them involving structural works, finishing works and/or electrical and mechanical works under the Primary Register of the Subcontractors Registration Scheme of the Construction Industry Council shall only engage subcontractors who are registered under the Subcontractors Registration Scheme of the Construction Industry Council.

Subcontractors which are involved in, among others, structural and civil works in Hong Kong including foundation and piling, may apply for registration as a registered subcontractor under the Subcontractors Registration Scheme of the Construction Industry Council.

If a registered subcontractor further subcontracts or sublets any part of the part of public sector works subcontracted to them involving trades available under the Primary Register of the Subcontractors Registration Scheme of the Construction Industry Council, the main contractor shall ensure that all subcontractors (irrespective of tier) are registered subcontractors under their relevant trades in the Primary Register of the Subcontractors Registration Scheme of the Construction Industry Council.

Under the Subcontractor Registration Scheme, an applicant for registration as a registered subcontractor is subject to entry requirements including (i) proof of completion of at least one job within five years as a principal contractor or subcontractor in the areas which it is applying to or comparable experience by itself or through its proprietors, partners or directors within the last five years; (ii) listings on one or more government registration schemes relevant to the trades and specialities for which registration is sought; or (iii) having been employed, whether by itself or through its proprietors, partners or directors having been employed by a registered subcontractor for at least five years with experience in the trade or specialty which it is applying to and having completed all the modules of the Project Management Training Series for Subcontractors as conducted by the Construction Industry Council.

REGULATORY OVERVIEW

A registered subcontractor under the Subcontractor Registration Scheme shall apply for renewal within three months before the expiry date of its registration by submitting an application for renewal to the Construction Industry Council and providing information and supporting documents to show continued compliance with the aforesaid entry requirements, which shall be subject to the approval by the management committee of the Construction Industry Council. An approved renewal of registration shall be valid for two years from the expiry of the current registration.

A registered subcontractor shall observe the Codes of Conduct for Registered Subcontractor (Schedule 8 of the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme). Failing to comply with the Codes of Conduct may result in regulatory actions taken by the management committee of the Construction Industry Council.

Although there is no specific licensing requirement for subcontractors in Hong Kong, Workbase Engineering is registered under the Subcontractors Registration Scheme of the Construction Industry Council in the structural and civil works trade group. Our current registration under the Subcontractors Registration Scheme of the Construction Industry Council will expire on 13 December 2018.

EMPLOYMENT ORDINANCE (CHAPTER 57 OF THE LAWS OF HONG KONG)

A principal 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 principal contractor or a principal contractor and every superior subcontractor jointly and severally is/are liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. The liability of a principal contractor and superior subcontractor (where applicable) shall be limited (i) to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (ii) 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 principal contractor within 60 days after the wage due date. A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor.

Upon receipt of such notice from the relevant employee, a principal 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 principal 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.

REGULATORY OVERVIEW

Pursuant to section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under section 43C of the Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior subcontractor, as the case may be. The principal contractor or superior subcontractor may either (i) claim contribution from every superior subcontractor to the employee's employer or from the principal contractor and every other such superior subcontractor as the case may be; or (ii) deduct by way of setoff 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.

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 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to subcontractors' employees who are injured in the course of their employment to the subcontractor. The principal contractor is, nonetheless, entitled to be indemnified by the subcontractor who would have been liable to pay compensation to the injured employee. The employees in question are required to serve a notice in writing on the principal contractor before making any claim or application against such principal 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). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law.

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 and to imprisonment for 2 years.

REGULATORY OVERVIEW

MANDATORY PROVIDENT FUND SCHEMES ORDINANCE (CHAPTER 485 OF THE LAWS OF HONG KONG)

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

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

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

- (i) foundation and associated works;
- (ii) civil engineering and associated works;
- (iii) demolition and structural alteration works;
- (iv) refurbishment and maintenance works;
- (v) general building construction works;
- (vi) fire services, mechanical, electrical and associated works;
- (vii) gas, plumbing, drainage and associated works; and
- (viii) interior fitting-out works.

REGULATORY OVERVIEW

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

CONTRACTOR LICENSING REGIME

Under the current contractors registration system in Hong Kong, the Buildings Department keeps a register of general building contractors who are qualified to perform the duties of a general building contractor and a register of specialist contractors who are qualified to carry out specialised works (such as foundation works) specified in the category in the sub-register in which they are entered.

The main contractors carrying out foundation and substructure construction works are required to register or work together with contractors who are registered on either the list of register of general building contractors or the list of register of specialist contractors (sub-register of foundation works category) with the Buildings Department in Hong Kong.

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

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

In considering each application, the Buildings Department will consider the qualifications, competence and experience of the following key personnel of the applicant:

- (a) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance, hereinafter referred to as the authorised signatory (the “**Authorised Signatory**”);

REGULATORY OVERVIEW

(b) for a corporation, a minimum of one director from the board of directors of the applicant, hereinafter referred to as a “Technical Director” who is authorised by the board to:

- (i) have access to plant and resources;
- (ii) provide technical and financial support for the execution of building works and street works; and
- (iii) make decisions for the company and supervise the Authorised Signatory and other personnel;

for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance; and

(c) for a corporation which appoints a director who does not possess the required qualification or experience as Technical Director to manage the carrying out of building works and street works, an other officer as authorised by the board of directors shall be appointed to assist the Technical Director.

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

For registration as a registered specialist contractor, the applicant must satisfy the Buildings Department that it has the necessary experience and, where appropriate, professional and academic qualifications, to undertake work in the specialist category and should also demonstrate that it has the access to engaging qualified persons to carry out the relevant specialised duties.

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

HISTORY, DEVELOPMENT AND REORGANISATION

THE CORPORATE HISTORY

Our Company was incorporated in the Cayman Islands on 4 January 2016 and, as part of the Reorganisation, became the holding company of our Group with its business being conducted through its principal operating subsidiary, Workbase Engineering.

Our history can be traced back to 2003 when Mr. Lau, our executive Director and Chief Executive Officer, and Ms. Yuen, our executive Director and Chairman, established Workbase Engineering, drawing on their personal savings and extensive knowledge of the slope works industry in Hong Kong. Over the years, our Group expanded from its slope works operations to other construction works such as foundation or site formation works and other geotechnical engineering works, and business began to grow gradually. However, having considered that majority of the slope works projects in Hong Kong are public sector projects which are usually subject to relatively tighter cost control for public fiscal discipline and higher uncertainty on public funding approval, our Directors were of the view that the slope works business was of relatively low profit margin while foundation and site formation works were more profitable and could provide our Group with better development opportunities. Our Directors are of the view that leveraging on our Group's experience and knowledge in slope works, our Group would have an advantage in bidding for complex and technical projects such as undertaking foundation and site formation works on slope and carrying out a combination of foundation works and slope works together in the same project site. As a result, our Group began to diversify more of our business to foundation and site formation works, and a breakthrough in our business development came when we managed to secure the Cape Road Project in 2013, which was one of our major foundation and site formation projects for a residential redevelopment. The completion of the aforesaid project established our reputation in the industry as one of the emerging subcontractors capable of performing complex and technical foundation works on a slope, leading to increasing number of foundation and site formation works secured during the Track Record Period.

Under the leadership and efforts of Mr. Lau, whom possesses over 33 years of experience in the foundation works industry, and Ms. Yuen, whom has over 24 years of experience in administrative works and 13 years of experience in the construction industry, our Company has undergone steady yet robust expansion in both business operations and client base, establishing itself as a reputable subcontractor within the local foundation works industry. During the Track Record Period and up to the Latest Practicable Date, our Group has completed 24 projects, which consist of 18 foundation and site formation related projects and six other geotechnical engineering works related projects.

HISTORY, DEVELOPMENT AND REORGANISATION

BUSINESS DEVELOPMENT AND IMPORTANT MILESTONES

The following illustrates certain key milestones and achievements in the business development of our Group:

| Year | Event |
|------|---|
| 2003 | Workbase Engineering was established and commenced its operation in providing slope works in Hong Kong |
| 2004 | Workbase Engineering was registered as a registered subcontractor under the Subcontractors Registration Scheme of the Construction Industry Council |
| 2010 | Workbase Engineering expanded its construction operations to include foundation and site formation works |
| 2013 | Workbase Engineering expanded its machinery fleet in order to cope with business development and being awarded projects of larger contract sums |
| 2013 | Stage 1 of the Cape Road Project was subcontracted to our Group, with a contract sum of approximately HK\$16.7 million |
| 2014 | Stage 1 of the Cape Road Project was completed and our reputation as a subcontractor capable of undertaking complex and technical foundation projects was established |
| 2015 | Stage 2 of the Cape Road Project was subcontracted to our Group, with a contract sum of approximately HK\$39.0 million |
| 2015 | Workbase Engineering was accredited with the following standards: <ul style="list-style-type: none">– ISO 9001:2008 Quality Management System Standard– ISO 14001:2004 Environmental Management System Standard– OHSAS 18001:2007 Occupational Health and Safety Management System Standard |

HISTORY, DEVELOPMENT AND REORGANISATION

OUR GROUP

Our Group consists of one direct and one indirect subsidiary, which were incorporated in the BVI and Hong Kong respectively. Details of the corporate history of our Company and each of its respective subsidiaries are set out below.

OUR COMPANY

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 January 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares at a par value of HK\$0.01 each. On 4 January 2016, one fully-paid Share was allotted and issued to the initial subscriber of our Company, which was subsequently transferred to Brightly Ahead on 29 January 2016.

On 7 June 2017, our Company allotted and issued 9,999 Shares, credited as fully-paid, to Brightly Ahead in consideration for the acquisition of the entire issued share capital in Wide View from Brightly Ahead. Immediately following the above allotment and share transfer, our Company was wholly-owned by Brightly Ahead.

On 7 June 2017, our Company resolved to increase its authorised share capital from HK\$380,000 to HK\$30,000,000 by the creation of an additional 2,962,000,000 Shares, each ranking pari-passu with our Shares then in issue in all respects.

As at the Latest Practicable Date, our Company acted as the holding company of our Group with its business being conducted through the principal operating subsidiary of our Group, namely Workbase Engineering.

OUR SUBSIDIARIES

Wide View

Wide View was incorporated in the BVI with limited liability on 20 November 2015 with an authorised share capital of US\$50,000 divided into 50,000 shares of a single class each with a par value of US\$1.00. On 11 January 2016, one fully-paid ordinary share of Wide View, representing the entire issued share capital of Wide View, was allotted and issued at par to Brightly Ahead.

As part of the Reorganisation, Brightly Ahead transferred the entire issued share capital of Wide View to our Company on 7 June 2017. After the aforesaid share transfer, Wide View became a direct wholly-owned subsidiary of our Company.

Wide View is an investment holding company and had not commenced any business activities as at the Latest Practicable Date.

HISTORY, DEVELOPMENT AND REORGANISATION

Workbase Engineering

Workbase Engineering was incorporated in Hong Kong with limited liability on 16 July 2003 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On 16 July 2003, Workbase Engineering allotted and issued 999 shares and 1 share to Mr. Lau and Ms. Yuen, respectively. Workbase Engineering has been beneficially owned as to 99.9% and 0.1% by Mr. Lau and Ms. Yuen, respectively, since its incorporation.

Workbase Engineering is mainly engaged in foundation and site formation works, and other geotechnical engineering works in Hong Kong.

REORGANISATION

Our Group underwent the Reorganisation prior to the Public Offer to rationalise our Group's structure in preparation for the Public Offer. The major steps of our Reorganisation are summarised as follows:

(i) Incorporation of Wide View

Wide View was incorporated in the BVI with limited liability on 20 November 2015 with an authorised share capital of US\$50,000 divided into 50,000 shares of a single class each with a par value of US\$1.00. On 11 January 2016, one fully-paid ordinary share of Wide View, representing the entire issued share capital of Wide View, was allotted and issued at par to Brightly Ahead.

(ii) Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 January 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares at a par value of HK\$0.01 each. On 4 January 2016, one fully-paid Share was allotted and issued to the initial subscriber to the memorandum and articles of association of our Company, which was subsequently transferred to Brightly Ahead on 29 January 2016.

(iii) Acquisition of Workbase Engineering

On 12 September 2016, Wide View acquired an aggregate of 1,000 shares in Workbase Engineering, representing the entire issued share capital of Workbase Engineering, from Mr. Lau and Ms. Yuen in consideration of which Wide View allotted and issued an aggregate of 99 fully-paid shares in Wide View to Brightly Ahead.

HISTORY, DEVELOPMENT AND REORGANISATION

(iv) Acquisition of Wide View

On 7 June 2017, our Company acquired the entire issued share capital in Wide View, and as consideration, our Company allotted and issued 9,999 nil-paid Shares in our Company, credited as fully-paid, to Brightly Ahead.

Pursuant to the aforesaid transactions, our Company became the holding company of Wide View and Workbase Engineering, and Brightly Ahead became the shareholder of the entire issued share capital of our Company.

(v) Capitalisation Issue and Public Offer

On 7 June 2017, our Company resolved to increase its authorised share capital from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$30,000,000 divided into 3,000,000,000 Shares of HK\$0.01 each in order to be positioned to (i) allot and issue 250,000,000 new Shares to the Public Offer; and (ii) allot and issue a further 749,990,000 new Shares to the existing shareholder of our Company, namely Brightly Ahead.

Our Company will offer 250,000,000 Offer Shares under the Public Offer, representing a total of 25% of the enlarged issued share capital of our Company upon Listing.

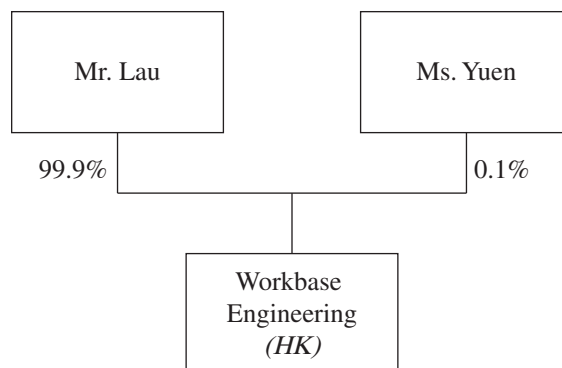
LOCK-UP UNDERTAKINGS

Each of our Controlling Shareholders, namely Brightly Ahead, Mr. Lau and Ms. Yuen, has undertaken to our Company that, it/he/she will not, at any time during the 24-month period following the Listing Date (the first 12 months of which is also required under Rule 13.16A of the GEM Listing Rules and the second 12 months of which is provided to our Company voluntarily by the Controlling Shareholders and can only be waived by majority of the independent Shareholders), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he/she is shown by this prospectus to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, it/he/she would cease to be a Controlling Shareholder. Please refer to the paragraph headed “Underwriting – Voluntary lock-up undertaking by our Controlling Shareholders” in this prospectus for further details.

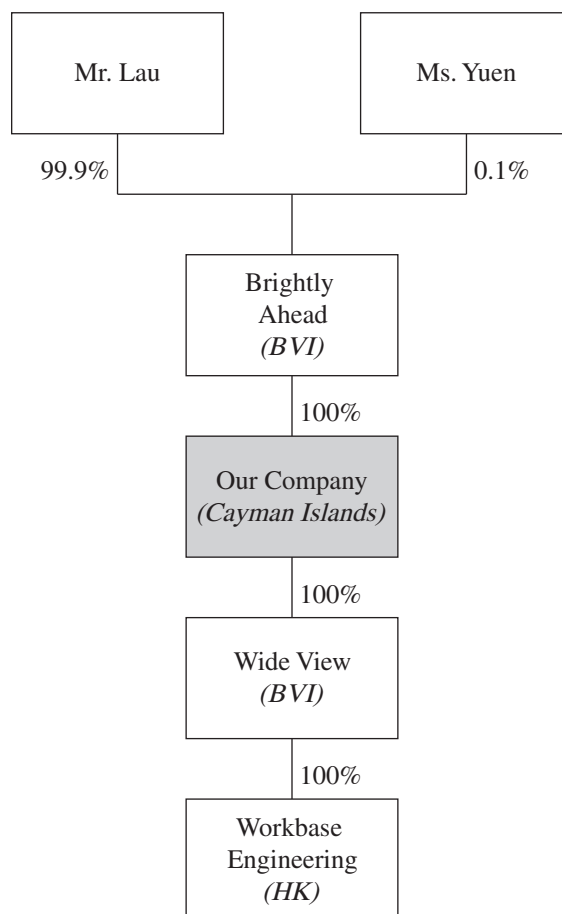
HISTORY, DEVELOPMENT AND REORGANISATION

THE CORPORATE STRUCTURE OF THE GROUP

Set out below is the corporate structure of our Group immediately before the Reorganisation:

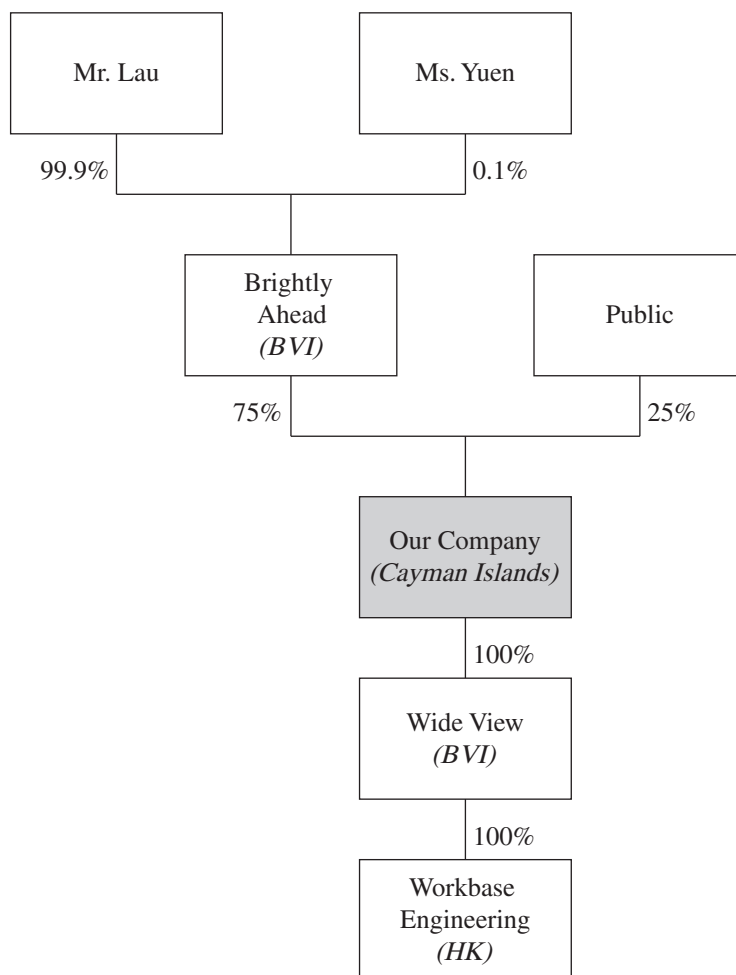


After completion of the Reorganisation, our Company became the holding company of our Group. The following diagram sets out the corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Public Offer:



HISTORY, DEVELOPMENT AND REORGANISATION

The following chart sets out the corporate structure of our Group immediately after completion of the Capitalisation Issue and the Public Offer (without taking into account any Shares to be issued upon exercise of any options which may granted under the Share Option Scheme):



BUSINESS

OVERVIEW

We are a substructure subcontractor in Hong Kong capable of (i) foundation and site formation works; and (ii) other geotechnical engineering works such as slope works and other minor geotechnical works such as shotcreting.

We serve different customers which are primarily main contractors or subcontractors of various types of property development or civil engineering projects in Hong Kong. We, as subcontractor and sub-subcontractor, secure our projects from main contractors or other subcontractors, respectively. During the Track Record Period and up to the Latest Practicable Date, we have completed 24 projects. As at the Latest Practicable Date, we had 12 projects on hand (including projects in progress and projects which are yet to commence). For each of the three years ended 31 December 2014, 2015 and 2016, we derived revenue of approximately HK\$53.8 million, HK\$75.3 million and HK\$131.8 million, respectively. Our Directors estimate that the total revenue to be recognised subsequent to the Track Record Period from the projects completed and projects on hand would be approximately HK\$184.4 million. We have a primary focus in private sector construction projects which have contributed over 98% of our total revenue recognised during the Track Record Period. For details of our projects, please refer to the paragraph headed “Projects of our Group” in this section.

The following table sets out a breakdown of our revenue by our services provided during the Track Record Period:

| | For the year ended 31 December | | | | | |
|--|--------------------------------|--|-----------------------|--|-----------------------|--|
| | 2014 | | 2015 | | 2016 | |
| | Revenue (HK\$'000) | Percentage of total revenue (%) | Revenue (HK\$'000) | Percentage of total revenue (%) | Revenue (HK\$'000) | Percentage of total revenue (%) |
| Foundation and site formation works | 50,834 | 94.5 | 74,474 | 98.9 | 131,482 | 99.7 |
| Other geotechnical engineering works | 2,951 | 5.5 | 846 | 1.1 | 331 | 0.3 |
| Total revenue | <u>53,785</u> | <u>100.0</u> | <u>75,320</u> | <u>100.0</u> | <u>131,813</u> | <u>100.0</u> |

During the Track Record Period, we subcontracted certain works, such as trial pit works, ELS works and piling works to our subcontractors. For further information regarding our subcontractors, please refer to the paragraph headed “Subcontractors” in this section.

The works we undertake in our operations rely heavily on the use of machinery and equipment. As at 31 December 2016, the aggregate net book value of our machinery and equipment recorded on the combined statements of financial position of our Group totalled approximately HK\$6.9 million. During each of the three years ended 31 December 2014, 2015 and 2016, our Group acquired machinery and equipment of approximately HK\$3.2 million, HK\$6.1 million and HK\$2.0 million, respectively.

BUSINESS

OUR COMPETITIVE STRENGTHS

Our Directors believe that our success is attributable to our competitive strengths as follows:

We have an experienced and dedicated management team

We have an experienced and dedicated management team with extensive operational expertise and experience and in-depth understanding of the foundation and site formation industry in Hong Kong, and this in turn allows us to anticipate the market trends when formulating our market position and developing business strategies. Our senior management comprise a group of highly capable and experienced individuals. For instance, Mr. Lau, our Chief Executive Officer and our executive Director, has more than 33 years of experience in the construction industry and has established close relationships with our customers, subcontractors and suppliers. Ms. Yuen, our Chairman and our executive Director, joined our Group in 2003 and has since contributed to the business development, human resources, finance and administration of our Group. Each of Mr. Shum Yam Shun, our Site Superintendent, and Mr. To Kam Ming, our Project Manager, has more than 22 and 10 years of working experience respectively in the construction industry in Hong Kong. Their solid experience and sound industry knowledge contributed to our Group's success and through their leadership, we have grown to become an established foundation subcontractor in Hong Kong. For further details regarding the experience of our management team, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus.

We are an established geotechnical engineering works subcontractor in Hong Kong with stable relationship with our major customer, suppliers and subcontractor

We have been providing geotechnical engineering works through our principal operating subsidiary, Workbase Engineering, for more than 13 years. Over the years, we have expanded our construction operations to include foundation and site formation works. Our Directors believe that our Group is efficient in project planning and management, and is able to execute and complete projects efficiently and properly. During the Track Record Period, we delivered our job to the satisfaction and requirements of our customers and did not receive any material complaint. Our business relationships with our five largest customers during the Track Record Period ranged from one year to 11 years, and our Directors are of the view that we have maintained a stable relationship with our major customers. In addition, during the Track Record Period and up to the Latest Practicable Date, our Group did not have any material disputes with our suppliers or subcontractors which would have had a material impact on our business, financial condition or results of operations.

BUSINESS

We are flexible and capable of providing recommendations for our projects

With the experience and knowledge of our management team, we are capable of providing recommendations on our projects in order to meet the requirements of our customers. In the course of project execution, our project team will from time to time provide updates on the progress and discuss issues arising from the projects both internally and externally with our customers. Our Directors believe that with the expertise of our management team and the regular updates and discussions on the projects, we are able to make decisions and recommendations in a timely manner. We believe this gives us an edge over our competitors who do not adopt this practice.

BUSINESS STRATEGIES

The principal business objective of our Group is to further strengthen our position in the foundation industry in Hong Kong and to expand our customer base in order to achieve sustainable growth in our business. The following sets out our business strategies:

Acquisition of additional machinery

According to the forecast growth of the foundation industry in Hong Kong as stated in the Ipsos Report, the gross output value of foundation contracting industry in Hong Kong is forecasted to increase from approximately HK\$23.1 billion in 2017 to approximately HK\$26.3 billion in 2021. As such, our Directors believe that we can undertake additional foundation and site formation projects on top of our present scale of operation and projects on hand if we are able to improve our project execution effectiveness and efficiency and enhance our operational capacity. We intend to acquire and/or finance the expansion of our fleet of machinery and equipment for ongoing projects and future projects. By expanding our fleet of machinery, we believe that we will be in a better position than our competitors armed with less machinery to secure more projects. Our Group is also of the view that, by acquiring machinery, we will place less reliance on and save costs of leasing machinery from other parties going forward. We intend to acquire three crawler cranes, three crawler drills and four air compressors and various other supporting tools and equipment. These machinery will form the basis of our increased technical capability as our future planned purchase of larger crawler cranes and drills will allow us to bid for projects that we previously were not capable of due to the lack of such equipment. As (i) we are occasionally requested by our prospective customer to provide a list of machinery we possess when we submit quotations for projects; and (ii) we will ask the prospective customer about information on the winning quotation in the event that we do not secure the contract and they expressed their preference over subcontractors with own machinery, our Directors believe that when bidding for projects, our ownership of such machinery is also taken into consideration when bids are awarded. Please refer to the section headed “Business Objectives and Future Plans” for details.

BUSINESS

Expanding our manpower by recruiting additional experienced and skilled operations staff and workers

We believe that a team of skilled workers equipped with industry knowledge and experience in performing foundation and site formation works is vital to our continuing success. We intend to recruit additional experienced and skilled operations staff and workers (including project management and supervision staff and machinery operators) to meet the growing needs of our operations and we intend to execute our future additional projects by our own direct labour resources to the extent without substantial use of subcontractors because our Directors consider that the use of our own direct labour resources (comparing to engaging subcontractors) would generally lead to a higher profit margin for our Group, as a profit markup is generally factored in the fees charged by our subcontractors. Please refer to the section headed “Business Objective and Future Plans” for details of our recruitment plan.

DESCRIPTION OF OUR WORKS

We are a substructure subcontractor capable of (i) foundation and site formation works, which mainly include ELS works, sheet piling, pipe piling, pre-boring, pre-bored H-piling, mini-piling, and bored piling; and (ii) other geotechnical engineering works, which include slope works and other minor geotechnical works such as shotcreting. Set out below are brief descriptions of our works:

(I) FOUNDATION AND SITE FORMATION WORKS

Our foundation and site formation works involve the lateral supports for excavation, ground investigation, foundation piling, demolition, excavation and stabilisation works for site formation. The foundation, or the substructure, of a building is vital to its construction as it forms the base on which the superstructure stands, and thus foundation and site formation works are fundamental to any construction project. Different types of foundation works include ELS works, pre-borings, pre-bored H-piling, mini-piling, pipe piling and bored piling. Site formation works include various works that one carried out in order to prepare a suitable construction work site for further foundation and superstructure works.

ELS works

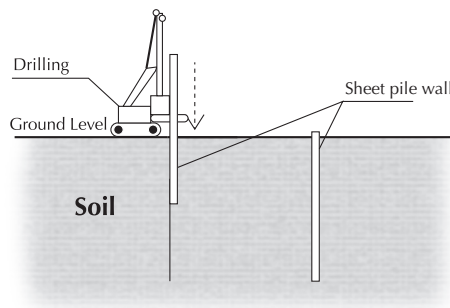
Excavation is an early stage in building and construction. It involves loosening and taking materials out of the ground and then shoring up support in the excavated area with piles. Excavation provides larger construction space, and during the process, the sides of the sites require proper support and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

Lateral support works include ground anchor, ground water control and dewatering. Grouting ground anchor involves pouring cement into soil rocks to create an embedded anchor, preventing ground water from penetrating into the excavation area and thereby 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.

Set out below are illustrative diagrams of our typical ELS works:

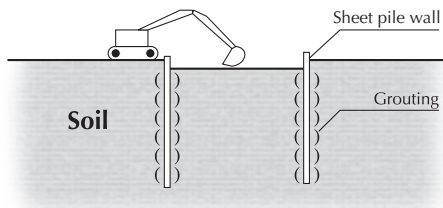
Sheet piling

Installation of sheet pile wall



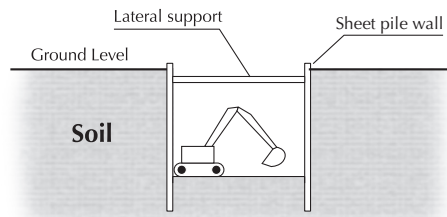
Sheet piling works begin by inserting a sheet pile wall, made of steel into the soil for the planned boundary of the excavation. The sheet pile wall is generally used to reduce groundwater inflow and prevent the soil from collapsing from the side. Grouting may be conducted outside and/or underneath to sheet pile wall for control of underground water seepage into the excavation.

Excavation begins



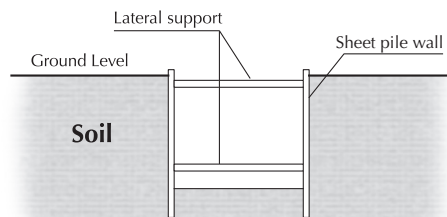
After inserting the sheet pile wall, excavation will begin between the sheet pile walls.

Installation of lateral support for further excavation



As excavation begins to go deep below ground level, lateral support between the sheet pile walls is added to keep the sheet pile wall stable and prevent deflection in order to continue further excavation.

Completion of ELS work by using sheet piling

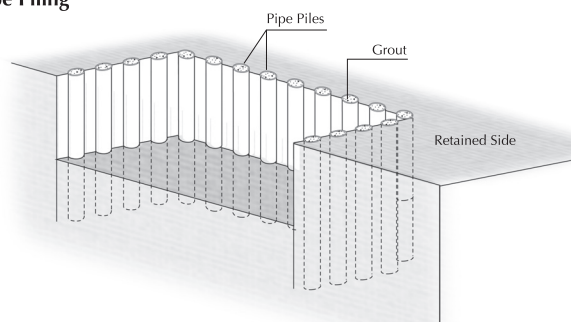


When excavation reaches the required depth, pile caps construction and substructure construction works begin. The sheet pile wall together with the lateral supports will normally be removed upon completion of the substructure.

Pipe piling

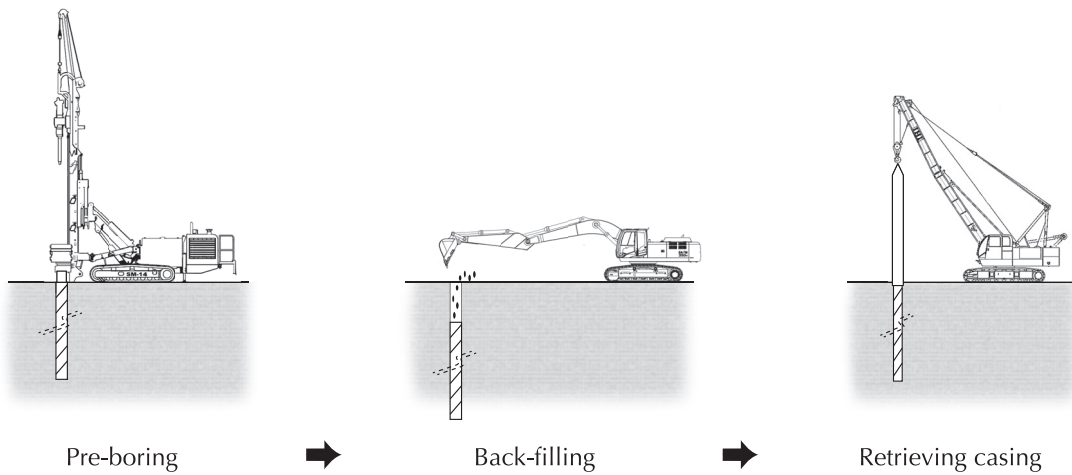
Pipe piling may be considered as an alternative to sheet pile wall in ELS works. Pipe piling is an earth retention and excavation support technique that involves the construction of retaining walls using steel piling, namely steel casings. These techniques are often used in excavations of considerable depths, such as for basements and foundations. Generally, pipe piling involve installing steel piles at regular intervals along the planned excavation perimeter, which are then reinforced with grout. Set out below shows the technique of pipe piling:

Pipe Piling



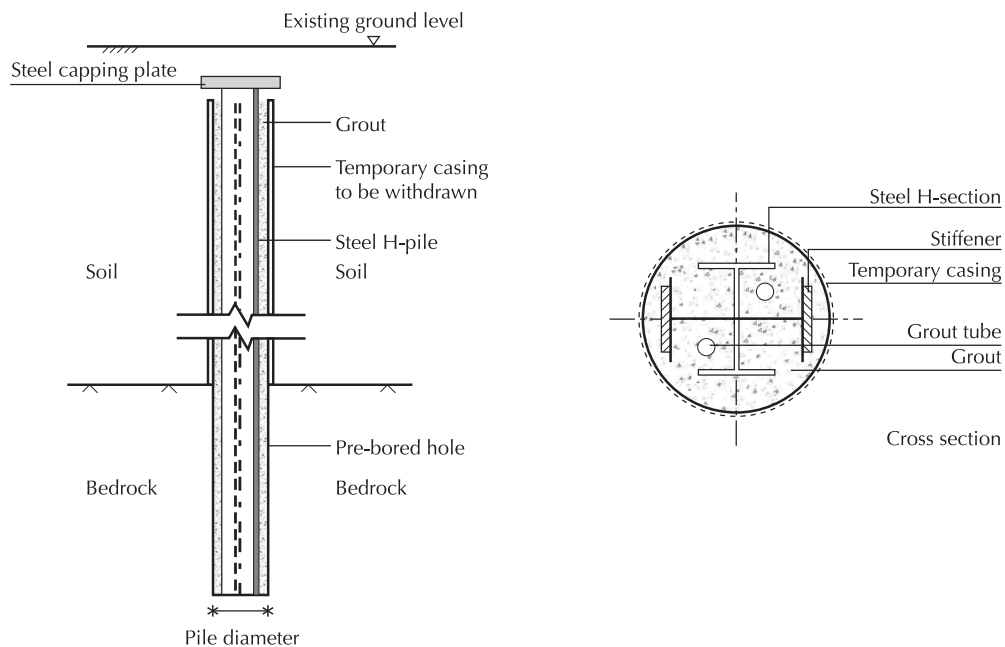
Pre-boring

Pre-boring is the process of drilling a bore hole into the ground to prepare a site for foundation works by breaking down any hard obstructions and to help investigate and determine the appropriate founding levels for the structure. The number and diameter of pre-bored holes required in each project depend on various factors such as the nature of the foundation and overlying superstructure, the ground conditions and the type of pile to be formed. A boring rig, together with a hydraulic hammer drill or hydraulic rotator, is used in most circumstances to sink a temporary casing into the ground. The excavated hole is then refilled with gravel, sand and silt before the temporary casing is retrieved using a crane. The diagram below illustrates the steps of pre-boring:



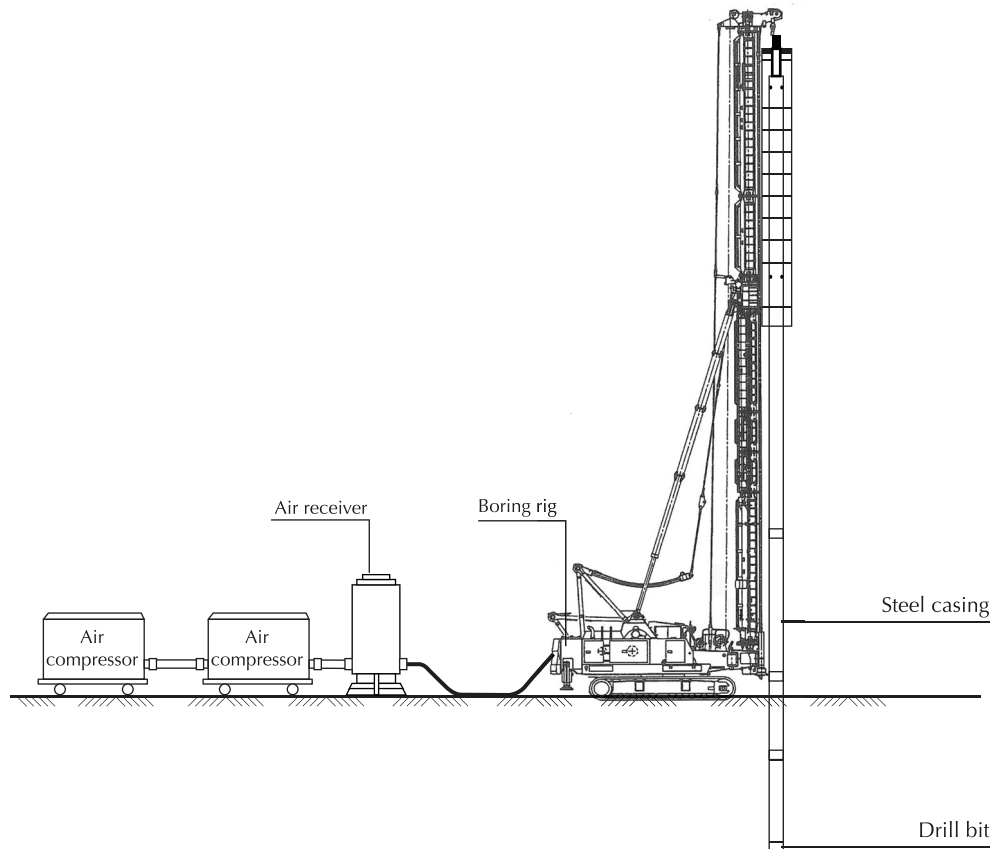
Pre-bored H-piling

Pre-bored H-piling are steel structural beams being placed into a pre-bored hole (generally between 610 millimeters to 800 millimeters in diameter) sunk into bedrock and grouted with cement to form a pile. Pre-bored H-piling is generally used for supporting heavier loads due to their strength and durability and may be utilised for driving in dense or very stiff materials that other piling technique would have difficulty penetrating. Pre-bored H-piling is commonly used in construction projects involving superstructures including buildings, bridges and highways. They are sometimes used in connection with sheet piling for additional lateral stiffness and bending resistance. The diagram below illustrates the general structure of a pre-bored H-pile:



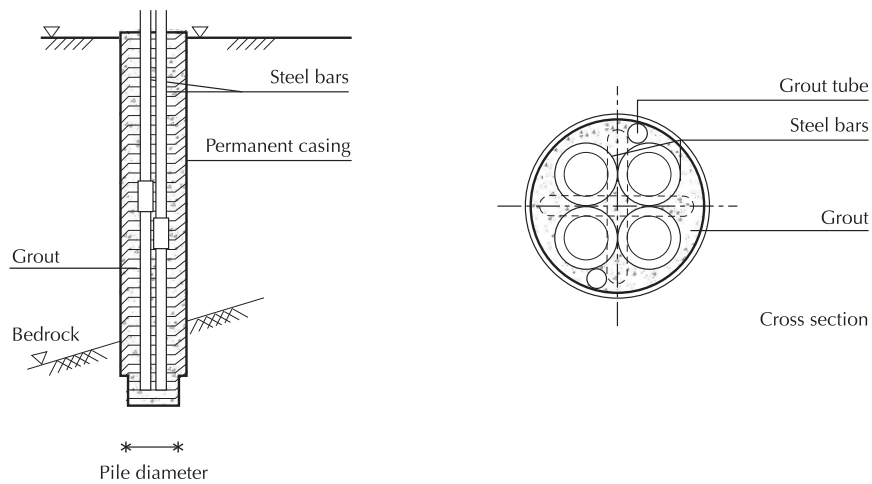
BUSINESS

In a typical pre-bored H-piling project, a boring rig is used to drive a temporary steel casing together with a socketed H-pile to the required depth and into a sufficiently strong bedrock layer. The diameter and the depth of the borehole are highly specific to the ground conditions, loading conditions and nature of the construction project. Air compressors are used to remove fine soil and rock fragments from the hole. Subsequently, the void spaces in the hole are filled up with grout material while the temporary casing is gradually extracted. The following diagram illustrates a typical pre-bored H-piling:



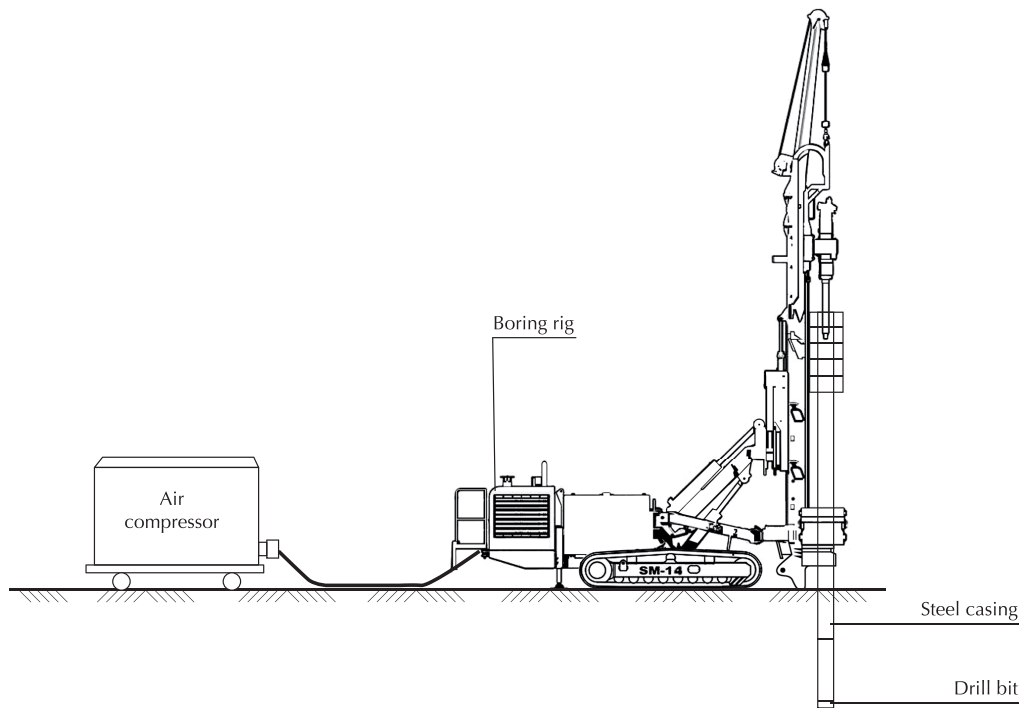
Mini-piling

Mini-pile usually consists of one or a bundle of steel bars encased by cement grout inside a borehole circumscribed by permanent casing with diameter ranging from 100 millimeters to 400 millimeters. They can be used for sites with difficult access. They are normally designed to be socketed into rock and are mainly used in smaller site area and for lighter structure compared with those supported by socketed H-piles. Steel casing is to be used to support the borehole within the soil and/or fractured rock during drilling operation. Mini-piling also has the advantages of generating less noise and vibration, therefore causing less nuisance to the public. The diagram below illustrates the general structure of a mini-piling:



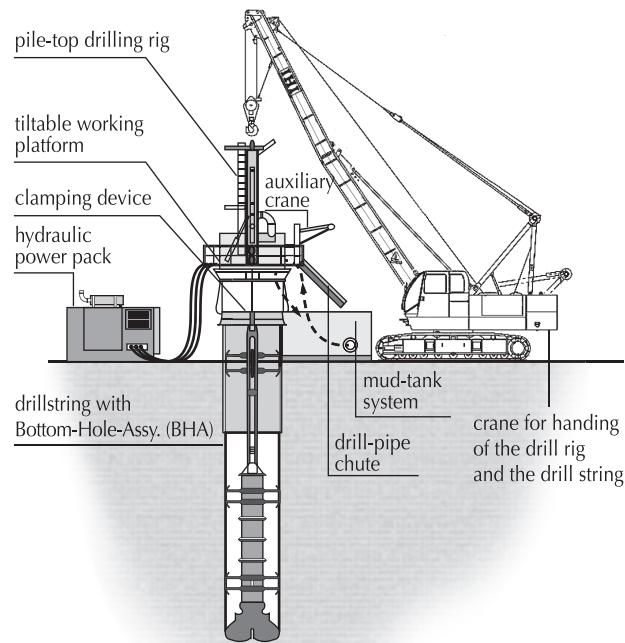
BUSINESS

In our typical mini-piling projects, a boring rig is used to drive a permanent steel casing together with a bundle of steel bars into a hole through soil and bedrock and/or other obstructions. The fine soil and rock fragments in the hole are then removed by an air compressor. The steel casing will be left in the ground permanently. Subsequently, cement grout is pumped through grout tubes to fill the cavity in between the bars. The following diagram illustrates a typical mini-piling:



Bored piling

Bored piling refers to reinforced concrete piles that are drilled into soil of up to 50 metres in depth, to ensure that the bored piles are founded on sound rock. Bored piling is used to support superstructures that carry heavy vertical loads, such as bridges, tall buildings or large industrial complexes, and is generally carried out by machinery such as crawler cranes and hydraulic drilling rigs. Normally the bored pile is supported by temporary steel casing to prevent collapse of the bore. Set out below is a diagram illustrating the process of bored piling:



Site formation works

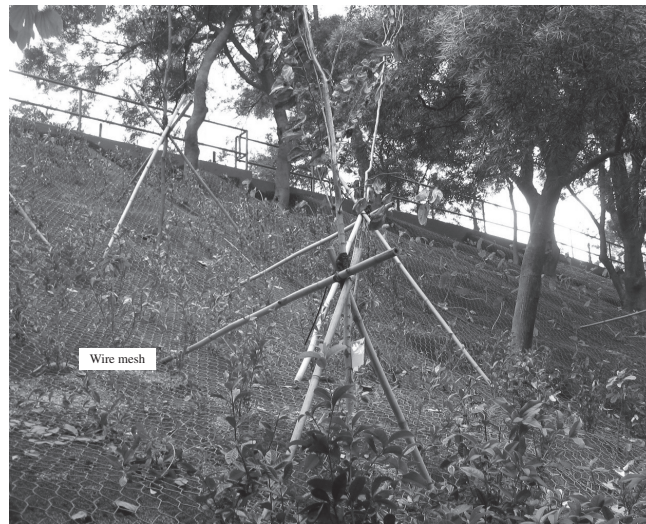
Prior to the commencement of any foundation works, site formation works are carried out in order to obtain information as to the geological area sub-soil conditions for the sites and the surrounding areas to select the type and extent of piles required for the foundation and superstructure to be developed. Generally, site formation works carried out by our Group include the clearance of sites, such as the removal of trees, shrubs, surface soil and debris, the levelling of land by excavation or filling in of land, demolition of any unwanted structures and constructing retaining walls, access roads and drainage systems.

(II) OTHER GEOTECHNICAL ENGINEERING WORKS

Other geotechnical engineering works carried out by our Group consist mainly slope works and other minor geotechnical works such as shotcreting.

Slope works

Slope works refer to landslide preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls. During the Track Record Period, our slope works involved drilling and installations of soil nails, construction of raking drains and installations of erosion control and wire mesh.



BUSINESS

PROJECTS OF OUR GROUP

Projects undertaken and completed during the Track Record Period

During the Track Record Period, we have completed 19 projects, which consist of 14 foundation and site formation related projects and 5 other geotechnical engineering projects.

The following table sets out the details of our projects with a total contract amount of over HK\$1,000,000 completed during the Track Record Period:

Completed Projects

| No. | Description of projects | Nature of works services | Commencement date | Project period Completion date (duration) | Total contract sum (Note 1) (HK\$'000) | Accumulated revenue recognised during the Track Record Period (HK\$'000) | Overall gross profit margin (%) |
|--|---|--|-------------------|---|--|---|---------------------------------|
| 1 | Hillside catchments in Ap Lei Chau (Note 2) | Other geotechnical engineering works – soil nail works | July 2012 | April 2014 (22 months) | 14,176 | 836 | 25.0 |
| 2 | Stage one of Cape Road Project in Chung Hom Kok | Foundation works – piling work and ELS works | May 2013 | June 2014 (14 months) | 16,710 | 10,882 | 23.3 |
| 3 | Residential property redevelopment in Tuen Mun | Site formation works – pipe piles | September 2013 | April 2014 (8 months) | 1,589 | 53 | 27.9 |
| 4 | Residential property development in Tuen Mun | Foundation and site formation works – pipe piles, mini-piles and ELS works | September 2013 | April 2014 (8 months) | 12,182 | 2,394 | 50.2 |
| 5 | Residential property redevelopment in Yau Ma Tei | Foundation works – piling and monitoring works | March 2014 | February 2015 (12 months) | 25,817 | 25,817 | 29.2 |
| 6 | Infrastructure development in Kai Tak Area (Note 2) | Foundation works – mini-piles | June 2014 | October 2014 (5 months) | 1,244 | 1,244 | 3.5 |
| 7 | Commercial building slope works in Mid-Levels | Other geotechnical engineering works – soil nailing works | June 2014 | December 2014 (7 months) | 2,471 | 2,471 | 26.9 |
| 8 | Hotel building development in Sham Shui Po | Foundation works – piling works | August 2014 | July 2015 (12 months) | 20,188 | 19,912 | 8.5 |
| 9 | Residential property redevelopment in Sham Shui Po | Foundation works – pipe piles and grout curtain works | January 2015 | May 2015 (5 months) | 13,884 | 13,884 | 39.6 |
| 10 | Residential property redevelopment in Jordan | Foundation works – ELS works | May 2015 | November 2015 (7 months) | 6,543 | 6,543 | 15.7 |
| 11 | Stage two of Cape Road Project in Chung Hom Kok | Foundation and site formation works – demolition works, ELS works, soldier pile walls and other piling works | July 2015 | October 2016 (16 months) | 38,968 | 38,968 | 22.1 |
| 12 | Residential and commercial property development in Tuen Mun | Foundation works – TAM pipe and chemical grouting | June 2016 | December 2016 (7 months) | 3,550 | 3,550 | 16.4 |
| Other completed projects with total contract sum of each less than HK\$1,000,000 | | | | | 157,322 | 126,554 | |
| | | | | | 2,099 | 2,099 | |
| Total completed projects | | | | | 159,421 | 128,653 | |

BUSINESS

Projects on hand

The following table sets forth the details of our projects in progress as at 31 December 2016:

Projects on hand in progress

| No. | Description of projects | Nature of works services | Project period | | Total contract sum (Note 1) (HK\$'000) | Accumulated revenue recognised during the Track Record Period | Outstanding contract sum as at 31 December 2016 (HK\$'000) | Overall gross profit margin for the Track Record Period (%) |
|-----|---|---|-------------------|--------------------------|--|---|---|--|
| | | | Commencement date | Expected completion date | | Record Period | | |
| 1 | Residential property development in Happy Valley | Site formation works – bored pile wall, mini-piles, site clearance, demolition works, earthwork, drainage | January 2015 | May 2017 | 48,000 | 43,223 | 4,777 | 11.5 |
| 2 | Residential property development in Tuen Mun | Site formation works – tree falling, ELS works, slope upgrading works | March 2015 | April 2017 | 35,497 | 34,396 | 1,101 | 30.5 |
| 3 | Residential property redevelopment in Repulse Bay | Foundation and site formation works – site clearance, tree falling, pre-bored H-piles, pipe piles | July 2015 | March 2017 | 39,900 | 34,981 | 4,919 | 25.0 |
| 4 | Hotel building redevelopment in North Point | Foundation works – H-piles, ELS works, pipe piles | March 2016 | May 2017 | 11,880 | 8,970 | 2,910 | 25.4 |
| 5 | Residential property development in Discovery Bay | Site formation works – surface channel and catchpits, concrete pipe and manholes, fresh water pipes | July 2016 | June 2017 | 13,405 | 6,033 | 7,372 | 10.0 |
| 6 | Residential property development in Kowloon Tong | Foundation works – pipe pile wall, earthwork, grout curtain wall | September 2016 | September 2017 | 12,380 | 4,332 | 8,048 | 15.0 |
| 7 | Construction of tunnel sleeves in Nam Cheong | Other geotechnical engineering works – segmental pipe jacking | December 2016 | August 2017 | 3,066 | 331 | 2,735 | 7.0 |
| | | | | | 164,128 | 132,266 | 31,862 | |

BUSINESS

Subsequent to the Track Record Period, we have commenced works in five projects with aggregate contract sum of approximately HK\$60.3 million, of which one project with contract sum of approximately HK\$180,000 was completed in January 2017.

The following table sets forth the details of our projects commenced subsequent to the Track Record Period and on going as at the Latest Practicable Date.

| No. | Description of projects | Nature of works services | Project period | | Total contract sum (Note 1) (HK\$'000) |
|-----|--|--|-------------------|--------------------------|--|
| | | | Commencement date | Expected completion date | |
| 1. | Residential property development in Kowloon Tong | Foundation and site formation works – site clearance, sheet piles, ELS works | January 2017 | January 2018 | 16,020 |
| 2. | Hotel development in Yau Ma Tei | Foundation works – Piling works and ELS works | January 2017 | December 2017 | 10,000 |
| 3. | Residential property development in Sham Shui Po | Foundation works – Piling works and ELS works | February 2017 | March 2018 | 20,237 |
| 4. | Hotel and commercial building development in Mongkok | Foundation works – Piling works and ELS works | February 2017 | December 2017 | 13,865 |
| | | | | | 60,122 |

BUSINESS

The following table sets forth the details of our projects on hand not yet commenced as at the Latest Practicable Date:

Projects on hand not yet commenced

| No. | Description of projects | Nature of works services | Project period | | Total contract sum (HK\$'000) |
|-----|--|---|----------------------------|--------------------------|----------------------------------|
| | | | Expected commencement date | Expected completion date | |
| 1 | Residential property development in Sai Ying Pun | Foundation works – pre-drilling works, mini-piles, shear piles, ELS works | June 2017 | March 2018 | 6,021 |
| 2 | School redevelopment in Sai Kung | Foundation works – piling works and ELS works | June 2017 | February 2018 | 20,018 |
| 3 | Residential property development in Tuen Mun | Foundation and site formation works – ELS works, site clearance, pipe piles | June 2017 | February 2018 | 30,020 |
| 4 | Commercial property development in Sheung Wan | Foundation works – piling works and ELS works | June 2017 | July 2018 | 22,939 |
| 5 | Hostel building development in Tai Po | Foundation works – piling works and ELS works | June 2017 | March 2018 | 13,281 |
| | | | | | 92,279 |

Notes:

1. The total contract amount equals the initial contract sum and the amount derived from subsequent variation order(s) from the relevant project, if any, as agreed between our Group and the customer up to the Latest Practicable Date.
2. Save for the slope works project in Ap Lei Chau, the infrastructure development project in Kai Tak Area, and two other projects with contract sum of approximately HK\$337,000 and HK\$227,000 each which were public sector projects, all of the completed projects of our Group were private sector construction projects.

Although our works in the foundation industry are usually offered on a project by project basis, we believe we will be able to secure jobs in the future in Hong Kong due to our competitive strengths set out in the paragraph headed “Our competitive strengths” in this section.

BUSINESS

Our project backlog

The following table sets forth the number of our projects completed and awarded to us and the respective aggregate contract sum during the Track Record Period and up to the Latest Practicable Date:

| | Number of contracts | Contract sum (Note) HK\$'000 |
|---|------------------------|---------------------------------------|
| <i>As at 1 January 2014</i> | | |
| Contracts on hand | 5 | 64,845 |
| <i>During the year ended 31 December 2014</i> | | |
| New contracts awarded | 8 | 92,552 |
| Contracts completed | 7 | <u>48,599</u> |
| <i>As at 31 December 2014</i> | | |
| Contracts on hand | 6 | 108,798 |
| <i>During the year ended 31 December 2015</i> | | |
| New contracts awarded | 8 | 124,647 |
| Contracts completed | 8 | <u>67,678</u> |
| <i>As at 31 December 2015</i> | | |
| Contracts on hand | 6 | 165,767 |
| <i>During the year ended 31 December 2016</i> | | |
| New contracts awarded | 11 | 141,667 |
| Contracts completed | 4 | <u>43,146</u> |
| <i>As at 31 December 2016</i> | | |
| Contracts on hand | 13 | 264,288 |
| <i>From 1 January 2017 up to the Latest Practicable Date</i> | | |
| New contracts awarded | 4 | 52,420 |
| Contracts completed | 5 | <u>135,457</u> |
| <i>As at Latest Practicable Date</i> | | |
| Contracts on hand | 12 | 181,251 |

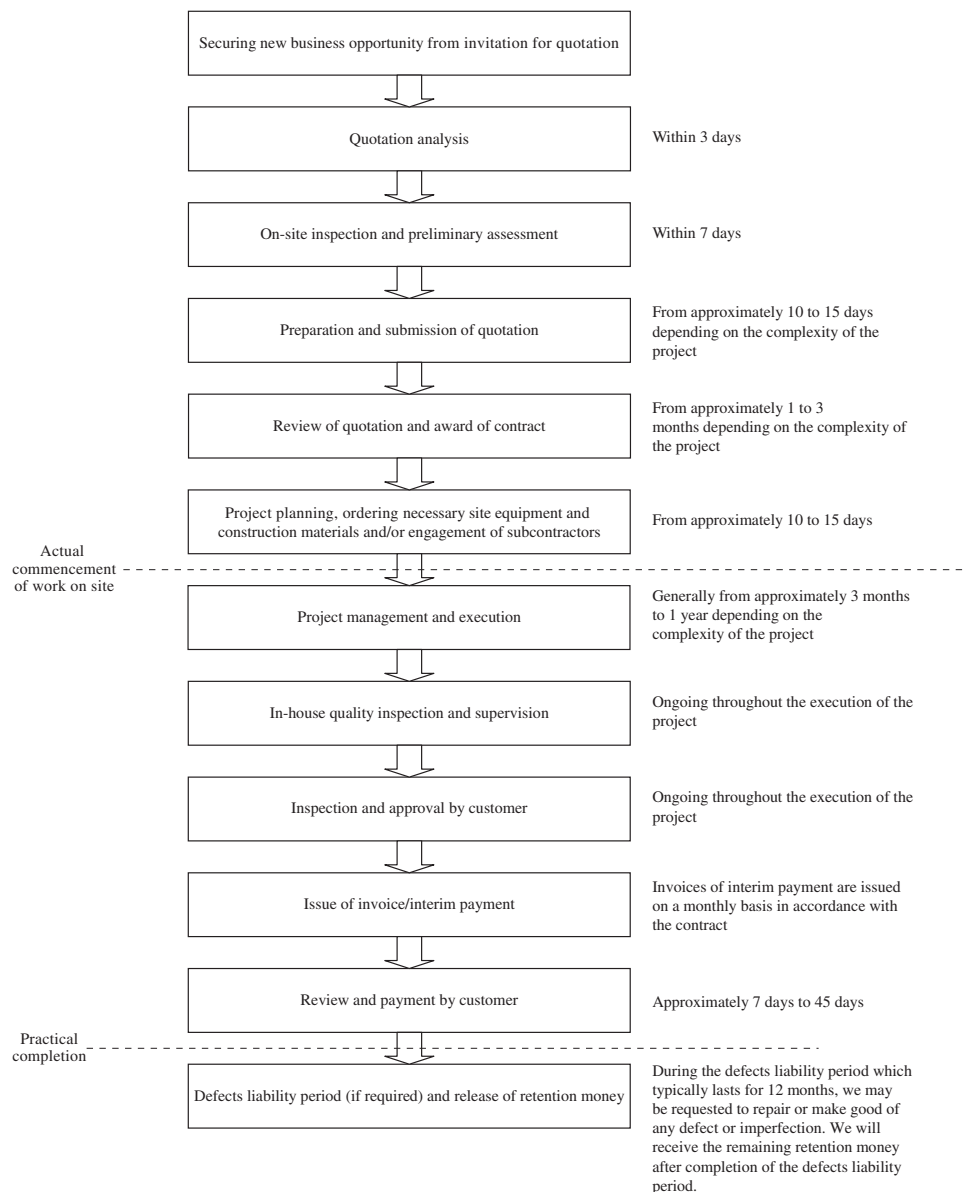
Note: The total contract amount equals the initial contract sum and the amount derived from subsequent variation order(s) from the relevant project, if any, as agreed between our Group and the customer.

BUSINESS

As at the Latest Practicable Date, the aggregate contract sum of our Group's projects amounted to approximately HK\$181.3 million. Based only on our projects completed and contracts on hand, we expect to recognise revenue of approximately HK\$143.4 million for the year ending 31 December 2017.

OPERATING FLOW

The following diagram summarises the principal steps of our operation flow:



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 timeframe for the principal steps to be undertaken as well as other unforeseeable circumstances.

BUSINESS

Invitation for quotations

Our projects are typically awarded through invitation for quotations. We are usually invited by our customer by way of invitation letter, phone call or verbal invitation to submit a quotation for a potential project as a subcontractor. Our customers are typically main contractors or subcontractors of foundation and site formation projects for residential and commercial building projects in Hong Kong. We are also provided with preliminary information on the specifications, site conditions and relevant drawings.

Quotation analysis, preparation and submission of quotations

After receiving the invitation, our Chief Executive Officer would make a preliminary assessment of the requirements of the quotation. In our assessment, in considering whether to bid for the quotation, we evaluate the profitability of the project, the feasibility of undertaking such project with reference to technical specifications, our expertise and capacity, our available resources, costs of labour and construction materials, project schedule, and other possible risk factors associated with such projects. We will conduct an on-site visit to have a better understanding on the conditions of the site, if necessary.

Once our management team considers a potential project to be acceptable based on our review and assessment, we will prepare and submit a quotation for the project to our customers accordingly. Details of our pricing policy is set out in the paragraph headed “Sales, marketing and customers – Pricing policy” in this section. Please also refer to the paragraph headed “Quotations and success rates” in this section for details of our quotations submitted during the Track Record Period.

Award of contracts

Upon receipt of our quotation, our customer may, by way of interview or enquiries, clarify with us the particulars of the submitted quotation. Once our customer accepts our quotation, the contract is awarded to our Group and confirmed by way of a letter of acceptance. We normally will sign an agreement incorporating detailed terms and conditions of the contract with our customers. For principal terms of our engagement in a typical contract, please refer to the paragraph headed “Sales, marketing and customers – Common contract terms between our Group and our customers” in this section.

Project planning and forming a project team

Upon award of the contract, our Group conducts thorough internal planning to form a project management plan, and to properly assign and deploy the required personnel of our project team and required machinery, labour and other resources to execute the project on hand.

BUSINESS

In assigning and deploying resources for the project, we also take into consideration the need for subcontracting certain works to our subcontractors to ensure timely completion of the project. Our project management plans also incorporate the occupational health and safety of workers assigned to the proposed project, environmental management, and how our Group shall control the quality of the works.

Our project team is responsible for overseeing the project on-site and reports to our executive Directors on the status of our projects and identify problems that need to be resolved. Depending on the scale and complexity of the project, our project team generally comprises the following key personnel: (i) Project Manager; (ii) Site Agent; (iii) Project Engineer; (iv) Quantity Surveyor; (v) Foreman; and (vi) Safety Officer. Our executive Directors also closely monitor the progress of the project on a continuous basis to ensure that our works meet our customers' requirements, within budget and in compliance with all applicable laws and regulations. Set out below are some general duties of the key personnel of our project team:

(i) Project Manager

Our Project Manager is responsible for preparing the project plan, liaising with other members of the project team on the status of the project, reviewing progress reports and daily site records, liaising with our subcontractors, ensuring that all supplies can be ordered and ensure works quality, safety and environmental issues in accordance with our customers' requirements and statutory regulations. Our Project Manager directly reports to our Chief Executive Officer regarding the status of the project on a continuing basis. Our Project Manager is the principal on-site contact between the customer and our Group, handles instructions and technical issues received from the customer and is also responsible for attending progress meetings and communicating with the customer on the status of the project.

(ii) Site Agent

Our Site Agent is responsible for assisting the preparation of the project plan, monitoring and supervising project works on-site, including tracking work progress for reporting to our Project Manager and communicating with our Foreman regarding the planned operations for each project on a daily basis. For projects of smaller scale and complexity to which our Project Manager is not required to be assigned, our Site Agent would also hold the responsibilities of Project Manager.

BUSINESS

(iii) Project Engineer

Our Project Engineer is responsible for overseeing the engineering aspects of the project, preparing daily site records, recording the number of workers on-site and the description of works performed by our workers and/or subcontractors. Site records are reviewed by our Project Manager on an ongoing basis and may be spot-checked by our Chief Executive Officer. For ELS works and other necessary temporary structures and depending on subcontracting requirements, our Project Engineer may need to provide our construction designs with supporting calculations to our customer for further approval.

(iv) Quantity Surveyor

Our Quantity Surveyor is responsible for inspecting work progress on-site, measuring the work done by our subcontractors, handling purchase orders to ensure that projects are on schedule and updating our Project Manager on the latest progress of the project as certified by our customers.

(v) Foreman

Our Foreman is responsible for the coordination of machinery, labour and other resources of the project, and the supervision of our own employees and/or our subcontractors on-site on a full-time basis.

(vi) Safety Officer

Our Safety Officer is responsible for setting up safety plans for workers when carrying out their works on construction sites, inspecting the safety of machinery and equipment, ensuring safe working environments for our workers, carrying out safety trainings for all levels of employees, handling safety incidents and keeping safety records.

Arranging machinery and equipment

Most of our works involve usage of machinery and equipment. When site equipment is required for a project, we either make use of our own site equipment or rent from external site equipment rental service providers. Mr. Lau and the Project Manager, are responsible for managing the site equipment for all projects and determining the types of site equipment to be used, the time for the usage of site equipment and the transportation logistics of site equipment. For details on our machinery fleet, please refer to the paragraph headed “Machinery” in this section.

BUSINESS

Procurement of construction materials

The key construction materials that we purchase include concrete, steel-reinforced bars and structural steel. Our project team consults our quantity surveyors and engineering department to determine the quantity, delivery schedule, specifications and type of construction materials to be purchased in order to meet our customers' requirements. Our purchasing department will then place orders with our approved suppliers and purchase the required materials. We purchase construction materials on a project-by-project basis as and when they are needed. In some cases, our customers will purchase certain construction materials on our behalf in the relevant projects. Please refer to the paragraph headed "Sales, marketing and customers – Customers who were also our suppliers/subcontractors – 1. Contra charge arrangement with our customers" in this section for further details.

Engagement of subcontractors

Depending on our capability, resources available, requirement of machinery and equipment, cost effectiveness and the complexity of the project, we may further subcontract specific parts of the project to our subcontractors. Please refer to the paragraph headed "Subcontractors" in this section for further details.

Project management and execution

The construction works are executed by our direct labours and/or our subcontractors under the supervision of our on-site project teams and representatives of our customers. To ensure each project is executed efficiently and smoothly, we take a proactive approach to supervise the progress. Our Chief Executive Officer visits each project site from time to time with an aim to resolve any issues identified by our members of project team and/or site staff. Our Chief Executive Officer and our project team also maintain frequent dialogues with our customers, suppliers and subcontractors in order to make sure that each project is executed according to plan.

Variation orders

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

BUSINESS

Monitoring and quality inspection

Our executive Directors, with the assistance of our project team, monitor work progress, project performance, risks in delaying the construction programme, comments from our customer and follow-up matters for the project. In addition, we hold progress meetings with our customer throughout the project to keep our customers informed of the projects status and any major issues identified during project execution.

Our Project Manager is responsible for overall supervision of overall workforce on site to monitor the quality and ensure the projects are executed in accordance with our quality standards. Our Site Agent is required to prepare site daily records describing the works performed by our workers or subcontractors (if any). Such site daily records are passed to our Project Manager for review. Our Site Agent also assists our Project Manager to monitor work progress and coordinate with our Foreman to supervise workmanship and quality.

Our work progress is also inspected by our quantity surveyor before we prepare payment applications to our customer.

Customer inspection and application for payment and certification

In addition to our quality inspection as described above, our customers also inspect our works done from time to time in order to confirm and certify completion of the relevant works before our interim payment applications are certified. Upon completion of such inspection, our customer may issue a report specifying defects that need to be rectified by us (if any).

We are entitled to receive progress payments from our customers. Our application for progress payments is normally made on a monthly basis. Based on the works performed by us in the preceding month, we submit to our customers interim payment applications which generally include details of completed works, the actual quantities of our work done, variation orders (if any) and the cost of the materials delivered on a monthly basis. The amount to be received by us from some customers (who are also our suppliers of certain construction materials and other supplies) is netted off by any contra-charge paid by our customers on our behalf, details of the contra-charge arrangement are set out in the paragraph headed “Customers who were also our suppliers/subcontractors – 1. Contra charge arrangement with our customers” in this section. Once our customer approves our payment application, a payment certificate will be issued to us. Generally, we receive payment from our customers within 7 to 45 days of our payment application. Our customer will usually retain up to 10% of each interim payment and up to a maximum limit of 5% of the contract sum as retention money.

BUSINESS

We normally pay progress payment to our subcontractors on a monthly basis with reference to the value of the work performed by our subcontractors in the preceding month after our inspection and verification on their works. Generally, we are required to pay our subcontractors within 30 to 60 days of payment application submitted by our subcontractors.

Project completion

Once we have completed the entire project to the satisfaction of our customer, our customer will usually issue a practical completion certificate or confirm practical completion in writing for the project certifying the contract works have been completed, tested and approved. In some projects, less formal procedures will take place where the parties agree on practical completion by exchange of correspondence. A contract is normally regarded as practically completed when (i) the works under the contract have been duly completed as verified by our customer after inspection; (ii) there is no apparent defect; and (iii) maintenance or defects liability period commences. It generally takes approximately 7 to 45 days for us to reach an agreement on the final account with our customers. During the Track Record Period and up to the Latest Practicable Date, our Group did not have any material disputes with our customers.

Defects liability period and release of retention monies

Our customers normally require a defects liability period, during which we are responsible for rectifying defects or imperfections in relation to our works done which are discovered after completion. The defects liability period typically last for 12 months after completion. Upon expiration of the defects liability period, the retention monies will be released to us by our customers.

DURATION OF OUR PROJECTS

Duration of our projects is affected by a wide range of factors including technical complexity, urgency, underground and geological conditions, input of machinery and labour and expectation of customers, amount of variation orders and weather conditions, and a single or combination of these factors can significantly vary the duration of our projects. During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any delay in project completion which would have had a material impact on our business, financial condition or results of operations.

BUSINESS

QUOTATIONS AND SUCCESS RATES

Tendering is commonly used between main contractors and project employers and we, as a subcontractor, did not usually submit tenders in our own capacity of any projects undertaken by us during the Track Record Period. We, however, send our quotations to our customers or potential customers and the terms with our customers were arrived based on arms length negotiations. The following table sets out the number of quotations submitted, number of quotations accepted and our success rate during the Track Record Period and up to the Latest Practicable Date:

| | For the year ended 31 December | | | From 1 January 2017 up to the Latest Practicable Date (Note) |
|--------------------------------|-----------------------------------|-------|-------|--|
| | 2014 | 2015 | 2016 | |
| Number of quotations submitted | 49 | 42 | 60 | 24 |
| Number of quotations accepted | 9 | 6 | 10 | 4 |
| Success rate | 18.4% | 14.3% | 16.7% | 16.7% |

Note: Out of the total 24 quotations submitted since 1 January 2017 up to the Latest Practicable Date, 17 quotations were still under evaluation by our potential customers as at the Latest Practicable Date.

Our Directors confirm that our quotation success rates are within their expectation. Although it appears that our quotation success rate generally decreased during the Track Record Period, the opportunity for us to submit quotations surged while our capacity has been engaged by our projects on hand. Nevertheless, it was our strategy to be respectful of our customers' quotation invitations and submit quotation to our customers in order to maintain business relationship and maintain our presence in the market. Under such circumstances, we normally factored in slightly higher profit margin to cover the cost for the needs of putting in additional resources, such as project management staff and subcontracting arrangements, which may decrease the attractiveness of our quotations. Despite this, our Directors consider that the increasing number of quotations submitted for the year ended 31 December 2016 and up to the Latest Practicable Date and the increase in success rate from the year ended 31 December 2015 is evidence of our solid presence in the industry and support our business strategy of expanding our machinery fleet capacity. Please refer to the section headed "Business Objectives and Future Plans" in this prospectus for further details.

BUSINESS

SALES, MARKETING AND CUSTOMERS

Sales and marketing

During the Track Record Period, our business opportunities were awarded by ways of quotations requested by our customers. Our Directors and our senior management are responsible for maintaining our customers' relationship, and keeping abreast of market development and potential business opportunities. Our Directors believe that our management team and employees have helped our Group build a reputation in the industry we are engaged into in terms of project planning and execution and meeting customers' requirements, which has been made possible by their experience in the industry and dedication to the profession. Accordingly, we do not maintain a team of sales and marketing staff, because we believe we rely on word-of-mouth of our customers to attract new referrals for future projects, and we believe our provision of quality services in our existing and past projects are the key to retain our existing customers. We currently have no plan to carry out any marketing activities such as mass media advertisements.

Our customers

Our customers are principally main contractors and subcontractors of construction projects. For each of the three years ended 31 December 2014, 2015 and 2016, 95.7%, 99.6% and 100% of our revenue were derived from construction projects in private sectors. All of our customers are located in Hong Kong and all of our service fees are denominated in Hong Kong dollars.

Top five customers of our Group

During the Track Record Period, the total revenue attributable to our top five customers who are independent third parties amounted to approximately HK\$53.8 million, HK\$74.8 million and HK\$131.8 million, representing 100.0%, approximately 99.4% and 100.0% of our total revenue, respectively. During the same period, the total revenue attributable to our largest customer amounted to approximately HK\$46.4 million, HK\$34.0 million and HK\$59.2 million, representing approximately 86.2%, 45.1% and 44.9% of our total revenue, respectively. None of our Directors, Shareholders (who to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) or their respective associates had any interest in any of our top five customers during the Track Record Period.

BUSINESS

The following tables set forth the details of our top five customers for the periods indicated:

For the year ended 31 December 2014

| Rank | Customer | Revenue (HK\$'000) | Approximate percentage of our Group's total revenue (%) | General Credit period (days) | Payment method | Length of business relationship with our Group as at the Latest Practicable Date (years) |
|------|---|-----------------------|---|---------------------------------------|-------------------|---|
| 1 | Fong On ^(Note 1) | 46,372 | 86.2 | 7 to 14 | By cheque | 4 |
| 2 | Ming Lee Foundation ^(Note 2) | 2,991 | 5.6 | 30 | By cheque | 11 |
| 3 | Customer C ^(Note 3) | 2,115 | 3.9 | 30 | By cheque | 6 |
| 4 | Customer D ^(Note 4) | 1,471 | 2.7 | 30 to 40 | By cheque | 3 |
| 5 | Customer E ^(Note 5) | 836 | 1.6 | 7 | By bank transfer | 10 |
| | Subtotal | 53,785 | 100.0 | | | |
| | Total | 53,785 | 100.0 | | | |

For the year ended 31 December 2015

| Rank | Customer | Revenue (HK\$'000) | Approximate percentage of our Group's total revenue (%) | General Credit period (days) | Payment method | Length of business relationship with our Group as at the Latest Practicable Date (years) |
|------|---|-----------------------|---|---------------------------------------|-----------------------------|--|
| 1 | Fong On ^(Note 1) | 33,965 | 45.1 | 7 to 14 | By cheque | 4 |
| 2 | Ming Lee Foundation ^(Note 2) | 24,297 | 32.3 | 30 | By cheque | 11 |
| 3 | Vibro Construction ^(Note 6) | 9,669 | 12.8 | 45 | By cheque/ bank transfer | 11 |
| 4 | Customer G ^(Note 7) | 6,543 | 8.7 | 30 | By cheque | 3 |
| 5 | Customer C ^(Note 3) | 356 | 0.5 | 30 | By cheque | 6 |
| | Subtotal | 74,830 | 99.4 | | | |
| | Other customers | 490 | 0.6 | | | |
| | Total | 75,320 | 100.0 | | | |

BUSINESS

For the year ended 31 December 2016

| Rank | Customer | Revenue (HK\$'000) | Approximate percentage of our Group's total revenue (%) | General Credit period (days) | Payment method | Length of business relationship with our Group as at the Latest Practicable Date (years) |
|------|---|-----------------------|---|---------------------------------------|-----------------------------|--|
| 1 | Fong On ^(Note 1) | 59,192 | 44.9 | 7 to 14 | By cheque | 4 |
| 2 | Ming Lee Foundation ^(Note 2) | 34,404 | 26.1 | 30 | By cheque | 11 |
| 3 | Vibro Construction ^(Note 6) | 33,554 | 25.5 | 45 | By cheque/ bank transfer | 11 |
| 4 | Customer H ^(Note 8) | 4,332 | 3.3 | 30 | By cheque | 1 |
| 5 | Customer I ^(Note 9) | 331 | 0.3 | 15 | By cheque | 1 |
| | Subtotal | <u>131,813</u> | <u>100.0</u> | | | |
| | Total | <u><u>131,813</u></u> | <u><u>100.0</u></u> | | | |

Notes:

- (1) Fong On Construction Limited ("Fong On") is a private company which was incorporated in Hong Kong in 1998 and it has approximately 40 employees. It is a registered specialist contractor specialising in foundation works, site formation works, demolition works and ground investigation field works. It is also a registered General Building Contractor approved by the Buildings Department.
- (2) Ming Lee Foundation Company Limited ("Ming Lee Foundation") is a private company which was incorporated in Hong Kong in 2007 and it has approximately 60 employees. It is a construction contractor specialising in foundation subcontracting works. Ming Lee Foundation was also one of our top five subcontractors for the two years ended 31 December 2015.
- (3) Customer C is a private company which was incorporated in Hong Kong in 2005 and it has approximately 30 employees. Its principal business is the provision of construction engineering works.
- (4) Customer D is a private company which was incorporated in Hong Kong in 2007 and it has approximately 40 employees. Its principal business is the provision of construction engineering works.
- (5) Customer E is a private company which was incorporated in Hong Kong in 1988. It specialises in construction engineering works.
- (6) Vibro Construction Company Limited ("Vibro Construction") is a private company founded in 1980 which has approximately 400 employees and is specialising in civil engineering works such as roadway construction and maintenance, drainage work and slope stabilising work. It is a subsidiary of NWS Holdings Limited (stock code: 0659), a company listed on the Main Board.
- (7) Customer G is a private company incorporated in 1988 which has approximately 90 employees. It is a registered specialist contractor in respect of site formation works, foundation works and demolition works. It is also a registered General Building Contractor approved by the Buildings Department and a subsidiary of a company listed on the GEM.
- (8) Customer H is a private company incorporated in 1996 which has approximately 40 employees. It is a registered specialist contractor in respect of site formation works, foundation works and demolition works. It is also a registered General Building Contractor approved by the Buildings Department.
- (9) Customer I is a private company which was incorporated in Hong Kong in 2010. It specialises in construction engineering works.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, our Group had no dispute with or claim from our customers which would have had a material impact on our business, financial condition or results of operations.

Customer concentration

For each of the three years ended 31 December 2014, 2015 and 2016, the percentage of our total revenue attributable to our five largest customers in aggregate amounted to 100%, approximately 99.4% and 100%, respectively. The percentage of our total revenue attributable to our largest customer, Fong On, amounted to approximately 86.2%, 45.1% and 44.9% respectively for the same periods. According to the Ipsos Report, there is an industry norm of limited customer base and high customer concentration in the foundation and site formation subcontracting and sub-subcontracting industries.

Our relationship with Fong On

Background of Fong On

Fong On is a main contractor of foundation works, site formation and clearance works, erection of architectural superstructures works, and civil engineering construction works in Hong Kong. It is registered under the Buildings Ordinance as a general building contractors and a registered specialist contractor under the sub-register of foundation works category with the Buildings Department in Hong Kong.

Business relationship with Fong On

Our Group have been acquainted with Fong On through customer referrals during several business occasions since 2012. After demonstrating our Group's proven records in completion of technical geotechnical works properly to our customers' satisfaction and in view of our business reputation and operational capacity, we were invited to provide several quotations for the subcontracting services of several technical foundation and site formation projects of Fong On. We were subsequently awarded the foundation works subcontract for stage one of the Cape Road Project in 2013. Our Directors believe that Fong On has regarded the Cape Road Project to be of high level of complexity given the geological conditions of the project site and the specific requirements of the employer. By leveraging on (i) our Group's extensive experience in slope works, which our Directors considered complementary to the provision of foundation works on steep inclined landform in the Cape Road Project, and (ii) the extensive experience of Mr. Lau, our executive Director, in the foundation works industry, we were awarded the Cape Road Project. Further, our Directors are of the view that in the course of the Cape Road Project, our proactive and timely management of project issues, our efficient project execution, and our success in completing the project properly to the satisfaction and requirements of Fong On has gained us trust and confidence from Fong On. We have established a stable business relationship with Fong On since then. To the best knowledge and belief of our Directors, none of our Group, our Directors or their respective close associates or the Shareholders (who or which, to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company) has any historical and/or existing relationships, business or otherwise, with Fong On.

BUSINESS

During the Track Record Period, we had undertaken 6 contracts with Fong On, each of them had a contract sum of over HK\$10 million. The demand for our foundation and site formation works from Fong On remained stable during the Track Record Period. During each of the three years ended 31 December 2016, we received 10, 10 and 18 invitations for quotation from Fong On, respectively. Among such invitations, we responded to and submitted 8, 9 and 12 quotations in respect of such invitations respectively, for which 1, 2 and 3 contracts were awarded to us, with corresponding aggregate contract sum of approximately HK\$25.8 million, HK\$78.9 million and HK\$61.9 million, respectively. Subsequent to the Track Record Period and up to the Latest Practicable Date, we have received 8 invitations for quotation from Fong On, we responded to and submitted 4 quotations and were awarded with 1 contract with contract sum of approximately HK\$13.3 million. Our Directors confirmed that the terms and the pricing policies of the transactions with Fong On are in line with the market and similar to the transactions with our other customers.

For the year ended 31 December 2014, our revenue attributable to Fong On amounted to approximately 86.2% of our total revenue. This was because we mainly served Fong On in that year for the Cape Road Project, the residential property redevelopment project in Yau Ma Tei and the hotel building development project in Sham Shui Po, which had a contract sum of approximately HK\$16.7 million, HK\$25.8 million and HK\$20.2 million, respectively. Our Directors consider that it is not uncommon in the construction industry for a single project to have a large contract sum such that a sizeable project can contribute to a substantial amount of our revenue in a financial year. Therefore, as we decided to undertake the projects aforesaid with sizable scale, Fong On could easily become our largest customer in terms of revenue contribution in the year ended 31 December 2014.

Contractual arrangement with Fong On

Our Directors confirmed that our Group's transactions with Fong On is based on normal commercial terms and were entered into in the ordinary and usual course of business. Consistent with our arrangements with other customers, we entered into construction contracts with Fong On on a project-by-project basis. Our agreements with Fong On generally contain material terms including (i) interim payment terms which require Fong On to pay us on a monthly basis with a credit term of up to 14 days from the issue of payment certificate for the interim and final payments. Fong On is generally entitled to retain 10% of each interim payment and up to a maximum limit of 5% of the total contract sum as retention money; (ii) contra-charge arrangement under which Fong On will procure materials or pay miscellaneous expenses on our behalf, details of which are set out in the paragraph headed "Customers who were also our suppliers/subcontractors – 1. Contra charge arrangement with our customers" in this section; and (iii) defects liability period of 12 months.

BUSINESS

Sustainability of our business

Our Directors consider that the concentration of customers would not render our Company unsuitable for listing or our business model not sustainable after taking into account the following:

We are able to undertake foundation and site formation projects with different customers to reduce the level of customer concentration

We have been providing construction works services as a subcontractor in Hong Kong since 2003. Leveraging on our Group's extensive experience in slope works, which our Directors considered to be complementary to the provision of foundation and site formation works, and the extensive experience in the foundation works industry of Mr. Lau, our executive Director, we gradually expanded our scope of services from slope works to foundation and site formation works in 2010. Over the years, we believe that we have earned a good reputation in the foundation and site formation industry and established stable relationship with our customers. In particular, we try to differentiate ourselves from our competitors through our expertise in slope works and foundation works on extreme geological location such as steep inclined landform. Our Directors believe that our established operating history and our wide range of projects references fortified our reputation and enabled us to secure projects from different main contractors. For details of our competitive strengths, please refer to the paragraph headed "Our competitive strengths" in this section.

Leveraging our established track record and other competitive strengths mentioned above, if any of our major customers reduces the number of contracts with us or terminates its business relationship with us, we believe we would be able to utilise our spare operational resources to serve other existing customers and new customers in a timely manner. For instance, upon completion of stage one of the Cape Road Project with Fong On in relation to piling work and ELS works in June 2014, and the completion of the residential property redevelopment project in Yau Ma Tei with Fong On in relation to piling and monitoring works in February 2015, we deployed our resources to commence works for new contracts with customers comprising Customer C and Customer D with an aggregate contract value of over HK\$3.9 million in June 2014, and we further commenced works for another 4 new contracts with customers comprising Ming Lee Foundation, Vibro Construction and Customer G with an aggregate contract value of over HK\$103.9 million in the first and second quarter of 2015.

BUSINESS

Furthermore, given that our foundation and site formation projects are non-recurring in nature, we entered into contract with our customers on a project-by-project basis and there was no contractual term which prohibited us from developing business relationship with new customers. Therefore, we can freely undertake foundation and site formation projects with new customers and expand our customer base, subject to availability of our machinery and manpower resources on hand. Our Group has been keen to nurture business relationship with new customers to diversify our customer base. Details of our efforts to diversify our customer base are set out in the paragraph below.

We will continue to diversify our customer base and our Directors believe that the extent of customer concentration is likely to decrease in the future

We identify and take on new customers from time to time and have no intention to limit ourselves to serve only Fong On. With our effort to diversify our customer base, the revenue generated from our customers other than Fong On had increased from HK\$7.4 million for the year ended 31 December 2014 to HK\$41.4 million for the year ended 31 December 2015, and further increased to HK\$72.6 million for the year ended 31 December 2016, representing approximately 13.8%, 54.9% and 55.1% of our revenue during the respective period. Furthermore, our Group considers that we have no difficulties in expanding our services to new customers. During the Track Record Period and up to the Latest Practicable Date, our Group has established new business relationship with seven new customers, from whom we were awarded 11 contracts with contract sum amounted to approximately HK\$89.2 million, representing approximately 21.6% of our total contract sum awarded for the same period.

Our targeted customer base is limited to a few reputable contractors which actively take part in the foundation and site formation works sector

It is our priority to work with reputable and sizeable contractors, which in turn tend to undertake sizeable construction projects. We believe that working with these contractors, given the past working experience and their relatively strong financial strength would reduce our credit risk, secure future business opportunities with them and bolster our job reference. When we decide to undertake sizeable projects with large contract sum, we would dedicate sufficient resources into these projects and may not scatter our focus to compete for other less significant projects with overlapping of work programme.

During the Track Record Period, taking into account our available production capacity at that time, we prioritised our resources to cater to our major customers' demand of our services for maintaining business relationship with them, which gave rise to the concentration situation. In the event that any of our major customers does not maintain a business relationship with us in the future, our Directors consider that we would have spare capacity to undertake other projects from other customers.

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It is not uncommon for a single project to have a relatively large contract sum such that a small number of projects can contribute to a substantial amount of our revenue. Therefore, if we decide to undertake a certain project with large contract sum, the relevant customer may easily become our largest customer in terms of revenue contribution to us

We have a mutual and complementary business relationship with our customers

We consider that it is mutually beneficial and complementary for both our major customers and us to maintain a close and stable business relationship with each other for the following reasons: (a) our Directors believe that our major customers could benefit from our proven track record as a quality subcontractor in handling foundation and site formation projects to ensure their projects are executed on time, within budget and in accordance with their quality standards; (b) our Directors believe that our support to our major customers (as main contractor or principal subcontractor) in the tender bidding process enabled our major customers to leverage our Group's strong capabilities in specialised foundation and site formation works to strengthen their tender proposition and this relationship allowed our Group to enjoy a steady stream of foundation and site formation projects.

Our Directors believe that we are capable of maintaining our revenue growth

The gross output value of the construction works performed by subcontractors experienced a growth at a CAGR of about 21.5% from 2011 to 2016. According to the Ipsos Report, the outlook of Hong Kong's construction industry is positive, and the weight of subcontractor in the overall construction work is expected to continual grow. Our Directors believe that we would be able to maintain a stable revenue growth in view of the following growth drivers, details of which are set out in the section headed "Industry Overview – Market drivers of the foundation subcontracting industry in Hong Kong" in this prospectus:

- the rising population will boost the demand for residential buildings and so there will be more renovation and construction projects of private and public residential buildings; and
- the Government has taken initiatives to increase the housing supply.

On the basis of the above, our Directors believe that there are plenty of market opportunities for foundation and site formation works available for our Group to further develop our customer base in the long run and reduce the extent of customer concentration.

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We plan to expand our scale of operation

Our Directors consider that the customer concentration is in part due to the fact that we are utilising our machinery and equipment towards their maximum capacity. During the Track Record Period, our machinery and equipment were substantially deployed to different construction sites of our projects and the utilisation rates of our machinery and equipment significantly increased from 58.3% for the year ended 31 December 2014 to 81.6% for the year ended 31 December 2015. The utilisation rates further increased to 92.4% for the year ended 31 December 2016. Due to the limit on the number of our machinery and equipment on hand, we could be restricted to undertaking a limited number of sizeable projects, hence giving rise to the customer concentration during the Track Record Period. Although we may consider renting the required machinery and equipment from third parties from time to time, the rental expenses will inevitably reduce our profitability. As such, we are planning to expand our capacity to undertake more projects for different customers by strengthening our machinery fleet. We intend to use approximately HK\$20.0 million from the net proceeds from the Public Offer to invest in machinery and site equipment for our projects and approximately HK\$9.5 million from the net proceeds to recruit and train staff members to capture these business opportunities. Please refer to the section headed “Business Objectives and Future Plans” in this prospectus for further details.

Customers who were also our suppliers/subcontractors

1. Contra charge arrangement with our customers

It is common in the industry that a customer may pay on behalf of its contractor for certain expenses for a project, whereby such expenses would be deducted from its payments to that contractor in settling its contractual 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 amounts.

During the Track Record Period, we had contra charge arrangement with some of our customers. In this context, we regard such customers as our suppliers as well. Such contra charge generally included purchase cost of construction materials, leasing of machinery, payment of labour costs, and other miscellaneous expenses. Upon our request, or at the discretion of our customers, our customers may purchase construction materials such as concrete or pay miscellaneous expenses on our behalf, where we settled such amounts with our customers through contra charge arrangement. During the Track Record Period, as confirmed by our Directors, we had no material dispute with our customers as regards the contra charge arrangement and the contra charge amounts involved which would have had a material impact on our business, financial condition or results of operations.

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For each of the three years ended 31 December 2014, 2015 and 2016, the contra charge amounts amounted to approximately HK\$1.2 million, HK\$2.1 million and HK\$4.6 million, respectively, representing approximately 2.8%, 3.8% and 4.3% of our total cost of sales for the same periods respectively. The following table sets forth the contra charge amounts with our major customers and their respective revenue contribution for each of the three years ended 31 December 2014, 2015 and 2016:

| | 2014 | | For the year ended 31 December 2015 | | 2016 | |
|--|---------------------------|--------|-------------------------------------|-------|----------|-------|
| | HK\$'000 | % | HK\$'000 | % | HK\$'000 | % |
| Fong On | | | | | | |
| Revenue derived and approximate % to our total revenue | 46,372 | 86.2% | 33,965 | 45.1% | 59,192 | 44.9% |
| Contra charge amounts and approximate % to our total cost of sales | 576 | 1.4% | 63 | 0.1% | 2,161 | 2.0% |
| Ming Lee Foundation | | | | | | |
| Revenue derived and approximate % to our total revenue | 2,991 | 5.6% | 24,297 | 32.3% | 34,404 | 26.1% |
| Contra charge amounts and approximate % to our total cost of sales | (514) ^(Note 1) | (1.2)% | 1,654 | 3.0% | 2,411 | 2.2% |
| Customer C | | | | | | |
| Revenue derived and approximate % to our total revenue | 2,115 | 3.9% | 356 | 0.5% | – | – |
| Contra charge amounts and approximate % to our total cost of sales | 80 | 0.2% | – | – | – | – |
| Customer D | | | | | | |
| Revenue derived and approximate % to our total revenue | 1,471 | 2.7% | – | – | – | – |
| Contra charge amounts and approximate % to our total cost of sales ^(Note 2) | 1,016 | 2.5% | – | – | – | – |
| Customer E | | | | | | |
| Revenue derived and approximate % to our total revenue | 836 | 1.6% | – | – | – | – |
| Contra charge amounts and approximate % to our total cost of sales | 8 | – | – | – | – | – |
| Vibro Construction | | | | | | |
| Revenue derived and approximate % to our total revenue | – | – | 9,669 | 12.8% | 33,554 | 25.5% |
| Contra charge amounts and approximate % to our total cost of sales | – | – | 123 | 0.2% | 59 | 0.1% |
| Customer G | | | | | | |
| Revenue derived and approximate % to our total revenue | – | – | 6,543 | 8.7% | – | – |
| Contra charge amounts and approximate % to our total cost of sales | – | – | 230 | 0.4% | – | – |

BUSINESS

Note:

1. The amount represented reimbursement of contra charge over-provided in prior year.
2. We were awarded 2 public sector projects in 2014, including the infrastructure development project in Kai Tak Area and the other project with contract sum of approximately HK\$227,000. Since these were public projects, Customer D strictly adhered to the practice of reimbursing wages to employees employed by subcontractors in the capacity of superior subcontractor in accordance with the respective master contracts set by the principal contractors. As such, the contra charge amounts comprising mainly labour costs paid to workers employed by us or our subcontractors accounted for a significant portion of the revenue attributable to this customer. As the abovementioned projects (i) mainly involved mini-piling and hoarding works, which were of relatively low complexity with less special requirement; and (ii) were public sector projects, which were normally of lower profit margin, it resulted in a lower weighted average profit margin of approximately 6.4%. These contracts, however, only contributed to approximately 2.7% of our total revenue for the year ended 31 December 2014.

2. Ming Lee Foundation and its affiliated entity

During the Track Record Period, Ming Lee Foundation was also one of our major subcontractors, and Ming Lee Engineering Company Limited (“**Ming Lee Engineering**”), an affiliated entity of Ming Lee Foundation, was one of our major suppliers which provided machinery rental services to us.

Our Group have been conducting business with Ming Lee Foundation since 2006. In line with our Group’s historical development and leveraging on the extensive experience of Mr. Lau, our executive Director, in the foundation works industry, we gradually expanded our scope of services to Ming Lee Foundation from slope works to foundation and site formation works. During each of the three years ended 31 December 2014, 2015 and 2016, we received 13, 12, and 15 invitations for quotation from Ming Lee Foundation, respectively. Among such invitations, we responded to and submitted 9, 8 and 10 quotations in respect of such invitations, for which 2, 1 and 4 contracts were awarded to us, with corresponding aggregate contract sum of approximately HK\$14.8 million, HK\$35.5 million and HK\$40.8 million, respectively. For the year ended 31 December 2015, our revenue attributable to Ming Lee Foundation increased from 5.6% in 31 December 2014 to 32.3% of our respective total revenue. This was because we served Ming Lee Foundation in 2015 for a residential property development project in Tuen Mun, which had a contract sum of approximately HK\$35.5 million. Since such project involved various scope of work, including tree falling, site formation and slope upgrading works, our Directors considered it to be a sizeable project of high level of complexity with a larger contract value. As a sizeable project undertaken would contribute a significant portion of our Group’s revenue in the particular period, our revenue attributable to Ming Lee Foundation in the year ended 31 December 2015 increased significantly. The percentage of our revenue attributable to Ming Lee Foundation was approximately 26.1% for the year ended 31 December 2016.

BUSINESS

Our Directors consider that we have a stable, complementary and long-standing relationship with Ming Lee Foundation. During the Track Record Period and up to the Latest Practicable Date, the demand for our foundation and site formation works from Ming Lee Foundation remained at a relatively high level in terms of the number of invitation for quotation, and we had undertaken 3, 4 and 4 contracts with Ming Lee Foundation for each of the three years ended 31 December 2014, 2015 and 2016, respectively.

In respect of the leasing of machinery from Ming Lee Engineering, we lease machinery from other parties on a project-by-project basis, which provides us with flexibility to supplement our fleet of machinery. In selecting suitable machinery rental service providers, our Directors primarily take into account factors such as (i) availability of machinery required by the specified project; (ii) conditions of machinery and timeliness on delivery to specified site(s) based on their past performance; and (iii) rental fees charged. Our Directors are of the view that Ming Lee Engineering was a suitable machinery rental service provider in such circumstances. Our rental fees were determined by duration and rate of usage and whether operator for the machinery was required. Our Directors confirmed that we rented machinery and equipment from Ming Lee Engineering in our ordinary course of business and on normal commercial terms and such practice is consistent with our usual machinery rental practice as discussed in the paragraph headed “Leasing of machinery” in this section. The machinery rented from Ming Lee Engineering were not necessarily used in the projects of Ming Lee Foundation. The construction contracts entered into between Ming Lee Foundation and us did not contain any exclusivity clause in relation to machinery rental. We were not limited to rent machinery from Ming Lee Engineering exclusively nor did Ming Lee Foundation have a right of first refusal in such regard. Our Directors confirmed that the machinery rental did not have any linkage with the construction contracts granted to our Group and there were no other side agreements, arrangements, understanding or undertakings between our Group and Ming Lee Foundation in connection with the machinery rental services and subcontracting services discussed below.

In respect of the subcontracting services provided to/by Ming Lee Foundation during the Track Record Period, the foundation and site formation works undertaken by us for Ming Lee Foundation involved pipe piles and mini piles construction works as well as rock dowels and shotcreting works, while the works undertaken by Ming Lee Foundation for us mainly involved pile cap construction and ELS works, which were of different nature. Moreover, the foundation and site formation works undertaken by us for Ming Lee Foundation and the works undertaken by Ming Lee Foundation for us were located at different construction sites. Our Directors believe that Ming Lee Foundation engaged us to perform those piling works as well as rock dowels and shotcreting works due to various factors including our long-standing business relationship with Ming Lee Foundation since 2006. To the best knowledge and belief of our Directors, Ming Lee Foundation did not maintain the requisite workforce of skilled labour for rock dowels and shotcreting works, and they may prefer to prioritise their resources in larger scale pile cap construction and ELS works rather than pipe piles, mini piles or other site formation construction works. Hence, Ming Lee Foundation may opt to engage third party subcontractors to perform such works to optimise their allocation of resources and allows for flexibility. According to the Ipsos Report, multilayer subcontracting is a common practice in the construction and foundation industry in Hong Kong.

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Our Directors confirmed that we engaged Ming Lee Foundation to perform pile cap construction and ELS works under the aforesaid because of various factors including but not limited to the availability of specialised machinery which we did not possess, the nature and scale of the works and better allocation of our resources, which was consistent with our usual subcontracting practice as discussed in the paragraphs headed “Subcontractors” and “Selection of subcontractors” in this section. Our Directors confirmed that the subcontracting services did not have any linkage with the construction contracts granted to our Group, and our Directors are of the view that the subcontracting services we received/provided are entered into in our ordinary course of business and on normal commercial terms.

| | For the year ended 31 December | | |
|---|---|-------------|-------------|
| | 2014 | 2015 | 2016 |
| Revenue from Ming Lee Foundation (HK\$'000) | 2,991 | 24,297 | 34,404 |
| As a % of our total revenue | 5.6% | 32.3% | 26.1% |
| Rental fees paid to Ming Lee Engineering (HK\$'000) | – | 976 | 3,792 |
| Subcontracting fees paid to Ming Lee Foundation (HK\$'000) | 9,970 | 7,942 | – |
| Subtotal (HK\$'000) | 9,970 | 8,918 | 3,792 |
| As a % of our total cost of sales | 24.2% | 16.4% | 3.5% |
| Weighted average of gross profit margin | 46.7% | 38.2% | 23.9% |

To the best knowledge and belief of our Directors, Ming Lee Engineering, Ming Lee Foundation and their ultimate beneficial owner are independent third parties.

During the Track Record Period, Ming Lee Foundation was also one of our suppliers due to the contra charge arrangement between us. Negotiations of the terms of our sales to as well as rental and purchases from Ming Lee Foundation were conducted on an individual basis and the sales, rental and purchases were neither interconnected nor inter-conditional with each other. Our Directors confirmed that, during the Track Record Period, the subcontracting services we obtained from Ming Lee Foundation were rendered to other customers other than Ming Lee Foundation. Our Directors also confirmed that the terms and the pricing policies of transactions with Ming Lee Foundation are in line with the market and similar to those transactions with our other customers, suppliers and subcontractors. For details of the contra charge arrangement, please refer to the paragraph headed “Sales, marketing and customers – Customers who were also our suppliers/subcontractors – 1. Contra charge arrangement with our customers” in this section.

BUSINESS

Common contract terms between our Group and our customers

Our customers generally have a standard form of contract containing common terms and conditions under which our Group would provide its services on a project-by-project basis and variation may be made in accordance with our customers' requests. Set out below are the major terms and conditions.

| | | |
|-------------------------|---|--|
| Contract period | : | Based on the completion timeline as set out in each contract. The contract period may be extended by the main contractor and/or the end-customer from time to time pursuant to the terms of the contract. |
| Type and scope of works | : | The scope of services and type of works to be carried out by our Group are specified in the contract. |
| Further subcontracting | : | Further subcontracting is generally allowed but in some cases, is subject to prior consent of the customer. |
| Contract sum | : | The initial sum for carrying out the scope of work, calculated with reference to the rates and prices in the bills of quantities or schedule of rates in the contract taking into account the quantities and unit prices of construction materials and the amount and cost of labour to be used. |
| Payment terms | : | We are required to submit interim payment applications to our customers, usually on a monthly basis. Our customers will settle payment thereafter or in cases where our customers are the main contractor, after our main contractor customers receive their payment from the end-customer. The credit term is generally 7 to 45 days from the date of payment application to our customers. |
| Variation orders | : | Our customer may from time to time during the contract period order us to make variations to our works. The variations are usually valued by (i) referencing to the rates and prices in the bills of quantities or schedule of rates in the contract; or (ii) a separate quotation to be agreed upon. |

BUSINESS

| | | |
|--|---|--|
| Insurance | : | The main contractor is responsible for all-risk, third-party, and employees' compensation insurance at the construction site against damages, claims and compensation in respect of the persons who are employed (including those employed by subcontractors) to work at the construction site. Our Group is responsible for risks not covered by the main contractor and against our machinery and vehicles. |
| Performance bond | : | It is a common requirement in the construction industry that a guarantee, by way of performance bond, of financial institution is given by the contractor in favour of its customer for the due performance and observance of all the terms and conditions of the contract. If such a performance bond is required by us, it is normally released upon completion of the project. The amount of performance bond, if any, varies contract by contract. |
| Retention monies and defect liability period | : | The contract generally provides for a sum to be held up by our customer at each interim payment. Generally, the amount of money to be held up is up to 10% of each interim payment but the total retention money can be withheld is subject to a ceiling, typically 5% of the total contract sum. Generally, the retention money is then released to us within 12 to 24 months after the project is completed. |
| Liquidated damages | : | Subject to the terms of the extension of the contract period, if applicable, we may be required to compensate our customers for delays in the completion of our works. Compensation, if any, is calculated on a case-by-case basis. |
| Termination | : | If the employment of the principal contractor under the main contract is terminated before the subcontractor has fully performed its obligation under the sub-contract, the principal contractor may at any time thereafter by written notice to the subcontractor forthwith terminate the subcontractor's employment under the sub-contract and the subcontractor shall be entitled to be paid the full value of all work properly executed under the sub-contract. |

BUSINESS

If the subcontractor fails to execute the sub-contract works or to perform its other obligations in accordance with the sub-contract after being required in writing so to do by the principal contractor, then in any such event and without prejudice to any other rights to remedies, the principal contractor may by written notice to the subcontractor forthwith terminate the subcontractor's employment under the sub-contract.

Pricing policy

Our pricing is determined on a project-by-project basis. In preparing a quotation, we take into account various factors which generally include (i) the overall expected cost of the project, made with reference to the rates and prices in the bills of quantities or schedule of rates specified in each contract and the scope of services and types of works to be carried out; (ii) prices quoted to us by our suppliers and/or subcontractors; (iii) the costs of construction materials, labour, machinery and other resources to be used; (iv) the completion timeline as requested by our customers; and (v) the overall scale and complexity of the project and site conditions. We will also consider potential difficulties and risks associated with each project when preparing quotations. Generally, we will prepare our quotations based on our cost estimates as discussed above, plus a mark-up margin made with reference to prices offered to the particular customer in the past and the prevailing market trends and conditions in general.

Credit policy and payment by customers

Our Group generally grants a credit period of 7 days to 45 days to our customers. In the event of good credit quality and repayment history, certain customers may be granted a longer period of credit on a case-by-case basis. During the Track Record Period, our Group did not have any bad debt or provisioning made for our trade and other receivable.

We will issue invoices of interim payment to bill our customers for value of works undertaken on a monthly basis in accordance with the contract. Depending on the timing of the issuance of payment certificates by our customers and the stage of completion of our works undertaken in the projects, we generally recognise the amount expected to be received as trade receivables for works which we had completed and was certified by the customer by the reporting period end date, or as gross amounts due from customers for (i) works we had completed but certified by our customers subsequent to the reporting period end date; or (ii) contract costs incurred that relate to future activity on the contract.

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As the recognition of our trade receivables and our gross amounts due from customers for contract work are subject to certain factors, including among others, the value of works undertaken and the stage of completion of the respective projects, the payment applications made by us, and the issuance of payment certificates by customers, in order to mitigate our risk in relation to (i) revenue and cost recognition; and (ii) billing management and collectability of our trade receivables and our gross amounts due from customers for contract work, we have implemented the following internal control measures:

Revenue and cost recognition

- We have established accounting policies and procedures regarding revenue and cost recognition based on the percentage of completion of the respective construction contracts. Our management reports are prepared monthly by our accounting officer, reviewed by our Finance Director, and approved by our Directors;
- The pricing of our services are overseen by our executive Directors to reduce the risk of inaccurate estimation and cost overrun; and
- Our Directors and senior management regularly review the progress of the contracts and the corresponding costs of the contract revenue. Our Chief Executive Officer and our project managers will visit each project site from time to time to understand the completion status of the projects and review the payment certificates issued by the customers.

Billing management and collectability of our trade receivables and our gross amounts due from customers for contract work

- Our finance department issues payment applications or invoices to our customers for works undertaken on a monthly basis in accordance with the contracts, and we will check the corresponding payment certificates issued by our customers against the payment applications we made. Our project team will liaise with our customers on any material variance;
- We actively follow up with our customers on any payment certificates outstanding for more than one month since we issue our payment applications;

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- We closely monitor the payments from our customers pursuant to the terms of each respective project. Regular meetings are held among our executive Directors, project teams and finance department to review the aging status of our trade receivables and the gross amounts due from our customers for contract work. Material overdue payments are monitored continuously and evaluated on a case-by-case basis and appropriate follow-up actions will be taken having regard to the customer's normal payment processing procedures, our business relationship with the customer, past reputation, its financial position as well as the general economic environment. Follow-up actions generally include but not limited to issuing payment reminders and actively liaising with the customers; and
- We will review the recoverable amount of each individual receivable balance at the end of each reporting period to ensure adequate impairment losses are provided for irrecoverable amounts.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any delay or default of payment by our customers which would have had a material impact on our business, financial condition or results of operations. Further, our Directors are not aware that any of our major customers has experienced any financial difficulties that may materially affect our business.

Please also refer to the section headed "Financial Information – Discussion of certain combined statements of financial position items" in this prospectus for a further discussion and analysis on our trade receivables and our gross amounts due from customers for contract work during the Track Record Period.

Retention money

In most of the contracts awarded to us, there is a term for our customers to hold up an amount generally referred to as retention money from the progress payment. The retention money is retained by our customers at a rate normally at 10% of each interim payment up to a limit of 5% the total contract sum. Our projects normally require that retention money shall be released within a typical defect liability period of 12 months after completion of our works. Nonetheless, in practice, for some project employers or main contractors, the retention money may only be released after the whole construction project, not just our works, is completed.

As at 31 December 2016, our retention receivables amounted to approximately HK\$8.8 million representing about 3.4% of our accumulated revenue recognised during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we had no dispute with our customers as regards the collection of retention money which would have had a material impact on our business, financial condition or results of operations.

BUSINESS

Seasonality

Our Directors believe that the foundation industry in Hong Kong does not exhibit any significant seasonality on an annual basis.

SUPPLIERS

Procurement of materials and services

Our suppliers primarily supply us with construction materials (such as concrete, machinery spare parts and loose tools, steel reinforcement bars and structural steel, diesel fuel and/or steel pile and casing) and/or services which primarily include machinery rental and machinery repair and maintenance.

We generally order the relevant construction materials and services on a project-by-project basis, and did not enter into any long-term supply agreements with our suppliers. Generally, the construction materials are delivered to the construction sites for direct consumption and we do not stock up excess inventory of construction materials at sites. As such, the costs of materials were accounted for as expense items, and we did not recognise inventory of construction materials on the combined statements of financial position of our Group during the Track Record Period. We usually provide construction materials for our projects, and except in the case that we are provided with materials by our customers, we are able to choose our own suppliers for our projects. We select our suppliers mainly based on our previous experience with the suppliers and the reputation of the suppliers in terms of their quality of materials provided and timeliness of delivery, as well as their price quotation. As at the Latest Practicable Date, we had 99 suppliers on our list of approved suppliers. Our suppliers normally grant a credit period of 30 to 60 days from the invoice date.

During the Track Record Period, we did not experience any material shortage or delay in the supply of materials or services that we required. Our Directors consider that the possibility of material storage or delay is low given the abundance of suppliers available in the market.

Prices of supplies

Prices are determined by reference to quotations of suppliers and as agreed by the parties on an order-by-order basis. Our Directors would consider various factors, including but not limited to the future price trend of the materials and services when preparing quotations and therefore we would be able to pass on the increase in costs to our customers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material fluctuations in the costs of materials and services that would have had a material impact on our business, financial condition or results of operations.

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Top five suppliers of our Group

For each of the three years ended 31 December 2014, 2015 and 2016, procurement of supplies from our five largest suppliers accounted for 18.2%, 20.0% and 13.4% of our total costs of sale, respectively. During the same period, purchases from our largest supplier accounted for 8.4%, 7.8% and 3.9% of our total costs of sales, respectively.

The following tables set out the profiles of our five largest suppliers during the Track Record Period:

For the year ended 31 December 2014

| Supplier | Background of supplier | Major type(s) of products/services provided | Invoice amount <i>HK\$'000</i> | Approximate percentage of our Group's total cost of sales % | Years of business relationship with our Group as at the Latest Practicable Date |
|------------|---|---|-----------------------------------|--|---|
| Supplier A | Steel supplier based in Hong Kong | Steel | 3,475 | 8.4 | 4 |
| Supplier B | Machinery rental service provider based in Hong Kong | Rental of construction machinery | 1,396 | 3.4 | 4 |
| Supplier C | Concrete supplier which is a subsidiary of a company listed in Hong Kong | Concrete | 1,273 | 3.1 | 3 |
| Supplier D | Reinforcement steel supplier which is a subsidiary of a company listed in Hong Kong | Reinforcement steel | 913 | 2.2 | 4 |
| Supplier E | Machinery rental service provider based in Hong Kong | Rental of construction machinery | 463 | 1.1 | 4 |
| Total | | | <u>7,520</u> | <u>18.2</u> | |

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For the year ended 31 December 2015

| Supplier | Background of supplier | Major type(s) of products/services provided | Invoice amount HK\$'000 | Approximate percentage of our Group's total cost of sales % | Years of business relationship with our Group as at the Latest Practicable Date |
|--|---|--|----------------------------|--|---|
| Supplier C | Concrete supplier which is a subsidiary of a company listed in Hong Kong | Concrete | 4,250 | 7.8 | 3 |
| Supplier F | Subsidiary of a listed company in Italy, specialising in design, manufacture and distribution of equipment for the ground engineering industry globally | Drilling and foundation machineries | 2,900 | 5.3 | 4 |
| Supplier H | Construction machinery and equipment supplier based in Hong Kong | Drilling and foundation equipment with related repair and maintenance services | 1,835 | 3.4 | 4 |
| Ming Lee Engineering ^(Note) | Machinery rental service provider based in Hong Kong | Rental of machinery | 976 | 1.8 | 2 |
| Supplier G | Construction machinery supplier based in Hong Kong | Construction machineries | 936 | 1.7 | 4 |
| Total | | | <u>10,897</u> | <u>20.0</u> | |

For the year ended 31 December 2016

| Supplier | Background of supplier | Major type(s) of products/services provided | Invoice amount HK\$'000 | Approximate percentage of our Group's total cost of sales % | Years of business relationship with our Group as at the Latest Practicable Date |
|--|--|--|----------------------------|--|---|
| Supplier L | Concrete supplier based in Hong Kong | Concrete | 4,134 | 3.9 | 2 |
| Ming Lee Engineering ^(Note) | Machinery rental service provider based in Hong Kong | Rental of machinery | 3,792 | 3.5 | 2 |
| Supplier J | Steel supplier based in Hong Kong | Steel | 3,624 | 3.4 | 2 |
| Supplier H | Construction machinery and equipment supplier based in Hong Kong | Drilling and foundation equipment with related repair and maintenance services | 1,478 | 1.4 | 2 |
| Supplier K | Petroleum product supplier based in Hong Kong | Petroleum product | 1,334 | 1.2 | 4 |
| Total | | | <u>14,362</u> | <u>13.4</u> | |

Note: Ming Lee Engineering and Ming Lee Foundation were ultimately controlled by a same individual. For further details, please refer to the paragraph headed “Sales, marketing and customers – Customers who were also our suppliers/subcontractors – Ming Lee Foundation and its affiliated entity” in this section.

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During the Track Record Period, none of our Directors, their respective close associates or any Shareholder (who, to the best knowledge of our Directors, owns more than 5% of the issued share capital of our Company) had any interest in any of the top five suppliers of our Group.

SUBCONTRACTORS

We subcontract certain components of works to our subcontractors, such as trial pit works, certain ELS works and piling works, depending on our capability and resources level. With the support of the Ipsos Report, our Directors confirm that multilayer subcontracting is a common practice in the construction and foundation industry in Hong Kong. For those works which we subcontracted out during the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that the relevant customers allowed us to do so.

During the Track Record Period, the total subcontracting charges amounted to approximately HK\$28.8 million, HK\$26.5 million and HK\$43.1 million, representing 70.0%, 48.8% and 40.2% of our total cost of sales for each of the three years ended 31 December 2014, 2015 and 2016, respectively. Save as disclosed in the paragraph headed “Financial Information – Related party transactions and balances – Related party transactions and balances that are traded in nature” in this prospectus, all our subcontracted works were provided by independent third parties. Our Directors believe that we have maintained good business relationships with our subcontractors and, during the Track Record Period, we did not experience any difficulties in engaging subcontractors which would have had a material impact on our business, financial condition or results of operations.

We operate our business on a project-by-project basis. Our profit margins may vary from project to project due to a number of factors including, but not limited to, those set out in the paragraph headed “Sales, marketing and customers – Pricing policy” in this section.

Selection of subcontractors

We select our subcontractors on a project-by-project basis, based on our assessment of their (i) service quality; (ii) our evaluation of their past performance; (iii) timeliness on delivery; (iv) price; (v) equipment; and (vi) whether they have a quality assurance system that meets our works requirements. We periodically review and update our internal approved list of subcontractors according to our evaluation. As at the Latest Practicable Date, we had 45 subcontractors on our list of approved subcontractors. Nevertheless, we may sometimes engage new subcontractors through referrals from other market participants. We will assess their qualifications and past job references to decide whether to engage such new subcontractors to perform our specific types of works.

BUSINESS

Principal terms of subcontracts with and the control on our subcontractors

We do not enter into long-term agreements with our subcontractors and we engage them on a project-by-project basis.

As required under the principal terms of contracts, our subcontractors have to observe, perform and comply with all relevant rules and regulations in connection with the works and carry out and complete the works in accordance with the specifications and approval drawings for the project, our subcontractors shall provide competent supervision and inspection to ensure timely completion of the works. Usually they are required to order materials and equipment with reference to our requirements. Our superintendent, site agents and foremen will also make site visits to ensure general compliance by our subcontractors.

In general, we are liable to our customers for sub-standard or delayed performance or non-performance or non-compliance of our subcontractors. During the Track Record Period and up to the Latest Practicable Date, we did not experience any incident whereby our subcontractor underperformed in completing our required services which would have had a material impact on our business, financial condition or results of operations. Our Directors also confirm that we had no dispute with or claim from our subcontractors which would have a material impact on our business, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date.

Subcontracting fees and payment

Our Directors confirm that the subcontracting fee is arrived at after arm's length negotiations between our Group and the subcontractors on a project-by-project basis, with reference to (i) the scope and complexity of the subcontracted works; (ii) the fee payable to us by our customers; and (iii) item rates as quoted by the subcontractor.

We pay our subcontractors with reference to their progress, and they generally issue invoice to us on a monthly basis. Credit periods granted by our subcontractors during the Track Record Period were around 30 to 60 days.

Top five subcontractors of our Group

Our top five subcontractors accounted for approximately HK\$24.0 million, HK\$22.9 million and HK\$33.1 million, or 58.2%, 42.2% and 30.9% of our total cost of sales for each of the three years ended 31 December 2014, 2015 and 2016, respectively. Our largest subcontractor accounted for approximately HK\$10.0 million, HK\$7.9 million and HK\$17.0 million, or 24.2%, 14.6% and 15.8% of our total cost of sales for each of the three years ended 31 December 2014, 2015 and 2016, respectively.

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During the Track Record Period, none of our Directors, their close associates or any of their Shareholder (who to the best knowledge of our Directors, owns more than 5% of the issued share capital of our Company) had any interest in any of our top five subcontractors.

The following tables set out the profiles of our five largest subcontractors during the Track Record Period:

For the year ended 31 December 2014

| Subcontractor | Type(s) of works subcontracted | Subcontracting charges incurred HK\$'000 | Approximate percentage of our Group's total cost of sales % | Years of business relationship with our Group as at the Latest Practicable Date |
|---|--|---|--|---|
| Ming Lee Foundation ^(Note 1) | ELS works and pile cap works | 9,969 | 24.2 | 6 |
| Subcontractor B ^(Note 8) | Predrilling and bored piling | 9,165 | 22.3 | 3 |
| Subcontractor C ^(Note 3) | Provision of engineering consultancy services and on-site supervision services | 2,090 | 5.1 | 4 |
| Subcontractor D ^(Note 4) | Soil nail and tie back anchor | 1,413 | 3.4 | 3 |
| Subcontractor E ^(Note 4) | Slope works and piling works | 1,334 | 3.2 | 4 |
| | Total | 23,971 | 58.2 | |

For the year ended 31 December 2015

| Subcontractor | Type(s) of works subcontracted | Subcontracting charges incurred HK\$'000 | Approximate percentage of our Group's total cost of sales % | Years of business relationship with our Group as at the Latest Practicable Date |
|---|---|---|--|---|
| Ming Lee Foundation ^(Note 1) | ELS works and pile cap works | 7,942 | 14.6 | 6 |
| Subcontractor F ^(Note 2) | ELS works, in-situ concrete and reinforcement | 7,898 | 14.5 | 2 |
| Subcontractor G ^(Note 2) | Pipe piling and curtain grout works | 4,158 | 7.7 | 3 |
| Subcontractor H ^(Note 7) | Steel platform dismantling work | 1,836 | 3.4 | 3 |
| Subcontractor I ^(Note 2) | Site administration and safety management | 1,061 | 2.0 | 4 |
| | Total | 22,895 | 42.2 | |

BUSINESS

For the year ended 31 December 2016

| Subcontractor | Type(s) of works subcontracted | Subcontracting charges incurred <i>HK\$'000</i> | Approximate percentage of our Group's total cost of sales % | Years of business relationship with our Group as at the Latest Practicable Date |
|-------------------------------------|--|--|--|---|
| Subcontractor F ^(Note 2) | Site formation and pre-bored H piling works | 16,952 | 15.8 | 2 |
| Subcontractor J ^(Note 2) | Excavation works | 6,193 | 5.8 | 1 |
| Subcontractor K ^(Note 5) | Site formation works | 5,259 | 4.9 | 1 |
| Subcontractor L ^(Note 6) | Formworks | 2,491 | 2.3 | 1 |
| Subcontractor H ^(Note 7) | Steel platform dismantling work | 2,212 | 2.1 | 3 |
| | Total | <u>33,107</u> | <u>30.9</u> | |

Notes:

- Ming Lee Foundation is a foundation subcontractor with business operations in Hong Kong. Ming Lee Foundation was also one of our top five customers during the Track Record Period. For further details on its multiple roles, please refer to the paragraph headed "Customers who were also our suppliers/subcontractors" in this section.
- Each of Subcontractor F, Subcontractor G, Subcontractor I and Subcontractor J is a foundation contractor in Hong Kong.
- Subcontractor C is an engineering consultancy service provider in Hong Kong.
- Each of Subcontractor D and Subcontractor E is a contractor in Hong Kong specialising in slope works.
- Subcontractor K is a contractor in Hong Kong providing civil engineering works.
- Subcontractor L is a contractor in Hong Kong providing formworks and concrete construction works.
- Subcontractor H is a contractor in Hong Kong specialising in structural steel works.
- Subcontractor B is a foundation contractor with business operations in Hong Kong. During the year ended 31 December 2014, our Group rented out certain machinery to Subcontractor B and recorded rental income of approximately HK\$304,000. Please refer to paragraph headed "Machinery – Leasing of machinery" for further details.

BUSINESS

MACHINERY

We rely heavily on the use of machinery to enable us to carry out the the foundation and site formation works, and other geotechnical engineering works. Accordingly, we possess a broad range of machinery to perform different types of projects. These machinery include pile drivers, drilling rigs, air compressors excavators, generators, grout pumps and grout mixers. Most of the machinery we use are relatively new. We mainly acquired first-hand machinery of reputable brands from authorised dealers. Our Directors believe that our investment in machinery will enable us to cater to projects of larger scale and higher complexity in the future.

The following table sets out a breakdown of the number of units of machinery owned by our Group:

| | As at 31 December | | | As at the Latest Practicable Date |
|-----------------|-------------------|-----------|-----------|--|
| | 2014 | 2015 | 2016 | |
| Pile drivers | 1 | 2 | 2 | 2 |
| Drilling rigs | 2 | 4 | 5 | 5 |
| Air compressors | 2 | 4 | 4 | 4 |
| Excavators | 0 | 3 | 3 | 5 |
| Others (note) | <u>9</u> | <u>10</u> | <u>11</u> | <u>12</u> |
| Total | <u>14</u> | <u>23</u> | <u>25</u> | <u>28</u> |

Note: Others mainly include generators, grout pumps and grout mixers.

BUSINESS

Utilisation rate

We maintain an internal record of the usage of our major types of machinery including the duration and the project for which the machinery is occupied. Based on such record, the following table sets out the utilisation rate of our major types of machinery respectively during the Track Record Period and up to the Latest Practicable Date (which is calculated as the total number of days for which our major types of machinery were occupied at our work sites in a financial year or period, divided by the total number of days in that financial year or period):

| | For the year ended 31 December | | | From 1 January 2017 to the Latest Practicable Date |
|----------------------------|-----------------------------------|-------|-------|---|
| | 2014 | 2015 | 2016 | |
| Utilisation rate | | | | |
| Pile drivers | 71.8% | 75.0% | 90.3% | 91.6% |
| Drilling rigs | 58.3% | 81.6% | 92.2% | 91.7% |
| Air compressors | 58.3% | 82.0% | 92.8% | 92.1% |
| Excavators | N/A ^(Note 1) | 84.3% | 93.1% | 93.3% |
| Others ^(Note 2) | 56.4% | 82.1% | 92.7% | 92.3% |

Note:

1. We did not own any excavators during the year ended 31 December 2014.
2. Others mainly include generators, grout pumps and grout mixers.

It should be noted, however, that our Directors consider that the calculation of the utilisation rate based solely on the amount of occupied and idle time of the machinery may not be an accurate indicator of the level of utilisation of our overall service capacity because:

- (i) a foundation and site formation project may require the use of different types of machinery, and as such, having certain types of machinery that are idle (i.e. having a utilisation rate of lower than 100% based on the calculation method mentioned above) does not necessarily mean that we have available service capacity for undertaking additional projects if the projects require the use of one of the aforesaid major type of machinery which has already be fully occupied in other projects;

BUSINESS

- (ii) the utilisation rate cannot be accurately determined. A foundation and site formation project requires the use of a broad range of machinery at different stages, and some machinery from time to time are left unused at active construction sites pending completion of other construction steps and/or may sometimes left unused for the repair and maintenance at construction sites. As such, the utilisation rate of each individual machine cannot be accurately determined as it is not practicable to record the time at which a particular machinery is used or left unused at an active construction site; and
- (iii) the foundation and site formation projects undertaken by us involved a number of different construction steps and procedures which require the use of various types of machinery and it is therefore not entirely feasible to quantify the service capacity of each piece of machinery by reference to any objective and comparable scale or standard of measurement.

Age and life cycle of machinery

For each of the three years ended 31 December 2014, 2015 and 2016, we acquired new machinery and equipment in the amount of approximately HK\$3.2 million, HK\$6.1 million and HK\$2.0 million, respectively. Set out below are the value of our machinery by different age groups as at 31 December 2016:

| Age group | Number of units of machinery | Original cost of acquisition of machinery HK\$'000 | Net book value of machinery HK\$'000 |
|------------------------------|---------------------------------|---|--|
| Less than 1 year | 6 | 1,976 | 1,850 |
| 1 year to less than 3 years | 16 | 6,251 | 3,350 |
| 3 years to less than 5 years | 5 | 52 | – |
| 5 years or above | 2 | 69 | – |

The following table sets forth the expected useful life, average age and average remaining useful life of our major types of machinery as at 31 December 2016:

| Types of machinery | Expected useful life years | Average age years | Average remaining useful life years |
|--------------------|----------------------------------|-------------------------|--|
| Pile drivers | 5 | 2.8 | 2.2 |
| Drilling rigs | 5 | 1.3 | 3.7 |
| Air compressors | 5 | 0.7 | 4.3 |
| Excavators | 5 | 2.0 | 3.0 |
| Others (Note) | 5 | 3.1 | 1.9 |

Note: Others mainly include generators, grout pumps and grout mixers.

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As at the Latest Practicable Date, our Directors consider that our existing machinery were in good conditions. We do not have a pre-determined or regular replacement cycle for our machinery and replacement decisions are made on a case-by-case basis having regard to the operating condition of individual unit of machinery.

Although our Directors consider that our existing machinery were in good conditions in general, the probability and frequency of breakdown or malfunction of our existing machinery will increase as such machinery ages. Our Directors consider that continued investments in new and high quality machinery are necessary 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 site formation works as well as our ability to cater for different needs and requirements of different customers. For further information regarding our plan to acquire new machinery, please refer to the paragraph “Business strategies” above as well as the section “Business Objectives and Future Plans” in this prospectus.

Repair and maintenance and replacement

During the Track Record Period, when our machinery was out-of-order, it was either (i) sent to the authorised dealer for repairs if the machinery was still under warranty; or (ii) sent to other third party repair companies.

Our Directors believe that good conditions of machinery are important to the efficient and smooth performance of foundation and site formation works and to our workplace safety. Our major types of machinery are inspected and serviced on an as-needed basis and they are generally serviced approximately one to three times a year, depending on how frequent they are used and the working conditions at construction sites. For each of the three years ended 31 December 2014, 2015 and 2016, the expenses incurred in repair and maintenance of machinery was approximately HK\$170,000, HK\$648,000 and HK\$778,000 respectively. The increased spending on machinery repair and maintenance was generally consistent with our additions of machinery during the Track Record Period as discussed above. We replace aged machinery only when the replacement is necessary.

Pursuant to our accounting policies, depreciation of machinery is provided for using straight-line method over a period of 5 years.

Safekeeping of machinery

Machinery that is not in use is generally stored in the site areas located in construction waste sorting facilities in Ma On Shan, which are equipped with locked gates and closed-circuit television security cameras at site entrance. We also have security guards on duty at these locations.

BUSINESS

Leasing of machinery

From time to time, we may lease machinery from our machinery suppliers for flexibility to supplement our fleet of machinery. In considering leasing instead of acquiring machinery, our Directors primarily take into account such factors as the financial condition of our Group and whether the model of the subject machinery item is suited to a specific type of projects in terms of geological conditions which may not be common in other projects. For each of the three years ended 31 December 2014, 2015 and 2016, we incurred machinery leasing expenses of approximately HK\$740,000, HK\$2.3 million and HK\$6.2 million, respectively. Save as otherwise disclosed in the paragraph headed “Financial Information – Related party transactions and balances” in the prospectus, all machinery we leased during the Track Record Period were from independent third parties. Besides, during the year ended 31 December 2014, our Group rented out our drilling rigs and hydraulic rotator to Subcontractor B and generated rental income of approximately HK\$304,000. Nil and nil machinery rental income were generated for each of the two years ended 31 December 2015 and 2016, respectively.

Possible impact of NRMM Regulation and the Technical Circular

With the implementation of the NRMM Regulation and the Technical Circular, our Group has obtained approval or exemption for the Regulated Machines in accordance with the relevant requirements. As at the Latest Practicable Date, our Group has obtained approval or exemption for 14 Regulated Machines in accordance with the relevant requirement. 8 out of the them were approved NRMMs and the remaining of them were exempted NRMMs. For the years ended 31 December 2014, 2015 and 2016, we had nil, 2 and 6 Regulated Machines which are approved NRMMs, and nil, 6 and 6 exempted NRMMs, respectively. Our other construction machines, tool and parts did not fall within the Regulated Machines requirement and therefore were not subject to the NRMM Regulation.

For the Regulated Machines that are exempted NRMMs, our Directors consider that the phase out plan as detailed in the Technical Circular will not have immediate adverse impacts to our Group’s business operations given that (i) 8 of the 14 Regulated Machines are approved NRMM as at the Latest Practicable Date; (ii) only 3 out of the 6 exempted NRMMs are affected by the phase out plan in the Technical Circular, and (iii) we will focus our business development in private sector of the construction foundation industry. For details of the NRMM Regulation and Technical Circular and the potential risks associated, please refer to the section headed “Regulatory Overview” in this prospectus.

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To the best knowledge of our Directors and upon their reasonable enquiry, in general, it is not expected that there will be any material price difference in respect of the costs of the NRMMs with similar specifications, but with different emission standards, whether approved or exempted, despite the launch of the NRMM Regulation. As our Group intends to purchase new foundation related machines which are approved NRMMs in our expansion plans, our Directors believe that there will be no material impact to our Group's financial position, and the impact shall be minimal such that there shall not be any adjustment to the estimated useful lives and no indication of any impairment loss. Our Directors consider that the existing accounting policy over depreciation and impairment loss adopted by our Group is fair and reasonable and in line with the applicable accounting standard as well as industry norm.

QUALITY ASSURANCE

In recognition of our quality control system, we were accredited with ISO 9001:2000 quality management system standard in October 2015. We take an active approach to monitor the progress of each project. Our site agent is responsible for supervising the overall daily activities including those executed by our subcontractors in accordance with the construction programme. In addition, Mr. Lau, our Chief Executive Officer, visits our project sites from time to time to resolve any issues with our project team on a timely basis. Our Project Manager will also monitor the activities and project status and note for any issues arising from the execution of the project. Our Project Manager will timely inform our executive Directors on the project status and matters of concerns. For details of their qualifications and experiences, please refer to the section headed "Directors, Senior Management and Employees" of this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we did not have any quality control issues in respect of works we delivered to our customers, materials supplied by third parties and works delivered by our subcontractors which would had a material impact on our business, financial or results of operation.

LICENCES AND PERMITS

During the Track Record Period, we acted as subcontractor to our customers in all projects undertaken. To the best knowledge, information and belief of our Directors having made all reasonable enquiry, all projects undertaken by our Group during the Track Record Period had one or more than one contractor registered with the Buildings Department or any other authorities (as the case may be). On this basis, our Directors are of the view that our Group was not required in its capacity as a subcontractor to hold any registration as a contractor with relevant authorities during the Track Record Period.

BUSINESS

Our Group is registered as a registered subcontractor under the Subcontractors Registration Scheme of the Construction Industry Council. The following table summarises the details of such registration held by our Group as at the Latest Practicable Date:

| Type of registration | Issuing authority | Grantee | Trade(s) | Specialties | Date of expiry |
|--------------------------|-------------------------------|----------------------|-----------------------|---------------------|------------------|
| Registered subcontractor | Construction Industry Council | Workbase Engineering | General Civil Works | General Civil Works | 13 December 2018 |
| Registered subcontractor | Construction Industry Council | Workbase Engineering | Foundation and Piling | Bored piles | 13 December 2018 |
| Registered subcontractor | Construction Industry Council | Workbase Engineering | Foundation and Piling | Micro piles | 13 December 2018 |

Our Directors also confirm that our Group had obtained (and renewed, as the case may be) all necessary licenses, permits, consents and approvals for our business operations in Hong Kong during the Track Record Period and up to the Latest Practicable Date, such as registration under the Subcontractors Registration Scheme of the Construction Industry Council. Save as disclosed under the paragraph headed “Business – Non-compliance” in this prospectus, all such licenses, permits, consents and approvals are valid as at the Latest Practicable Date. Under the Subcontractors Registration Scheme, the application of renewal should be submitted within three months before expiry of the current registration by providing information and supporting documents to show continued compliance with the entry requirements. Our Directors confirm that our Group had not experienced any material difficulties in obtaining and/or renewing such licenses, permits, consents and approvals. Further, our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such licenses, permits, consents and approvals.

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ENVIRONMENT

Our operations are subject to certain laws and regulations in relation to environmental protection. Please refer to the section headed “Regulatory Overview” in this prospectus for details.

Our Directors believe that it is essential for us to be environmentally responsible and to meet our customers’ demands in environmental protection and at the same time meeting the community’s expectation for a healthy living and working environment. In order to comply with the applicable environmental protection laws and regulations, we generally follow the environmental management policy of our customer to ensure proper management of environmental protection for each project and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on among others, air pollution, noise control and waste disposal. During the Track Record Period, we did not incur any material compliance cost in relation to the applicable environmental laws and regulations in Hong Kong. Our Group estimates that its annual cost of compliance going forward will be at a level similar to that incurred during the Track Record Period and consistent with its scale of operation.

With effect from October 2015, our environmental management system has been accredited with ISO 14001:2004. Set out below are our measures and work procedures required to be followed by our project management team and workers in respect of environmental protection compliance:

| Area | Measures |
|-----------------------|---|
| Air pollution control | <ul style="list-style-type: none">• Dust suppression by use of water• Installation of dust screens as required• Use of low-dust techniques and equipment as required |
| Noise control | <ul style="list-style-type: none">• Installation of acoustic barriers as required• Inspection and maintenance of all equipment before use for compliance of permitted noise level• Works to be undertaken in accordance with the permitted work hours as specified by our customers |
| Waste disposal | <ul style="list-style-type: none">• Waste to be segregated into general wastes and construction wastes before transporting to landfills |
| Waste water disposal | <ul style="list-style-type: none">• Use of sedimentation tanks to reduce the suspended solids in the waste water to be discharged• After the sedimentation process to the waste water, pumping into the filtration plant before discharging into approved discharge points |

BUSINESS

Our Directors consider that our measures and work procedures adopted are appropriate and adequate. During the Track Record Period and up to the Latest Practicable Date, we did not have any violation of applicable environmental laws and regulations which would have had a material impact on our business, financial condition or results of operations.

OCCUPATIONAL HEALTH AND SAFETY

We are committed to providing a safe and healthy working environment for our employees and it is also our concern not to put the general public in hazards. With effect from October 2015, our occupational health and safety system has been accredited to be in compliance with the requirements of OHSAS 18001:2007.

Our safety department is responsible for setting up safety policy for workers before carrying out their works, inspection of equipment to ensure they are safe to use, regular safe walks to maintain safe working environment and site tidiness, handling safety incidents and keeping safety records. In addition, our Group will conduct regular internal safety audit and regular safety training provided to our staff. Our project team members are required to strictly observe health and safety measures, for instance, all persons must (i) wear safety helmets and protective eyewear when entering or working within site boundary; and (ii) use safety belt/harness when working at height.

During the Track Record Period and up to the Latest Practicable Date, we have also engaged an independent third party to provide us with a safety officer and a safety supervisor to, among others, promote occupational health and safety at sites and to ensure compliance with the applicable laws and regulations in Hong Kong. The fee of the engagement is charged on a monthly basis. Our Directors decided to engage an independent third party, which is a safety consultant firm, to provide us with a safety officer and safety supervisor, rather than hiring in-house safety staff, having considered (i) readily available service from the independent third party instead of going through lengthy recruitment process; (ii) the experience, job references and the industry knowledge of the independent third party could provide reasonable assurance in enhancing our safety system; and (iii) the engagement could provide better and more flexible resource allocation in respect of regular safety inspection for our project sites. Our Directors consider that there is no difficulty in finding a replacement on the market to provide similar services.

The safety officer and safety supervisor are engaged to provide us with the following services:

- carrying out regular site inspections, provide risk assessment and conduct corresponding safety instruction;
- performing safety audit on a half yearly basis;
- investigating, reporting and recording any accidents;
- liaising with our Group to conduct in-house safety trainings; and
- reviewing the Group's safety objectives and conduct safety meeting on a quarterly basis.

BUSINESS

Our Group has a system in place for handling and recording of work accidents. The number of accidents reported to the Labour Department during the Track Record Period and up to the Latest Practicable Date is summarised in the following table:

| | For the year ended 31 December | | | From 1 January 2017 to the Latest Practicable Date |
|---|--------------------------------|-----------------|-----------------|---|
| | 2014 | 2015 | 2016 | |
| Number of accidents resulting in injuries of: | | | | |
| – our employees | 1 | 2 | – | – |
| – our subcontractors' employees | <u>2</u> | <u>2</u> | <u>–</u> | <u>1</u> |
| | <u><u>3</u></u> | <u><u>4</u></u> | <u><u>–</u></u> | <u><u>1</u></u> |

For details of the aforementioned accidents that led to employees' compensation claims and/or common law personal injury claims against us during the Track Record Period and up to the Latest Practicable Date, please refer to the paragraph headed "Litigation and potential claims" in this section.

A table comparing the construction industry average rate against our Group in regards to accident rate per 1,000 workers and fatality rate per 1,000 workers is set out below:

| | Industry average (Note 1) | Our Group (Note 2) | Our Subcontractors (Note 3) | Our Group and our subcontractors (Note 4) |
|---------------------------------|---------------------------------|-----------------------|-----------------------------------|--|
| 2014 | | | | |
| Accident rate per 1,000 workers | 41.9 | 83.3 | 29.0 | 37.0 |
| Fatality rate per 1,000 workers | 0.242 | – | – | – |
| 2015 | | | | |
| Accident rate per 1,000 workers | 39.1 | 51.3 | 25.3 | 33.9 |
| Fatality rate per 1,000 workers | 0.200 | – | 12.7 | 8.5 |
| 2016 | | | | |
| Accident rate per 1,000 workers | N/A | – | – | – |
| Fatality rate per 1,000 workers | N/A | – | – | – |

BUSINESS

Notes:

- (1) Occupational Safety and Health Statistics Bulletin Issue No. 16 (August 2016) by Occupational Safety and Health Branch of the Labour Department, being the newest issue as at the Latest Practicable Date. The 2016 figures were not yet available as at the Latest Practicable Date.
- (2) Our accident rate is calculated as the number of reportable accidents related to the site workers employed by our Group during the financial year (i.e. 1, 2 and nil accidents in 2014, 2015 and 2016, respectively) divided by the average number of site workers employed by our Group during the respective financial year multiplied by 1,000. There were no fatal accidents related to the site workers employed by our Group during the Track Record Period and up to the Latest Practicable Date.
- (3) The accident rate/fatality rate of our subcontractors are calculated as the number of reportable accidents/fatalities related to the site workers employed by our subcontractors (i.e. 2, 2 and nil accidents and nil, one and nil fatalities in 2014, 2015 and 2016, respectively) divided by the average number of site workers employed by our subcontractors during the respective financial year multiplied by 1,000.
- (4) The accident rate/fatality rate of our Group and our subcontractors are calculated as the number of reportable accidents/fatalities related to the site workers employed by our Group and our subcontractors (i.e. 3, 4 and nil accidents, and nil, one and nil fatalities in 2014 and 2015 and 2016, respectively) divided by the average number of site workers employed by our Group and our subcontractors during the respective financial year multiplied by 1,000.

Our Directors considered that the accident rates of our Group are higher than the industry average in 2014 and 2015 mainly due to (i) the accident rates are calculated based on the limited number of average site workers employed by our Group (12 for 2014 and 39 for 2015), and such limited population size may affect the representativeness of the ratios; and (ii) the shortage of skilled workers in the construction industry in Hong Kong during the Track Record Period which resulted in our Group having to employ more construction workers who were less experienced or with weaker safety awareness. Our Directors believe that the two accidents in 2015 were caused by the deviation of the relevant safety requirement by the workers who were less experienced or with weaker safety awareness. To prevent the further occurrence of accidents, our Group have reminded the workers of our Group and our subcontractors the work safety measures and provided relevant trainings to them prior to work commencement and from time to time after the project works have commenced. We will also perform spot checks on the implementation of the safety measures.

For the year ended 31 December 2016, there have been no reportable accidents and fatalities for site workers employed by our Group or our subcontractors. We are committed to improving our occupational health and safety system, details of which are provided later in this section. As we expanded our employment size to cope with our business growth, and with our enhanced safety system, our Group's accident rate per 1,000 workers decreased from 83.3 in 2014 to 51.3 in 2015 and further to nil for the year ended 31 December 2016. Going forward, our Group will continue to take sufficient safety measures and provide more safety training to increase the work safety awareness of our workers and our subcontractors in order to reduce the number of work accidents in the future.

BUSINESS

The following table sets out our Group's lost time injuries frequency rates ("LTIFR(s)"):

| Period | LTIFR(s) | | |
|-----------------------------|-----------|-------------------|----------------------------------|
| | (Note 1) | | |
| | Our Group | Our Subcontractor | Our Group and our subcontractors |
| | (Note 2) | (Note 3) | (Note 4) |
| Year ended 31 December 2014 | 2.6 | 1.0 | 1.2 |
| Year ended 31 December 2015 | 1.5 | 0.8 | 1.0 |
| Year ended 31 December 2016 | – | – | – |

Notes:

1. LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time worked in a period. The LTIFRs shown above are calculated by multiplying the number of lost time injuries in terms of loss days of our Group that occurred during the relevant financial year by 1,000,000 divided by the number of hours worked by site worker over the same financial year. It is assumed that the working hour of each worker is 9 hours per working day. The number of working days for each of the three financial years ended 31 December 2014, 2015 and 2016 were approximately 313 days, 313 days and 308 days, respectively.
2. Employees of our Group are included in the LTIFRs shown above.
3. Employees of our subcontractors are included in the LTIFRs shown above.
4. Employees of our Group and our subcontractors are included in the LTIFRs shown above.

BUSINESS

The following table sets out the nature and type of material industrial accidents which occurred during the Track Record Period and the corresponding safety measures and requirements we undertook and implemented to prevent the occurrence of similar accident and protect the employees of our Group and our subcontractors:

| Nature and type of industrial accidents | Safety measures and requirements undertaken |
|---|--|
| Contusion, laceration and/or fracture injury caused in connection with lifting and disposing of materials | We always seek to minimise the needs for our workers to handle and lift heavy materials where possible. In circumstances where manual handling of heavy materials is inevitable, our Group will provide relevant facilities such as hydraulic truck cranes, loaders or carts to facilitate such manual works. Training to workers in relation to the correct handling techniques will also be conducted in accordance with the relevant rules and regulations. |
| Contusion, bruise, sprain and/or fracture injury caused in connection with falling from high-altitude | Workers are required to strictly follow our Group's relevant safety rules whilst working at height. For works to be conducted within lift shafts and at a height of two metres or above, the relevant working platforms or structures shall be inspected by competent person before commencement of work and regularly during the course of execution of the work. Depending on the height of works, each worker is strictly required to wear safety harness. |
| Contusion, bruise, sprain and/or fracture injury caused in connection with slipping and falling on floor | Workers are required to strictly follow our Group's relevant safety rules to maintain safe work environment and site tidiness. In circumstances where working on slippery surfaces is inevitable, we require our workers to strictly follow our relevant safety guidelines for working on slippery surfaces, such as the use of different protective equipment, like slip-proof safety shoes. |

Fatal accident during the Track Record Period

In August 2015, two site workers employed by our subcontractor were assigned to conduct dismantling works at a metal working platform at a height of approximately 15 metres at the site. Whilst they were performing dismantling works on the platform, they fell down with the platform, resulting in death of one of the site workers and rib and pelvis injury of the other. As a result, our Group was convicted of breaches of the Factories and Industrial Undertakings Ordinance and the Buildings Ordinance. Details of which are set out in the paragraphs headed “Litigation and potential claims” and “Non-Compliance” in this section.

After the aforesaid incident, our management team has strived to strengthen our safety management system to avoid reoccurrence of similar accident and non-compliance incident in the future by implementing enhanced safety measures. For details of the enhanced safety measures, please refer to the paragraph headed “Non-Compliance” in this section.

We have also engaged the Safety Adviser (who is an independent safety auditor registered under section 4(1) of the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong) with effect from November 2000) to perform a review on our existing safety management system from late September 2016 to early October 2016 to assist the Sole Sponsor in assessing the adequacy and effectiveness of our safety management system. Having reviewed, among other things, (i) the existing safety measures and procedures adopted by our Group; and (ii) records pertaining to our implementation of safety measures and procedures, and having carried out onsite inspections at selected work sites in which we are carrying out foundation works, the Safety Adviser is of the view that:

- (i) our Group has established and maintained a proper safety management system;
- (ii) the accidents occurred during the Track Record Period and up to the Latest Practicable Date were not due to any material deficiencies in the Group’s safety management system; and
- (iii) the existing 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.

Having reviewed and considered that, among other things, (i) the existing enhanced safety measures and procedures adopted by our Group have been fully implemented for more than one year since August 2015; (ii) no major injuries nor fatal accidents has occurred since August 2015; (iii) records pertaining to our implementation of safety measures and procedures; (iv) on-site inspections at selected work sites; and (v) reports provided by qualified reviewer and adviser, our Directors are of the view that, the existing safety management system of our Group, which is certified to be in accordance with the requirements of OHSAS 18001:2007 standards, is adequate and effective.

BUSINESS

Having considered that (i) an external safety auditor has been engaged to perform assessment on the existing enhanced safety measures and procedures on a half-yearly basis since August 2015 and no material findings were identified in both the March 2016 and September 2016 assessments; (ii) the review performed by the Safety Adviser from late September 2016 to early October 2016 and he is of the view that the existing safety management system is adequate and effective; (iii) the Group engaged a safety officer and a safety supervisor to promote occupational health and safety at sites and to ensure compliance with the applicable laws and regulations in Hong Kong; and (iv) no major injuries nor fatal accidents has occurred since the enhanced safety measures have been implemented after the aforesaid incident in August 2015, the Sole Sponsor is of the view that our Group's safety management system is adequate and effective in spite of the historical high accident rate.

Save as disclosed in this section, our Group did not have any occupational health and safety issues during the Track Record Period and up to the Latest Practicable Date which would have had a material impact on our business, financial condition or results of operations.

COMPETITION

The foundation industry in Hong Kong is considered fairly consolidated as the top five main contractors accounted for approximately 48.2% of the market share in terms of revenue in 2015, while the top five foundation subcontractors accounted for approximately 10.6% of the total revenue of the foundation industry in Hong Kong in 2015 according to the Ipsos Report.

Our Directors considered that there are three major market entry barriers to the foundation industry in Hong Kong which hinder new subcontractors from entry, including (i) industry experience; (ii) specialised machinery; and (iii) sufficiency of working capital.

Even though competition within the foundation industry in Hong Kong might intensify in the future, having considered our competitive strengths of our Group as discussed in the paragraph headed "Our competitive strengths" in this section, our Directors believe our Group is well-positioned to maintain our foothold in the foundation industry. In addition, riding on our established track record and proposed listing status, which our Directors believe our potential clients will likely take into consideration in choosing our services, our Directors are optimistic about our Group's business outlook.

BUSINESS

RESEARCH AND DEVELOPMENT

Our Directors consider that the nature of our business does not require any research and development activity and during the Track Record Period and as at the Latest Practicable Date, we did not engage in any research and development activity.

INTELLECTUAL PROPERTY RIGHTS

We are the registrant of the domain “www.wbgroupfw.com.hk” and of one trademark and one series of trademark in Hong Kong. Please refer to the paragraph headed “B. Further information about the business of our Group – 2. Intellectual property rights of the Group” in Appendix IV to this prospectus for further details.

As at the Latest Practicable Date, our Group was not aware of any infringement by it of any intellectual property rights owned by third parties, or by any third parties of any intellectual property rights owned by our Group.

EMPLOYEES

As at the Latest Practicable Date, we had 39 full-time employees who were directly employed by our Group in Hong Kong. A breakdown of our employees by function as at the same date is set forth below:

| | As at the Latest Practicable Date |
|--|--|
| Executive Directors and senior management | 5 |
| Finance and accounting | 1 |
| Administration and human resources | 2 |
| Project management and execution | 9 |
| Machine operators and assistant machine operators | 10 |
| Site workers | 11 |
| Driver | <u>1</u> |
| Total | <u><u>39</u></u> |

BUSINESS

We generally recruit our employees from the open market through placing recruitment advertisement. We intend to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. We assess 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. There was no labour union established by our employees as at the Latest Practicable Date.

We entered into separate labour contracts with each of our employees in accordance with the applicable labour laws of Hong Kong. The remuneration offered to employees generally includes salaries and bonuses. In general, we determine salaries of our employees based on their qualifications, position and seniority.

We provide various types of trainings to our employees and we are considering to provide sponsorship to our employees to attend training courses in the future. Our Directors consider that our training programme can increase our overall efficiency and facilitate us to retain quality employees.

INSURANCE

Under section 40(1B) of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), where a main contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover its 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 its subcontractor(s) insured under the policy shall be regarded as having complied with the relevant requirements of the Employees' Compensation Ordinance. As such, we as a subcontractor are in practice covered by insurance policies taken out by main contractors of our projects.

Our Group maintains insurance coverage against, among others, (i) liability for third-party bodily injury occurred in our office premises; (ii) loss or damage of our machinery; and (iii) third-party liability in relation to the use of our vehicles. Certain types of risks, such as the risk in relation to the collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. For each of the three years ended 31 December 2014, 2015 and 2016, our Group incurred insurance expenses of approximately HK\$1.8 million, HK\$1.3 million and HK\$897,000, respectively. Our Directors consider that our insurance coverage is adequate and consistent with industry norm.

BUSINESS

PROPERTIES

We do not own any property. During the Track Record Period and up to the Latest Practicable Date, we had leased 12 properties in Hong Kong from independent third parties as follows:

| Properties | Monthly rental expenses | Term | Usage |
|--|--|--|---------------------|
| Unit 18, 29/F, New Tech Plaza, 34 Tai Yau Street, San Po Kong, Kowloon | HK\$12,670 exclusive of management fee, air-conditioning charges, rates, government rent and other outgoings | From 1 November 2015 to 31 October 2017 | Headquarters |
| Unit 17, 29/F, New Tech Plaza, 34 Tai Yau Street, San Po Kong, Kowloon | HK\$12,225 exclusive of management fee, air-conditioning charges, rates, government rent and other outgoings | From 1 June 2016 to 31 May 2018 | Office |
| Workshop No. 12, 29/F, New Tech Plaza, 34 Tai Yau Street, San Po Kong, Kowloon | HK\$8,300 inclusive of management fee, rates, government rent and exclusive of other outgoings | From 15 October 2015 to 14 October 2017 | Warehouse |
| Portion of Area at STT1950 Whitehead, Ma On Shan, New Territories (<i>Note 1</i>) | HK\$60,000 inclusive of rates, government rent and exclusive of other outgoings | From 1 July 2016 to 31 May 2017 | Warehouse |
| Portion of Area at STT1950 Whitehead, Ma On Shan, New Territories (<i>Note 1</i>) | HK\$50,000 inclusive of rates, government rent and exclusive of other outgoings | From 1 May 2017 to 30 April 2019 | Warehouse |
| Unit 10, 13/F, Hing Fat Building, 9 Yin Chong Street, Mongkok, Kowloon | HK\$6,000 | From 10 June 2014 to 9 December 2014 (<i>Note 2</i>) | Site office |
| Car Parking Space 102, Level 3, Golden Lion Garden (Stage 1), 5-7 Chai Tin Street Shatin, New Territories | HK\$1,200 inclusive of management fee, rates, government rent and exclusive of other outgoings | From 6 June 2014 to 5 June 2015 (<i>Note 2</i>) | Car park |
| No. 43, 1st Street, Section C, Fairview Park, Yuen Long, New Territories | HK\$25,000 inclusive of management fee, rates, government rent and exclusive of other outgoings | From 1 June 2015 to 31 May 2019 | Director's quarters |
| No. 42, 3/F, Namkau, Kak Tin Village, Sha Tin, New Territories | HK\$13,800 inclusive of management fee, rates, government rent and exclusive of other outgoings | From 1 January 2014 to 31 December 2015 (<i>Note 2</i>) | Director's quarters |
| Unit 4, 2/F, Wei Sun Center, Tai Po Road, Kowloon | HK\$4,000 inclusive of management fee, rates, government rent and exclusive of other outgoings | From 26 August 2014 to 25 May 2015 (<i>Note 2</i>) | Site office |
| Lot No. 184 SA.B in D.D.87, Ping Che, Fanling | HK\$25,000 inclusive of management fee, rates, government rent and exclusive of other outgoings | From 15 September 2014 to 14 December 2015 (<i>Note 2</i>) | Warehouse |
| Lot No. 184 SA in D.D.87, Ping Che, Fanling | HK\$20,000 inclusive of management fee, rates, government rent and exclusive of other outgoings | From 10 December 2013 to 9 December 2015 (<i>Note 2</i>) | Warehouse |

Notes:

- Our Group has rented two different portions of area at STT1950 Whitehead at Ma On Shan in the New Territories as warehouse from 1 July 2016 to 31 May 2017, and from 1 May 2017 to 30 April 2019, respectively.
- We have not entered into any renewal agreement for the extension of the lease of these properties and have moved out upon the respective expiry of the lease.

BUSINESS

CORPORATE GOVERNANCE AND RISK MANAGEMENT

Our Directors believe that corporate governance and risk management are crucial to the development and success of our business. Therefore, we have adopted corporate governance measures and risk management measures in various aspects of our business operations such as financial reporting, legal compliance, information system and premises safety and human resources management.

Corporate governance

In terms of corporate governance, our Group has, *inter alia*, (i) designated our compliance officer to assist our Board to oversee and monitor due compliance with laws, rules and regulations applicable to our Group; (ii) appointed three independent non-executive Directors to ensure the effective exercise of independent judgment on its decision-making process and provide independent advice to our Board and our Shareholders; (iii) established the Audit Committee to assist our Board in providing independent view on the effectiveness of our financial reporting process and internal control and risk management systems, and overseeing the audit process; (iv) appointed Frontpage Capital Limited as our compliance adviser in compliance with the applicable GEM Listing Rules; and (v) provided (and will continue to provide) our Directors and senior management with training, development programs on applicable legal and regulatory requirements from time to time.

Risk management

We recognise the need for risk management in our strategic and operational planning, day-to-day management and decision making process and are committed to managing and minimising risks by identifying, analysing, evaluating and mitigating risk exposures that may impact the continued efficiency and effectiveness of our operations or prevent it from achieving its business objective.

The risk management process of our Group is coordinated and facilitated by our compliance officer. The objectives of risk management are to, *inter alia*, enhance our Company's governance and corporate management processes as well as to safeguard our Group against unacceptable levels of risks and losses.

BUSINESS

The risk management process of our Group will involve, *inter alia*, (i) an annual risk identification exercise which involves assessment of the consequence and likelihood of risks (including documenting those of potentially high impact) and the development and/or review of risk management plans for mitigating such risks; (ii) testing of documented risk management procedures at approval intervals; and (iii) ensuring that our staff and other stakeholders have access to appropriate information and training in the area of risk management.

Based on the above, our Directors are of the view that our Company has adequate corporate governance measures and risk management procedures in place for the business operations of our Group.

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and up to the Latest Practicable Date, our Group has been involved in a number of claims and litigations. Set out below is a summary of the past and outstanding litigations and potential claims against our Group during the Track Record Period and as at the Latest Practicable Date arising in the ordinary and usual course of our business.

(I) Employee's compensation claims and personal injury claims during the Track Record Period and as at the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, there had been (i) eight employees' compensation claims submitted to the Labour Department and (ii) one employees' compensation claim for which legal proceedings had been commenced against our Group. These accidents were caused during the usual and ordinary business of our Group and did not cause material disruption to our Group's business.

Four of the eight employees' compensation claims were fully settled and fully covered by the relevant insurance taken out by the relevant main contractors.

As at the Latest Practicable Date, there were four outstanding employee's compensation claims (including the one employees' compensation claim for which legal proceedings had commenced against our Group), all of which related to accidents occurred during the Track Record Period.

BUSINESS

The nature of accidents and injuries leading to the above eight employee's compensation claims is set out below:

| | Nature of claim | Date of accident | Type of Claim | Expected claim/claimed amount | Status |
|---|---|------------------|--|-------------------------------|---|
| 1 | An employee of a subcontractor of Workbase Engineering suffered back and knees injuries whilst he fell from a truck at a height of approximately 1 metre. | 6 November 2014 | A claim under the Employees' Compensation Ordinance. | HK\$480,000 | The claim was fully settled and fully covered by insurance. |
| 2 | An employee of a subcontractor of Workbase Engineering died whilst he fell down with a metal working platform at a height of approximately 15 metres whilst performing dismantling works on the platform. | 7 August 2015 | A claim under the Employees' Compensation Ordinance. | N/A ^(Note) | The claim was being dealt with and assessed by the Labour Department. |
| 3 | An employee of Workbase Engineering suffered left foot injury whilst performing bar bending works. | 15 December 2015 | A claim under the Employees' Compensation Ordinance. | N/A ^(Note) | The Insurer has taken over the conduct of the proceedings. |
| 4 | An employee of a subcontractor of Workbase Engineering suffered rib and pelvis injuries whilst he fell down with a metal working platform at a height of approximately 15 metres whilst performing dismantling works on the platform. | 7 August 2015 | A claim under the Employees' Compensation Ordinance. | N/A ^(Note) | The claim was being dealt with and assessed by the Labour Department. |
| 5 | An employee of Workbase Engineering suffered right ankle injury whilst he slipped on the construction site. | 8 April 2015 | A claim under the Employees' Compensation Ordinance. | HK\$265,192.58 | The claim was fully settled and fully covered by insurance. |
| 6 | An employee of a subcontractor of Workbase Engineering suffered right middle finger injury whilst performing carrying works. | 7 October 2014 | A claim under the Employees' Compensation Ordinance. | HK\$3,750 | The claim was fully settled and fully covered by insurance. |
| 7 | An employee of Workbase Engineering suffered left knee and ankle injury whilst he slipped and fell on a slope work construction site. | 15 February 2014 | A claim under the Employees' Compensation Ordinance. | HK\$184,221.69 | The claim was fully settled and fully covered by insurance. |
| 8 | An employee of a subcontractor of Workbase Engineering suffered left shoulder injury whilst performing welding work and a drill pipe fell and hurt the individuals left shoulder. | 11 May 2017 | A claim under the Employees' Compensation Ordinance. | N/A ^(Note) | The Insurer has taken over the conduct of the proceedings. |

Note:

- (i) the outstanding employees' compensation claims are being dealt with and handled by the Labour Department/Court and has been reported to the respective insurer. Up to the Latest Practicable Date, we did not receive any rejection to the claim from the respective insurer; and
- (ii) the amount of such claims were being assessed by the Labour Department/Court, and the claim amount in these claims are unknown as at the Latest Practicable Date. As such, we are not in a position to assess the likely quantum of the outstanding employee's compensation claims.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, our Group or our main contractors are required under the Employees' Compensation Ordinance to take out and had taken out a compulsory insurance policy in Hong Kong which meets the statutory minimum insurance coverage. Our Directors are of the view that the amount to be borne by our Group in the above outstanding personal injury claims and employee's compensation claims will be covered by the relevant insurance taken out by our Group or the main contractors which amounts to HK\$200 million for each accident and will not have a material adverse impact on the operation or financial position or business of our Group. Therefore, all such claims (including employees' compensation claims and personal injury claims) are expected to be fully covered by the insurance policies either maintained by our Group or our main contractors and no provision has been made to cover our potential liability under the above claims.

(II) Potential employees' compensation claims and personal injuries claims as at the Latest Practicable Date

All injured individuals may commence their claims under the Employees' Compensation Ordinance and/or their personal injury claims under common law within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the date of the relevant incidents. As these potential claims have not yet been filed, we are not in a position to assess the likely amount of such potential claims. Our Directors confirm that our Group has insurance coverage for its liabilities resulting from all these incidents and notices of such incidents have been given to the insurers as at the Latest Practicable Date and therefore are of the view that such claims as disclosed above have no material adverse impact on the operation or financial position or business of our Group. These cases were caused during usual and ordinary course of our business and have not caused disruption to our Group's business or have an adverse impact on our Group to obtain any licenses or permits for our operation.

As at the Latest Practicable date, save as disclosed above, we are not aware of any current, pending or threatened litigation, claim of arbitration against our Group which could have a material adverse effect on our financial condition or results of operations.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into a Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of any outstanding and potential litigations (including criminal litigations), claims of our Group on or before the date on which the Public Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed "E. Other information – 1. Tax and other indemnities" in Appendix IV to this prospectus.

BUSINESS

NON-COMPLIANCE

Our Directors confirmed that save as disclosed below, during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident which constitute material impact non-compliance or systemic non-compliance and our Group has obtained all the approvals, permits, consents, licences and registrations required for our business and operations in Hong Kong and all of them are in force.

During the Track Record Period and up to the Latest Practicable Date, we were convicted of the following criminal offences arising out of/in connection with the same incident of the same nature:

| Name of subsidiary | Date of non-compliance incident | Relevant sections(s) of the ordinance | Particulars of non-compliance | Number of counts | Penalty imposed (Note 2) |
|----------------------|---------------------------------|---|---|------------------|--------------------------|
| Workbase Engineering | 7 August 2015 (Note 1) | Section 6A(1), 6A(2)(a) and 6A(3) and 13(1) of the Factories and Industrial Undertakings Ordinance. | Failure to provide and maintain a system of work for the use of working platform provided on the structure of the temporary steel platform for the dismantling works, that were, so far as reasonably practicable, safe and without risks to health of the person(s). | 1 | HK\$15,000 |
| | | Regulations 38D(c), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance. | Failure to ensure that a scaffold was not used unless it was properly maintained and every part was kept securely supported or suspended as to ensure, so far as was reasonably practicable that it was stable. | 1 | HK\$3,000 |
| | | Regulations 38AA(1)(c), 68(1)(a) and 68(2)(f) of the Construction Sites (Safety) Regulations made under the Factories and Industrial Undertaking Ordinance. | Failure to safeguard the person working at a height in the construction work against the hazardous conditions. | 1 | HK\$2,000 |
| | | Section 40(2B)(a) of the Buildings Ordinance. | Carrying out or authorising or permitting the dismantling of a temporary steel platform to be carried out in such manner as to cause injuries to persons and damage to property. | 1 | HK\$30,000 |

Notes:

- On 7 August 2015, two site workers employed by our subcontractor were assigned to conduct dismantling works at a metal working platform at a height of approximately 15 metres at the site. Whilst they were performing dismantling works on the platform, they fell down with the platform, resulting in death of one of the site workers and rib and pelvis injury of another site worker. The accident occurred during the Track Record Period and our company was convicted of the said offence on 22 August 2016 and 15 September 2016. As at the Latest Practicable Date, both site workers or its representative had made employees' compensation claim against our Group. Potential personal injury claims may be brought against our Group by the relevant site workers or its representative within three years from the date of the relevant incident.
- As at the Latest Practicable Date, we had duly paid the fine and no provision had to be made.

BUSINESS

Subsequent to the fatal accident and the conviction of criminal offences as mentioned above, the management committee of the Construction Industry Council (the “CIC”) has decided to temporarily suspend Workbase Engineering’s registration (the “**Temporary Suspension**”) as a registered subcontractor under the trade specialty of general civil works (which include earthwork, roadworks, road drainage and sewer, geotechnical works, marine works and ground investigation) in the Subcontractors Registration Scheme (the “SRS”) for three months effective from 1 April 2017 (the “**Suspension Period**”) with regards to our convictions of the fatal accident. Upon enquiry with the CIC, we were confirmed that the Temporary Suspension will be lifted unconditionally upon the expiry of the Suspension Period and no further actions will be taken by the CIC in relation to the fatal accident.

During the Track Record Period, revenue generated from contracts requiring subcontractor registration under the trade specialty of general civil works in the SRS amounted to approximately HK\$836,000, HK\$337,000 and nil for each of the three years ended 31 December 2014, 2015 and 2016, respectively, representing approximately 1.6%, 0.4% and nil of our total revenue for the same period, respectively. As at the Latest Practicable Date, none of our projects on hand falls into public sector general civil works, which require the possession of the suspended registration, and we do not have any short term plan to submit any quotations for public sector works. As advised by our Legal Counsel, the Temporary Suspension does not affect our ongoing projects and our Group is equipped with all necessary licences, permits, consents and approval for our business. Our Directors, having considered our Legal Counsel’s opinion, are of the view that the aforesaid Temporary Suspension has no material impact on our Group’s business, financial position, operating results and prospects going forward.

To rectify the above non-compliance, our Group has taken the following remedial actions:

- we have organised trainings to enhance safety awareness of our staff and workers at site;
- we have enhanced safety measures including adopting the revised safety system manual for dismantling temporary steel structure for any person conducting dismantling works in the construction site;
- we have engaged a recognised assessor to perform an assessment on our Group’s safety management system, and our Group was accredited with OHSAS 18001:2007 in October 2015. The recognised assessor would visit our Group on a regular basis to assist our Group in monitoring and maintaining our safety system for continuous improvement and meeting the requirements of the ISO standard;

BUSINESS

- we have engaged an independent third party to provide us with a safety officer and an safety supervisor to promote occupational health and safety at sites and to assist our Group on work safety issues to comply with the applicable laws and regulations in Hong Kong as mentioned above;
- we have engaged a qualified safety auditor to conduct regular semi-annual safety audit on our Group's compliance with the Factories and Industrial Undertakings Ordinance and the audit results in March 2016 and September 2016 and concluded that no material findings was identified and our Group has accomplished a good safety management standard; and
- our management team and our safety department, with the assistance of qualified reviewer and adviser if necessary, will from time to time review and assess the adequacy and effectiveness of our safety management system.

INTERNAL CONTROLS

We endeavor to maintain sound and effective internal control system to safeguard Shareholders' value and our assets. In preparing for the Listing and efforts to improve our internal control system, in October 2015, we engaged Antonio & Clayton CPA Limited (the "**IC Consultant**") to perform evaluation of the adequacy and effectiveness of our Group's internal control system, including the areas of financial, operation, corporate governance, compliance and risk management. The IC Consultant performed an internal control review in November 2015. Upon completion of such review, the IC Consultant identified certain findings in relation to our internal control policies and procedures, and the details of the major findings and recommendations provided by the IC Consultant are set out below:

| Internal control review findings | Recommendations |
|---|--|
| 1. Our Group did not have a proper system in monitoring and refraining conflict of interests | Our Group should establish adequate corporate governance measures to manage existing and potential conflict of interests |
| 2. Our Group did not have an internal audit department monitoring the effectiveness of internal control procedures and the compliance with policies and standards | Our Group should establish an internal audit function or employ independent professionals for performing internal audit assessment |
| 3. Our Group did not have a proper system for monitoring and reporting of related party transactions | Our Group should establish official guidance, policies and procedures for identifying and reporting related parties transactions |

BUSINESS

We have fully implemented all the recommended measures suggested by the IC Consultant. The IC Consultant has also performed a follow-up review in August 2016 to understand the status of our implementation of the recommended measures. The IC Consultant has formed its view that we have satisfactorily implemented all the recommended measures based on its follow-up review.

Mr. Lau's assistance to the ICAC's investigation

In or around 2005, Mr. Lau was approached by an individual (the “**Defendant**”), who was an assistant project manager of a sizeable construction contractor company (the “**Contractor**”) in Hong Kong, for an opportunity to take up some moonlighting works. Mr. Lau had obtained and assessed the Defendant’s resume and job references, and he believed that the Defendant’s experience and industry knowledge could provide reasonable assurance in improving the efficiency of quotation documentation works and facilitate Workbase Engineering’s business development. Hence, Workbase Engineering engaged the Defendant in the absence of formal written contract as an external consultant to provide advisory services in relation to the preparation and review of quotation submission documents for submission to contractors other than the Contractor (the “**Advisory Services**”) from around November 2005 to June 2006.

However, unlike what Mr. Lau had contemplated, the Advisory Services had provided insignificant improvement in the business development of Workbase Engineering at the relevant time, and therefore the engagement of the Defendant to provide Advisory Services was terminated in June 2006. In return for the Advisory Services, Workbase Engineering rewarded the Defendant with an aggregate remuneration of HK\$200,000. Such remuneration was set by reference to (i) the market wage of recruiting a quantity surveyor at the relevant time; and (ii) the work done made by the Defendant in relation to the quotation preparation, including assisting in and attending customer interviews, and providing advices on quotation price. The remuneration was paid to the bank accounts as requested and instructed by the Defendant in three payments (the “**Payments**”).

In or around July 2006, Mr. Lau was invited to assist the ICAC in an investigation (the “**Assistance**”) in relation to the background and nature of the transactions made between Workbase Engineering and the Defendant, the Payments, and the relationship between Mr. Lau and the Defendant. After the Assistance, Mr. Lau was not invited by the ICAC for other interviews or investigations and Mr. Lau was not charged by the ICAC. In addition, Mr. Lau was not called as a prosecution witness by the prosecution or as a defence witness by the Defendant at the trial of the case as mentioned below.

BUSINESS

The Defendant was later alleged by the prosecution in a case (the “**Case**”) that, as an assistant project manager of the Contractor, who was considered to be in an influential position in awarding some of the Contractor’s subcontracts and arranging interim payments to the subcontractors, he had accepted corrupt payments from three subcontractors, including Workbase Engineering. The Defendant was charged with six charges in the Case, three charges of which were in relation to the Payments accepted by the Defendant from Workbase Engineering, and were charged under sections 9(1)(b) and 12(1) of the Prevention of Bribery Ordinance, Cap. 201 (“**POBO**”), namely “agent accepting an advantage”.

The Defendant was eventually convicted of all the six charges. According to the reason of verdict, direct evidences such as prosecution witness were found in relation to the charges not related to Workbase Engineering. For the three charges relating to the Payments, it was alleged that (i) between January 2006 and May 2006, Workbase Engineering obtained five direct payments from the Contractor in relation to a subcontract which the Contractor was the main contractor and Workbase Engineering was a sub-subcontractor, whereby the request for direct payments documents were all prepared by the Defendant (the “**Direct Payments**”); and (ii) the two subcontracts awarded by the Contractor to Workbase Engineering in which the Defendant was considered to have an influence on the award (“**Contract 1**” and “**Contract 2**”, collectively the “**Contracts**”). In view of the circumstantial evidences, including (i) the inconsistency of the Defendant’s testimony as the Defendant first explained the Payments were loans from Mr. Lau in his cautioned statement, and he later argued during the trial that the Payments were rewards for moonlighting work carried out by him on behalf of Workbase Engineering; (ii) the Defendant had not submitted any evidence on the moonlighting work; and (iii) the Defendant had issued false invoices to create fictitious transactions and routed the Payments through the bank accounts held by other third parties, the judge had inferred that the Payments were corrupt money and the Defendant was perceived as having shown favour to Workbase Engineering.

BUSINESS

As confirmed by Mr. Lau, except the fact that he was instructed by the Defendant to make the Payments to the Defendant's designated bank accounts for the settlement of the Advisory Services, he had no knowledge as to whether the Defendant had issued false invoices to create fictitious transactions to cover up the true nature of the Payments, nor did he have any knowledge about the Defendant's intention to create any fictitious transactions. In respect of the Direct Payments, Mr. Lau confirmed that the Direct Payments was made by the Contractor due to the financial difficulties of the principal subcontractor who was the customer of Workbase Engineering in the relevant contract (the "**Principal Subcontractor**"), and the amounts of the Direct Payments were determined and made based on the payment applications prepared by Workbase Engineering to the Principal Subcontractor and the value of works completed and certified according to the payment terms and schedule stipulated under the relevant subcontracts. In respect of the Contracts, Mr. Lau confirmed that the works subcontracted by the Contractor to Workbase Engineering under Contract 1 was only limited to the works left unfinished at the material time upon the termination of the Principal Subcontractor due to its financial difficulties, which formed part of the works originally subcontracted to by the Principal Subcontractor and partially completed by Workbase Engineering, and was of the same scope and price as the original subcontract between the Principal Subcontractor and Workbase Engineering. As to Contract 2, Mr. Lau confirmed that it was awarded to Workbase Engineering after normal tendering process, including (i) tender invitation from the subletting department of the Contractor to Workbase Engineering as one of the subcontractors on the approved list of subcontractors of the Contractor; (ii) submission of quotation to the Contractor; (iii) interview with the subletting department of the Contractor and the contracts manager; (iv) submission of the revised quotation subsequent to the interview; and (v) approval of the award of the subcontract from the director of the Contractor.

According to our Legal Counsel,

- (i) section 9(1) (i.e. accepting advantage) and section 9(2) (i.e. offering advantage) are two separate offences. It requires individual and independent assessment of facts and evidence;
- (ii) the conviction of the Defendant for accepting advantages under section 9(1) of the POBO would not inevitably lead to an irresistible inference to be drawn that Mr. Lau was offering advantages under section 9(2) of the POBO; and
- (iii) the documentary evidences provided by Workbase Engineering to himself are contemporaneous records that serve as corroboration evidences for Mr. Lau's case and he is satisfied that the documentary evidences pointed to the existence of the moonlighting works.

BUSINESS

Our Legal Counsel opined that the prosecution risk against Mr. Lau and/or Workbase Engineering in relation the Case is very slim. Our Legal Counsel further opined that if there were any prosecution on alleged corruption made against Mr. Lau, Mr. Lau would have a good defence and high chance of acquittal.

Our Directors, having considered our Legal Counsel's opinion, are of the view that the Payments were not corrupt payments to bribe the Defendant given that Mr. Lau had no intention to bribe and there had been no alleged favour received by Mr. Lau and Workbase Engineering, after taken into consideration that:

- (i) the Payments issued by Workbase Engineering to the Defendant were the remuneration for the Advisory Services rendered by the Defendant and were, in aggregate, a reasonable sum for the Advisory Services;
- (ii) the Advisory Services received in relation to the preparation and review of quotation submission documents submitted to customers other than the Contractor, was provided by the Defendant not in his capacity as the assistant project manager of the Contractor;
- (iii) there has been no favour received by Workbase Engineering or Mr. Lau from the Defendant as during the relevant period when the Advisory Services was rendered, the Contracts and the Direct Payments have gone through all internal policies and measures of the Contractor and it was in the commercial interest of the Contractor to award them to Workbase Engineering; and
- (iv) Workbase Engineering has continued its business relationship with the Contractor after the conviction of the Defendant and up to the Latest Practicable Date, which supported that the business relationship was not dependent on the Defendant.

Nevertheless, our Group has enhanced our anti-corruption measures following the internal control review conducted by the IC Consultant, and has the following anti-corruption policies in place to safeguard against any corruption within our Group:

- our Group has established the Audit Committee comprising our independent non-executive directors to review any reported potential corruption, fraud and/or conflict of interest incidents upon Listing;

BUSINESS

- our Group has provided a staff handbook and established a code of conduct for all employees to observe, which requires all of our employees to keep alert to matters which could give rise to bribery, corruption, collusion, conspiracy and other illegal activities; our staff are not allowed to (i) offer any bribe or consideration to anyone or any customer/supplier/contractor/subcontractor to obtain business; and (ii) borrow or receive money/benefit (including gifts, present or other valuable goods or services) from our business counterparties or third parties on a favorable basis that may affect his/her judgement and decision to grant potential business in return unless previously approved by our Directors and our management team;
- our Group has established a whistleblowing guideline and channel for all alleged or suspected illegal activity or concerns over ethical conducts to be reported directly to our Director or to the Audit Committee upon Listing;
- our Group has established a formal supplier/subcontractor selection and performance evaluation guideline whereby new suppliers/subcontractors are required to complete the supplier/subcontractor registration procedures prior to becoming an approved suppliers/subcontractors and they are subject to ongoing regular evaluation by objective criteria such as product/services quality, price competitiveness, track record and supplier's capabilities to formalise the business relationship and avoid any potential conflict of interests;
- our Group has established a policy which requires formal contracts to be entered into between our Group and our customers/suppliers/subcontractors for each business activity of our Group;
- our Group has established a policy which requires payments for services or materials acquired by our Group to be made to the suppliers or subcontractors directly;
- our Group has established a policy which prohibits any payments issued to designated accounts other than the accounts of our suppliers and subcontractors; and
- our Group has provided corruption prevention training resources to our Directors and staff regularly to enhance the knowledge and awareness of our Directors and staff on corruption prevention measures and practices.

BUSINESS

The IC Consultant is of the opinion that there is no material deficiency in our internal control system on anti-corruption, after taken into consideration (i) our anti-corruption policy and internal control measures in place; (ii) there has been no alleged nor confirmed incidents in relation to corruption or legal charges brought against our Group or our employees concerning corruption, and no alleged nor confirmed incidents where contracts with our business partners were terminated or not renewed due to violations relating to corruption since the establishment and implementation of the enhanced internal control policy on anti-corruption in January 2016 up to the Latest Practicable Date; and (iii) in performing the internal control review in November 2015 and the follow-up review in August 2016, nothing has come to the attention of the IC Consultant that there may be deficiencies in our anti-corruption measures.

Besides, in order to prevent recurrence of the non-compliances as disclosed under the paragraph headed “Non-compliance” in this section in the future, our Group has, pursuant to the recommendations made by the IC Consultant, an independent internal control adviser engaged by us as disclosed in the paragraph headed “Internal controls” above, adopted or will adopt the following measures:

- (1) To strengthen safety at our work sites, we have voluntarily engaged an independent third party to provide us with a safety officer and a safety supervisor during the Track Record Period to monitor the safety issues at sites and ensure that our workers and that of our sub-contractors have complied with the relevant safety measures;
- (2) The safety officer and safety supervisor will conduct spot check at each site on a weekly basis and review the safety record form for inspection purpose;
- (3) We have in place regular safety trainings to workers at our sites to ensure they have sufficient knowledge and to raise their awareness on the safety measures; and
- (4) Prior to Listing, we will establish a compliance manual which shall be observed by our Directors and employees. Each department shall be responsible for making all relevant staff aware of the compliance manual and for ensuring that they comply with its principles. Further, the compliance manual will lay down procedures that our staff have to follow in cases of employees’ injuries to ensure compliance with the Employees’ Compensation Ordinance.

BUSINESS

View of our Directors and the Sole Sponsor

Our Directors are of the view that the non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules and our suitability for Listing under Rule 11.06 of the GEM Listing Rules. The Sole Sponsor, having taken into account (i) the nature of the non-compliance incidents and the extent of penalty imposed on our Group; (ii) the internal control measures which have been implemented (or will be implemented where applicable) by our Group; (iii) there were no recurrence of similar non-compliance incidents since the implementation of such measures, concurred with our Directors' view that our internal control measures are adequate and effective and the non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules and our suitability for Listing under Rule 11.06 of the GEM Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately following completion of the Public Offer, Mr. Lau and Brightly Ahead (an investment holding company owned as to 99.9% and 0.1% by Mr. Lau and Ms. Yuen, respectively, which has not commenced any substantive business activities as at the Latest Practicable Date) will control 75% of our Company's issued share capital. For the purpose of the GEM Listing Rules, Mr. Lau and Ms. Yuen are a group of controlling shareholders by virtue of their relationship of being spouses, and each of Mr. Lau, Ms. Yuen and Brightly Ahead is the Controlling Shareholder.

Each of Mr. Lau, Ms. Yuen and Brightly Ahead confirms that he/she/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER

In the opinion of our Directors, our Group is capable of carrying on its businesses independently of, and does not place undue reliance on, the Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

(i) Financial independence

Our Group has its own financial management system and the ability to operate independently from the Controlling Shareholders from a financial perspective. As at 30 April 2017, the amount due from director amounted to approximately HK\$8.4 million and the sum will be settled before Listing. In addition, as at 30 April 2017, trade payables, bank borrowings and finance lease obligations of approximately HK\$12.9 million in aggregate were guaranteed by personal guarantees executed by Mr. Lau or joint guarantees executed by Mr. Lau and Ms. Yuen, our Controlling Shareholders. The abovementioned personal guarantees provided by Mr. Lau and the joint guarantees provided by Mr. Lau and Ms. Yuen will be released and replaced by the corporate guarantees of our Company upon Listing. We have received consent-in-principle from relevant lenders in respect of the outstanding borrowings as at the latest Practicable Date to release all such personal guarantees and joint guarantees upon Listing. Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on the Controlling Shareholders.

(ii) Operational independence

Our Group has established its own organisational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared its operational resources, such as suppliers, customers, marketing, sales and general administration resources with the Controlling Shareholders and/or their associates. Our Directors are of the view there is no operational dependence on the Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

(iii) Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. The main function of our Board includes the approval of its overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Company has an independent management team, which is led by a team of senior management with substantial experience and expertise in its business, to implement our Group's policies and strategies.

Our Board consists of five Directors, comprising two executive Directors and three independent non-executive Directors. Ms. Yuen, spouse of Mr. Lau, is an executive Director and the Chairman. Mr. Lau is an executive Director and the Chief Executive Officer. Mr. Lau, who is the sole director of Brightly Ahead, is the overlapping director between our Group and the Controlling Shareholder. Save for Ms. Yuen and Mr. Lau, none of the other Directors nor members of senior management hold any directorship or position in the Controlling Shareholders.

We consider that our Board and senior management are capable of managing our Group's business independently from the Controlling Shareholders because:

- 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;
- the three independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements of the GEM Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions;
- in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transactions and shall not be counted in the quorum present at the particular Board meeting;
- connected transactions between our Group and our Controlling Shareholders or our respective associates are subject to the requirements under the GEM Listing Rules, including the requirements of reporting, announcement and independent Shareholders' approval (where applicable); and
- in addition, the senior management team of our Group are independent from the Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

RULE 11.04 OF THE GEM LISTING RULES

The Controlling Shareholders, our Directors and their respective associates do not have any interest in a business apart from our Group's business which competes and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between our Group and the Controlling Shareholders, Mr. Lau, Ms. Yuen and Brightly Ahead, (each a “**Covenantor**” and collectively the “**Covenantors**”) have entered into the Deed of Non-competition with our Company (for itself and for the benefit of each other member of our Group) on 7 June 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remain effective, he/she/it shall not, and shall procure that his/her/its 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 directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

Each of the Covenantors further undertakes that if any of 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 associates to) notify our Group in writing and our Group shall have a right of first refusal to take up such business opportunity. Our Group shall, within 6 months after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal or not.

Our Group shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Division granting approval for the listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Public Offer Underwriting Agreement having been fulfilled (or where applicable, waived) and the Public Offer Underwriting Agreement not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date falling 30 days after the date of this prospectus (or if such date is not a Business Day, the immediate preceding Business Day), the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Deed of Non-competition shall terminate on (i) in relation to any Covenantor, the date on which he/she/it together with his/her/its associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the GEM 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

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 Directors (or their associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;
- (ii) the Covenantors 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 Company has appointed Frontpage Capital as its compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal controls. Please refer to the section headed "Directors, Senior Management and Employees – Compliance Adviser" in this prospectus for further details in relation to the appointment of compliance adviser;
- (iv) the 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
- (v) our independent non-executive Directors will, based on the information available to them, review on an annual basis (a) the compliance with the Deed of Non-competition; and (b) 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 Company's annual report after Listing.

BUSINESS OBJECTIVES AND FUTURE PLANS

BUSINESS OBJECTIVE

Our primary business objectives are to strengthen our position in foundation and site formation industry and further expand our business operations with a view to creating long term Shareholders' value. We intend to achieve our objectives by implementing the following future plans and business strategies.

BUSINESS STRATEGIES AND FUTURE PLANS

Please refer to the paragraph headed "Business – Business strategies" in this prospectus for a detailed description of our business strategies and future plans.

USE OF PROCEEDS

We intend to raise funds by the Public Offer in order to pursue our business objective as set out in the paragraph headed "Business objective" above in this section. Assuming an Offer Price of HK\$0.22 per Offer Share, being the mid-point of the proposed Offer Price range of HK\$0.20 to HK\$0.24 per Offer Share, the net proceeds from the Public Offer, after deducting underwriting commissions and estimated expenses paid and payable by us in connection with the Public Offer, are estimated to be approximately HK\$35.7 million. We currently intend to apply such net proceeds from the Public Offer as follows:

- Approximately HK\$20.0 million or 56.1% of the net proceeds will be used for enhancing our machinery and equipment by acquiring additional crawler cranes, hydraulic crawler drills, air compressors and other supporting tools. As (i) we are occasionally requested by our prospective customers to provide a list of machinery we possess when we submit quotations for projects; and (ii) we will ask the prospective customer information on the winning quotation in the event that we do not secure the contract and they expressed their preference over subcontractors with own machinery, our Directors believe that when bidding for projects, ownership of specialised machinery is also taken into consideration by our customers to determine bids to be awarded. In selecting machinery and equipment to be purchased, we have taken into account (i) our demand for specialised machinery and equipment for our contracts on hand, including our nine contracts on hand as at the Latest Practicable Date with works commenced/to be commenced in 2017 and an aggregate awarded contract sum amounted to approximately HK\$152.4 million; (ii) we intend to submit quotations for 60 contracts with aggregate contract value of approximately HK\$1,900 million for the year ending 31 December 2017; and (iii) our assessment of historical quotation results during the Track Record Period. As such, our Directors are of the view that these machinery and equipment will increase our technical capability and allow us to bid for projects similar to that we previously failed to secure due to the lack of such equipment and machinery. These machinery and equipment will also help cope with our business expansion, strengthen our reputation and increase our overall capacity and capability in performing foundation works.

BUSINESS OBJECTIVES AND FUTURE PLANS

The total capital expenditure for these machinery and equipment is expected to be approximately HK\$29.4 million, where the planned allocation of the portion of the net proceeds among machinery and equipment is as follows:

| Machinery and equipment investment | Number of units | Amount (HK\$ million) | Percentage of net proceeds |
|---|--------------------|--------------------------|-------------------------------|
| Crawler cranes | 3 | 9.2 | 25.7% |
| Hydraulic crawler drills | 3 | 4.9 | 13.7% |
| Air compressors | 4 | 2.0 | 5.7% |
| Other supporting tools and equipment | N/A | 2.6 | 7.3% |
| Reserve for maintenance for the additional machinery and equipment acquired | N/A | 1.3 | 3.7% |
| Total | <u>10</u> | <u>20.0</u> | <u>56.1%</u> |

According to the Ipsos Report, foundation subcontractors are able to increase their flexibilities in meeting different requirements of different projects and differentiate themselves from other market players if they possess various specialised machineries of their own. Therefore, our Directors are of the view that it is necessary for us to have our own machines in order to cope with the gradual growth of the construction industry. We plan to fund the remaining capital expenditure of approximately HK\$10.7 million through finance leases.

Having considered that (i) if we pursue the acquisition of machinery by debt financing solely as compared to a combination of listing proceeds and finance leases, it is estimated that the interest expenses would increase by approximately HK\$94,000, HK\$451,000 and HK\$333,000 for each of the three years ending 31 December 2017, 2018 and 2019 which will affect our financial performance; (ii) funding the machinery acquisition by a combination of listing proceeds and finance leases can help maintain our Group's gearing ratio at a healthier level, which our Directors believe that it would help us gain confidence from our customers, suppliers and creditors as they may give preference to a company who is less financially vulnerable and at a lower risk of defaulting; and (iii) the combination of equity and debt financing for machinery acquisition can provide us with a portion of listing proceeds to be allocated to strengthen our manpower, support our materials purchase and enhance our working capital, therefore our Group intends to finance the machinery acquisition by a combination of listing proceeds and finance leases.

BUSINESS OBJECTIVES AND FUTURE PLANS

Our Directors believe that the acquisition of additional machinery was well supported by the demand of our foundation and site formation works services. The table below sets out the project demand of our machinery owned and our machinery planned to be purchased with the proceeds from the Public Offer:

| For the year ending 31 December 2017 Number of machinery to be deployed | | | | | | | | | |
|--|--|--|--|----------------------------------|--|--|---------------------------------|--|----------------------|
| Type of machinery to be purchased | Projects on hand which are expected to commence works in 2017 (Note 1) | | | | | | | Estimated need from projects tendered (Note 2) | Overall project need |
| | Residential property development in Kowloon Tong | Residential property development in Sham Shui Po | Residential property development in Sai Ying Pun | School redevelopment in Sai Kung | Residential property development in Tuen Mun | Hotel and commercial building development in Mongkok | Hotel Development in Yau Ma Tei | | |
| Crawler cranes | – | 1 | – | – | 1 | – | – | – | 2 |
| Hydraulic crawler drills | – | – | – | 1 | 1 | – | – | – | 2 |
| Air compressors | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 8 |

Notes:

- For details of our projects on hand which are expected to commence works in 2017, please refer to the paragraph headed “Business – Projects on hand” in this prospectus.
 - The estimated need from projects tender are made based on the Directors’ understanding and best knowledge on the latest quotation invitation and submission status and the negotiation with our existing and potential customers.
- Approximately HK\$9.5 million or 26.6% of the net proceeds will be used for strengthening our manpower by recruiting additional staff and providing training to our staff in the next two years. The following table sets out a breakdown of the human resources investment that we plan to employ by functions:

| Human resources investment | Number of staff to be recruited | Amount (HK\$ million) | Percentage of net proceeds |
|----------------------------|---------------------------------|--------------------------|----------------------------|
| Project management | 2 | 3.1 | 8.6% |
| Machinery operators | 5 | 4.1 | 11.5% |
| Other construction staff | 2 | 1.8 | 5.2% |
| Staff training | N/A <i>(Note)</i> | 0.5 | 1.3% |
| Total | <u>9</u> | <u>9.5</u> | <u>26.6%</u> |

Note: Our Group intends to engage external professional to conduct comprehensive trainings to our staff and therefore no additional staff is expected to be recruited for staff training.

BUSINESS OBJECTIVES AND FUTURE PLANS

- Approximately HK\$4.0 million or 11.2% of the net proceeds will be used for purchase of steel materials. We utilise steel sheet piles, steel H-piles and steel bars for our foundation and site formation works. As such, these steel materials will be purchased for our pile cap construction works of projects in Kowloon Tong and Sham Shui Po. Based on the current project schedule, our Directors expect to purchase and utilise the steel materials during August to October 2017. In view that the steel materials are expected to be consumed within three months from the time of purchase, our Directors consider that the purchase of steel materials does not constitute any speculation in the steel price. For details of our projects on hand, please refer to the section headed “Business” in this prospectus; and
- Approximately HK\$2.1 million or approximately 6.1% of the net proceeds will be used for the general working capital of our Group.

It is expected that the utilisation rate of the additional machinery to be acquired will be over 80% for the six months ending 31 December 2017 based on the projects on hand, the latest quotation invitation and submission status and the negotiation with existing and potential customers. For any shortfall (if any) of our machinery in the future, our Group may obtain additional machinery through leasing from other machinery providers or purchasing additional site formation machinery with our Group’s internal resources and/or bank borrowing.

It is expected that upon the acquisition of the machinery and recruitment of the new staff, our Group will have a better capacity to undertake and manage more foundation and site formation works on our own, which in turn would enable our Group to place less reliance on and save costs of subcontracting and machinery leasing expenses, with the estimated net cost savings (estimated cost reduction from subcontracting fees and machinery leasing expenses based on the prevailing market rental cost less additional depreciation, staff costs of machine operators, repair and maintenance and finance cost to be incurred) amounted to approximately HK\$0.3 million and \$1.7 million for the six months ending 31 December 2017 and the year ending 31 December 2018 respectively, and an improvement of gross margin by approximately 1% by 2018.

Having considered (i) our Group’s existing operation capacity is practically fully utilised; (ii) the expanded machinery fleet can increase our Group’s technical capability and allow our Group to bid for projects similar to those we previously failed to secure due to the lack of such equipment; (iii) the increasing demand for our Group’s foundation and site formation works services as reflected in the increasing number of invitation for quotations during the Track Record Period and up to the Latest Practicable Date; (iv) the forecast industry growth as provided in the Ipsos Report; (v) the expanded capacity can enable our Group to develop new customers and expand our customer base; (vi) the estimated utilisation values of the additional machinery to be acquired are reasonable; and (vii) the estimated net cost savings on machinery leasing and subcontracting expenses contributed by the acquisition of the additional machinery and recruitment of the new staff could enhance our Group’s profitability, our Directors believe that the future demand of our Group’s foundation and site formation works services would justify the expansion plan and the acquisition of the additional machinery.

BUSINESS OBJECTIVES AND FUTURE PLANS

If the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds from the Public Offer will increase or decrease by approximately HK\$4.9 million when compared to the net proceeds receivable by our Company with the Offer Price being determined at the mid-point of the range as stated in this prospectus. Under such circumstances, our Company intends to reduce its allocation of the net proceeds to the above purposes on a pro-rata basis.

To the extent that our net proceeds from the Public Offer are not immediately required for the above purposes, it is the present intention of our Directors that such net proceeds will be deposited into short-term interest-bearing bank accounts with authorised financial institutions in Hong Kong.

IMPLEMENTATION PLANS

We will endeavor to achieve the following milestone events during the period from the Latest Practicable Date to 30 June 2019, and their respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed “Bases and key assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out under the section headed “Risk Factors” to this prospectus. Therefore, there is no assurance that our business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

From 1 July 2017 to 31 December 2017

| Business strategy | Implementation activities | Sources of funding |
|-----------------------------------|---|---|
| Strengthening our machinery fleet | – To acquire a new telescopic boom crawler crane for carrying out piling, ELS and pile caps works in our foundation and site formation projects | Approximately HK\$2.7 million to be funded by the Listing proceeds, and approximately HK\$1.8 million to be funded by finance lease |
| | – To acquire a new hydraulic crawler drill for carrying out drilling and piling works in our foundation and site formation projects | Approximately HK\$1.2 million to be funded by the Listing proceeds, and approximately HK\$0.8 million to be funded by finance lease |

BUSINESS OBJECTIVES AND FUTURE PLANS

| Business strategy | Implementation activities | Sources of funding |
|------------------------|--|---|
| | – To acquire two new air compressors | Approximately HK\$1.0 million to be funded by the Listing proceeds, and approximately HK\$0.7 million to be funded by finance lease |
| | – To acquire other supporting tools and equipment and accessories to enhance our machinery fleet | Approximately HK\$0.7 million to be funded by the Listing proceeds |
| | – To provide maintenance for the acquired machinery | Listing proceeds of approximately HK\$0.2 million |
| | – Evaluate the capacity of our machinery fleet and assess for our need for additional machinery and equipment | |
| Expanding our manpower | – Recruit a project manager and an assistant project manager to strengthen our project management and supervision capabilities | Approximately HK\$0.8 million to be funded by the Listing proceeds |
| | – Recruit two machinery operators to enhance our capacity on project execution | Approximately HK\$0.5 million to be funded by the Listing proceeds |
| | – Recruit a foreman and a site engineer to enhance our capacity on project execution | Approximately HK\$0.4 million to be funded by the Listing proceeds |
| | – Conduct staff training | Approximately HK\$0.1 million to be funded by the Listing proceeds |
| | – Continue to assess the sufficiency of our human resources having regard to our business development | |

BUSINESS OBJECTIVES AND FUTURE PLANS

| Business strategy | Implementation activities | Sources of funding |
|-----------------------------|--|--|
| Purchase of steel materials | – Purchase of steel sheet piles, steel H-piles and steel bars for our pile cap construction works of projects in Kowloon Tong and Sham Shui Po | Approximately HK\$4.0 million to be funded by the Listing proceeds |
| | Total | HK\$11.6 million |

From 1 January 2018 to 30 June 2018

| Business strategy | Implementation activities | Sources of funding |
|-----------------------------------|---|--|
| Strengthening our machinery fleet | – To acquire a new hydraulic crawler crane for carrying out piling, ELS and pile caps works in our foundation and site formation projects | Approximately HK\$3.7 million to be funded by the Listing proceeds, and the remaining of approximately HK\$2.4 million to be funded by finance lease |
| | – To acquire a new hydraulic crawler drill for carrying out drilling and piling works in our foundation and site formation projects | Approximately HK\$1.2 million to be funded by the Listing proceeds, and remaining of approximately HK\$0.8 million to be funded by finance lease |
| | – To acquire two new air compressors | Approximately HK\$1.0 million to be funded by the Listing proceeds, and the remaining of approximately HK\$0.7 million to be funded by finance lease |
| | – To acquire other supporting tools and equipment and accessories to enhance our machinery fleet | Approximately HK\$0.7 million to be funded by the Listing proceeds |

BUSINESS OBJECTIVES AND FUTURE PLANS

| Business strategy | Implementation activities | Sources of funding |
|------------------------|--|---|
| | <ul style="list-style-type: none"> – To provide maintenance for the acquired machinery – Evaluate the capacity of our machinery fleet and assess for our need for additional machinery and equipment | <p>Approximately HK\$0.3 million to be funded by the Listing proceeds</p> |
| Expanding our manpower | <ul style="list-style-type: none"> – Maintain the cost of additional staff recruited – Recruit two additional machinery operations to enhance our capacity on project execution – Conduct staff training – Continue to assess the sufficiency of our human resources having regard to our business development | <p>Approximately HK\$1.7 million to be funded by the Listing proceeds</p> <p>Approximately HK\$0.5 million to be funded by the Listing proceeds</p> <p>Approximately HK\$0.1 million to be funded by the Listing proceeds</p> |
| | Total | HK\$9.2 million |

BUSINESS OBJECTIVES AND FUTURE PLANS

From 1 July 2018 to 31 December 2018

| Business strategy | Implementation activities | Sources of funding |
|-----------------------------------|---|--|
| Strengthening our machinery fleet | – To acquire a new telescopic boom crawler crane for carrying out piling, ELS and pile caps works in our foundation and site formation projects | Approximately HK\$2.7 million to be funded by the Listing proceeds, and the remaining of approximately HK\$1.8 million to be funded by finance lease |
| | – To acquire other supporting tools and equipment and accessories to enhance our machinery fleet | Approximately HK\$0.7 million to be funded by the Listing proceeds |
| | – To provide maintenance for the acquired machinery | Approximately HK\$0.4 million to be funded by the Listing proceeds |
| | – Evaluate the capacity of our machinery fleet and assess for our need for additional machinery and equipment | |
| Expanding our manpower | – Maintain the cost of additional staff recruited | Approximately HK\$2.3 million to be funded by the Listing proceeds |
| | – Recruit an additional machinery operations to enhance our capacity on project execution | Approximately HK\$0.3 million to be funded by the Listing proceeds |
| | – Conduct staff training | Approximately HK\$0.1 million to be funded by the Listing proceeds |
| | – Continue to assess the sufficiency of our human resources having regard to our business development | |
| | Total | HK\$6.5 million |

BUSINESS OBJECTIVES AND FUTURE PLANS

From 1 January 2019 to 30 June 2019

| Business strategy | Implementation activities | Sources of funding |
|-----------------------------------|---|--|
| Strengthening our machinery fleet | – To acquire a new hydraulic crawler drill for carrying out drilling and piling works in our foundation and site formation projects | Approximately HK\$2.5 million to be funded by the Listing proceeds, and the remaining of approximately HK\$1.6 million to be funded by finance lease |
| | – To acquire other supporting tools and equipment and accessories to enhance our machinery fleet | Approximately HK\$0.7 million to be funded by the Listing proceeds |
| | – To provide maintenance for the acquired machinery | Approximately HK\$0.4 million to be funded by the Listing proceeds |
| | – Evaluate the capacity of our machinery fleet and assess for our need for additional machinery and equipment | |
| Expanding our manpower | – Maintain the cost of additional staff recruited | Approximately HK\$2.6 million to be funded by the Listing proceeds |
| | – Conduct staff training | Approximately HK\$0.1 million to be funded by the Listing proceeds |
| | – Continue to assess the sufficiency of our human resources having regard to our business development | |
| | Total | HK\$6.3 million |

BUSINESS OBJECTIVES AND FUTURE PLANS

BASE AND KEY ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and key assumptions:

- There will be no significant economic change in respect of inflation, interest rate, tax rate and currency exchange rate that will adversely affect our business operations;
- We will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objective relate;
- There will be no material change in the existing laws (whether in the PRC or any part of the world), policies, or industry or regulatory treatment relating us, or in the political, economic or market conditions in which we operate;
- There will be no material change in the bases or rates of taxation applications to us;
- There will be no disaster, natural, political or otherwise, which would materially disrupt our business operations or casus substantial loss, damage or destruction to our properties or facilities;
- There will be no significant change in the business relationships with our major customers, subcontractors and suppliers;
- There will be no change in the effectiveness of any license and permits obtained by us; and
- We will not be materially affected by the risk factors as set out under the section headed “Risk Factors” to this prospectus.

BUSINESS OBJECTIVES AND FUTURE PLANS

REASONS FOR THE PUBLIC OFFER

Our Directors believe that the Listing will enhance our profile and recognition, and hence our ability to attract new businesses. Our Directors consider that a listing on GEM signifies a degree of financial strength of our Group which in turn our Directors believe is an important factor to be taken into account by our customers in evaluating our quotation, especially for larger scale projects. Our Directors are of the view that a public listing status will enable our Group to stand out from our competitors since the public disclosure of information of our Group would offer extra confidence to our customers who are otherwise not expected to obtain the similar information from our competitors not publicly listed. In addition, our Board is also of the view that although the estimated net proceeds from the Public Offer only amount to approximately HK\$35.7 million (base on the Offer Price of HK\$0.22 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.20 to HK\$0.24 per Offer Share), the Listing and the Public Offer will provide our Company with additional avenues to raise capital for our future business expansion and long-term development, and expand and diversify our capital base and Shareholders base as institutional funds and retail investors in Hong Kong can easily participate in the equity of our Company. The net proceeds from the Public Offer will strengthen our financial position and provide us with additional working capital to implement the future plans set out in the paragraph headed “Business strategies and future plans” in this section above. In choosing between debt financing and equity financing, our Directors have taken into account that (i) debt financing from banks or financial institutions normally require the pledge of properties or significant assets which our Group lacks; (ii) the increasing speculation that the interest rate in Hong Kong is set to rise and the use of debt financing to fund all of our business expansion and the subsequent renewal of the debt would subject our Group to risk of increasing finance costs; and (iii) debt financing and equity financing are not mutually exclusive, but our Group may have a better position to bargain for more favourable terms from debt financiers with a larger equity base. Therefore, after careful evaluation of the different capital structures, our Directors decided to proceed with the Public Offer.

Our Directors consider that the net proceeds from the Public Offer together with our internal resources will be sufficient to finance the implementation of our business plans as set forth in the paragraph headed “Implementation plans” above. **Investors should be aware that any part of our business plans may not proceed according to the time frame as described above due to various factors. Under such circumstances, our Directors will evaluate carefully the situation and will hold the funds as short-term deposits until the relevant business plan(s) materialise.**

Our Group will issue an announcement in accordance with the requirement under the GEM Listing Rules if there is any material change in the use of proceeds as described above.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

Our Board is responsible and has general powers for the management and conduct of the Group's business. Our Board consists of five Directors, including two executive Directors and three independent non-executive Directors. The following table sets forth certain information of our Directors:

| Name | Age | Present position | Time of joining our Group | Date of appointment as Director | Roles and responsibilities | Relationship with other Director(s) and/or senior management |
|--|-----|--|---------------------------|---------------------------------|---|--|
| <i>Executive Directors</i> | | | | | | |
| Yuen Suk Har (袁淑霞) | 59 | Chairman and executive Director | 18 July 2003 | 4 January 2016 | Overall strategic management and development of our Group's business and operations; serving on the Remuneration Committee and the Nomination Committee | Spouse of Mr. Lau |
| Lau Chung Ho (劉頌豪) | 54 | Chief Executive Officer and executive Director | 18 July 2003 | 4 January 2016 | Overseeing our Group's operations, business development, human resources, finance and administration | Spouse of Ms. Yuen |
| <i>Independent Non-executive Directors</i> | | | | | | |
| Ng Ki Man (吳祺敏) | 31 | Independent Non-executive Director | 7 June 2017 | 7 June 2017 | Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgment and advising on the issues of strategy, performance, resources and standard of conduct of our Group | N/A |
| Iu Tak Meng Teddy (余德鳴) | 54 | Independent Non-executive Director | 7 June 2017 | 7 June 2017 | Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgment and advising on the issues of strategy, performance, resources and standard of conduct of our Group | N/A |
| Chong Kam Fung (莊金峰) | 37 | Independent Non-executive Director | 7 June 2017 | 7 June 2017 | Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgment and advising on the issues of strategy, performance, resources and standard of conduct of our Group | N/A |

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

EXECUTIVE DIRECTORS

Ms. Yuen Suk Har (袁淑霞), aged 59, is the Chairman, an executive Director, a Controlling Shareholder and the co-founder of our Group. She has been a director of Workbase Engineering since July 2003. Ms. Yuen was appointed as a Director on 4 January 2016 and was redesignated as an executive Director on 22 September 2016. Ms. Yuen is responsible for the overall strategic management and development of our Group's business and operations and is the chairlady of the Remuneration Committee and a member of the Nomination Committee.

Ms. Yuen completed secondary school education. Prior to co-founding our Group with Mr. Lau, Ms. Yuen gained over 24 years of experience in clerical and office work while being employed by the Government. From August 1977 to March 1982, she worked as an office assistant and clerical assistant in the Public Works Department of Hong Kong. In April 1982, she was employed as a clerical assistant at the Engineering Development Department and later joined the Civil Engineering Services Department of Hong Kong as clerical assistant in June 1986. From October 1989 to October 1997, she worked as a clerical officer II for the Inland Revenue Department, Customs and Excise Department and Education Department of Hong Kong respectively. From October 1997 to May 2002, she worked as an assistant clerical officer for the Education Department of Hong Kong. Ms. Yuen was awarded a 20 Years' Meritorious Service Certificate from the Government in 1998.

In July 2003, Ms. Yuen co-founded our Group's principal operating subsidiary, Workbase Engineering, with Mr. Lau, taking responsibility for its operation, business development, human resources, finance and administration, and has since accumulated over 13 years of experience in the construction industry.

Ms. Yuen is the spouse of Mr. Lau.

Mr. Lau Chung Ho (劉頌豪), aged 54, is the Chief Executive Officer, an executive Director, a Controlling Shareholder and the co-founder of our Group. Since July 2003, Mr. Lau has been a director of Workbase Engineering. Mr. Lau was appointed as a Director on 4 January 2016 and was redesignated as an executive Director on 22 September 2016. As a dedicated leader since the commencement of our Group's operations and a key member of our executive management team, Mr. Lau is responsible for overseeing our Group's operations, business development, human resources, finance and administration. Mr. Lau has over 33 years of experience in the construction industry, during which he gathered extensive knowledge of the industry and established close relationships with customers, suppliers and subcontractors alike.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lau began his career as a technician apprentice in the Engineering Development Department of the Government in April 1983. He then worked as a works supervisor II in the Engineering Development Department, Civil Engineering Services Department and Drainage Services Department of the Government between July 1985 to November 1989. He worked as a sub-agent of Hon Charm Engineering Limited during December 1989 to June 1991. From June 1991 to August 1992, Mr. Lau worked as sub-agent in Super Bright Engineering Limited, and was appointed as director in KHL Projects Limited in September 1992. Mr. Lau then joined Kenly (HK) Limited as a contracts manager in January 1995 to December 2001, after which he worked as a director in Teamwork Civil Engineering Limited from January 2002 to May 2007.

Mr. Lau obtained a Certificate in Civil Engineering from Haking Wong Technical Institute in July 1985 and a Higher Certificate in Civil Engineering from The Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1988. Mr. Lau was also admitted as an associate member of the Hong Kong Institution of Engineers in November 1990. Mr. Lau completed the Metal Scaffold Erecting and Dismantling for In-Service Supervisor Course held by Construction Industry Training Authority and Safety Supervisor Training Course held by Hong Kong Safety Training Centre in July 2003 and May 2005, respectively.

Mr. Lau was a director of the following companies incorporated in Hong Kong prior to their dissolutions (but not due to members' voluntary winding-up) with details as follows:

| Name of company | Nature of business immediately prior to dissolution | Date of dissolution |
|--|---|---------------------|
| KHL Projects Limited (堅誠營造有限公司)(Note 1) | Ceased business | 12 June 2015 |
| Teamwork Civil Engineering Limited (協誠土木工程有限公司)(Note 2) | Ceased business | 11 May 2007 |

Notes:

1. KHL Projects Limited was deregistered under section 751 of the Companies Ordinance. Under section 751 of the Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has not commenced business or operation, or has not been in operation or carried on business during the three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's asset do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situated in Hong Kong.
2. Teamwork Civil Engineering Limited was deregistered under section 291AA of the Predecessor Companies Ordinance. Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has not commenced business or operation, or has not been in operation or carried on business during the three months immediately before the application; and (c) such company has no outstanding liabilities.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lau confirmed that there was no wrongful act on his part leading to the dissolution of the above companies, and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of these companies.

Mr. Lau is the spouse of Ms. Yuen.

Mr. Lau has been invited to assist the ICAC in its investigation in around 2006. After the Assistance, Mr. Lau was not invited by the ICAC for other interviews or investigations and Mr. Lau was not charged by the ICAC. For details, please refer to the paragraph headed “Business – Internal controls – Mr. Lau’s assistance to the ICAC’s investigation” in this prospectus.

We have engaged our Legal Counsel to provide an opinion on the Case based on the present facts and the information available, to assist the Sponsor to assess the Case and the suitability of Mr. Lau and Ms. Yuen, being the directors of Workbase Engineering at the relevant time, to act as a director of listed companies under Chapter 5 of the GEM Listing Rules, and our Legal Counsel is of the view that:

- (i) there was no reliable or sufficient evidence showing that either Mr. Lau or Ms. Yuen has been involved in any intentional misconduct, fraud or dishonesty under the Case;
- (ii) as Mr. Lau or Ms. Yuen has not participated in the Case nor had the opportunity to cross-examine the witnesses or Defendant, Mr. Lau or Ms. Yuen is not bound by facts found by the trial judge or those affirmed within the Case;
- (iii) under the law, Mr. Lau or Ms. Yuen is innocent as there is no charge or conviction against him. Therefore, it is unfair and wrong to rely on the Case to draw an adverse opinion of Mr. Lau’s or Ms. Yuen’s character or integrity;
- (iv) the documentary evidences provided by Workbase Engineering to himself are contemporaneous records that serve as corroboration evidences for Mr. Lau’s case and he is satisfied that the documentary evidences pointed to the existence of the moonlighting works; and
- (v) the prosecution risk against Mr. Lau and/or Workbase Engineering in relation to the Case is very slim. If there were any prosecution on alleged corruption made against Mr. Lau, Mr. Lau would have a good defence and high chance of acquittal.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Having considered our Legal Counsel's opinion, our Directors are of the view, and the Sponsor concur that the Case has not indented the character, integrity or experience of each of Mr. Lau and Ms. Yuen in determining the suitability of each of Mr. Lau and Ms. Yuen to act as a director of listed companies under Chapter 5 of the GEM Listing Rules as:

- (i) there were genuine Advisory Services provided to Workbase Engineering by the Defendant (not in his capacity as the assistant project manager of the Contractor), and both Mr. Lau and Ms. Yuen regarded the Payments issued by Workbase Engineering to the Defendant as the remuneration for the Advisory Services which were in aggregate a reasonable sum;
- (ii) Mr. Lau did not have any corrupt intent as (i) the Payments were reasonable amount of remuneration for the Advisory Services; and (ii) the Contracts were awarded and the subsequent payment certifications were made in adherence to Contractor's established procedures on subcontractor selection and subsequent payment certification, and the Defendant was not in the position to decide the party to be awarded with the Contracts. As opined by our Legal Counsel, without any corrupt intent, the elements under section 9(2) of the POBO would not be established;
- (iii) Mr. Lau and Ms. Yuen have attended corruption prevention training to enhance the relevant knowledge and awareness on corruption prevention measures and practices after Mr. Lau's assistance to ICAC's investigation. Also, as the executive Directors of the Company, Mr. Lau and Ms. Yuen have approved the adoption and implementation of the enhanced internal control policy on anti-corruption in January 2016; and
- (iv) the Assistance and the Advisory Services took place more than 10 years ago, and since then there has been no alleged incidents in relation to corruption or legal charges brought against the Group, Mr. Lau or Ms. Yuen.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Ki Man (吳祺敏) ("Mr. Ng"), aged 31, was appointed as our independent non-executive Director on 7 June 2017. He is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Ng is responsible for providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of our Group.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Ng obtained a Bachelor of Business Administration (Honours) degree in Information Systems from the City University of Hong Kong in November 2008 and a Postgraduate Certificate in Professional Accounting in July 2009. Mr. Ng was qualified as a Certified Public Accountant in the Hong Kong Institute of Certified Public Accountants and Chartered Accountant in the Institute of Chartered Accountants in England and Wales in January 2012 and March 2012, respectively. Mr. Ng worked as a audit junior in S.H. Leung & Co. between May 2008 to January 2010. He then worked in HLB Hodgson Impey Cheng Limited as accountant I from February 2010 to September 2015 with his last position held as manager. From September 2015 to April 2016, Mr. Ng had been as the financial controller and company secretary of China Ruifeng Renewable Energy Holdings Limited (stock code: 527), a company listed on the Main Board of the Stock Exchange. Mr. Ng has been the company secretary of Hao Tian International Construction Investment Group Limited (stock code: 1341) (formerly known as Clear Lift Holdings Limited), a company listed on the Main Board of the Stock Exchange, from April 2016 to February 2017. Since September 2016, Mr. Ng has been an independent non-executive director of Goal Forward Holdings Limited (stock code: 8240), a company listed on the GEM of the Stock Exchange.

Mr. Iu Tak Meng Teddy (余德鳴) (“**Mr. Iu**”), aged 54, was appointed as our independent non-executive Director on 7 June 2017. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee. Mr. Iu is responsible for providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of our Group.

Mr. Iu obtained a Diploma in Management Studies, a Master of Science in Information Systems and a Master of Science in Accountancy from The Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1990, October 1995 and November 2002, respectively. He received his Master of Science from the University of Hong Kong in December 2015.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Iu was admitted to memberships of the following institutions and bodies:

| Name of institution | Membership grade | Year of approval of present membership grade |
|---|---------------------|---|
| The Royal Institution of Chartered Surveyors | Professional member | 2015 |
| The Geological Society of America | Professional member | 2015 |
| The Society of Economic Geologists | Member | 2013 |
| The Geological Society of London | Fellow | 2013 |
| The Australasian Institute of Mining and Metallurgy | Member | 2013 |
| The Canadian Institute of Mining, Metallurgy and Petroleum | Member | 2012 |

Mr. Iu has also been a fellow of each of the Chartered Institute of Management Accountants, the Hong Kong Society of Accountants (currently the Hong Kong Institute of Certified Public Accountants), and the Hong Kong Institute of Directors since March 1995, June 1997 and October 2012, respectively.

Mr. Iu was a Hong Kong divisional council member of the Chartered Institute of Management Accountants for the year term 1994 to 2003 and 2007 to 2009, and the divisional president thereof for the year term 2001 to 2002. He was also a lay member of the Solicitors Disciplinary Tribunal Panel from July 2003 to July 2009.

Mr. Iu worked as the North Asia Financial Controller of Regional Container Lines (HK) Limited from January 1996 to April 1997. After which he has been an independent and project based consultant since 1997 and in addition to this, he worked as EDP manager for Asia Pacific Operations of Moulinex Far East Limited from April 2001 to January 2002. Besides his full time commitments, Mr. Iu also worked as a visiting lecturer (part-time) at the Department of Accountancy of The Hong Kong Polytechnic University from February 2000 to May 2001, a part-time lecturer at the School of Continuing and Professional Education of the City University of Hong Kong from September 2001 to June 2010 and has been a part-time instructor at the School of Continuing and Professional Studies at The Chinese University of Hong Kong since September 2007. He has also been an independent non-executive director of Gameone Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8282) since December 2015.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Iu was a director of the following company incorporated in Hong Kong prior to its dissolution (but not due to members' voluntary winding-up) with details as follows:

| Name of company | Nature of business immediately prior to dissolution | Date of dissolution |
|--|---|------------------------|
| Power Asset Management Limited (匯駿管理有限公司)(Note) | Ceased business | 24 March 2005 |

Note:

Power Asset Management Limited was struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance. Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies.

Mr. Iu confirmed that (i) Power Asset Management Limited was solvent immediately prior to its dissolution; (ii) there was no wrongful act on his part leading to the above dissolution of Power Asset Management Limited; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of Power Asset Management Limited.

Mr. Chong Kam Fung (莊金峰) (“**Mr. Chong**”), aged 37, was appointed as our independent non-executive Director on 7 June 2017. He is also the a member of each of the Audit Committee, Remuneration Committee and Nomination Committee. Mr. Chong is responsible for providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of our Group.

Mr. Chong obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2006. Mr. Chong has been a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants since April 2008 and October 2012, respectively.

From March 2006 to January 2013, Mr. Chong worked in an international accounting firm in Hong Kong with his last position held as senior manager. He has been the company secretary of Ahsay Backup Software Development Company Limited, a company listed on the GEM of the Stock Exchange (stock code: 8290) since March 2015.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Chong was a director of the following company incorporated in Hong Kong prior to its dissolution (but not due to members' voluntary winding-up) with details as follows:

| Name of company | Nature of business immediately prior to dissolution | Date of dissolution |
|--|---|------------------------|
| Harvestseedsynco Advisory Limited (穗智盛信諮詢有限公司) (Note 1) | Ceased business | 17 April 2015 |

Note:

1. Harvestseedsynco Advisory Limited was deregistered under section 751 of the Companies Ordinance. Under section 751 of the Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has not commenced business or operation, or has not been in operation or carried on business during the three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's asset do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situated in Hong Kong.

As confirmed by Mr. Chong, the company was inactive at the time when it was dissolved and there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

Save as disclosed in this prospectus, each of our Directors (i) had no interest in the Shares within the meaning of part XV of the SFO as at the Latest Practicable Date; (ii) is independent from, and not related to, any Directors, substantial shareholders, Controlling Shareholders, or senior management of our Company; and (iii) did not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date.

Save as disclosed in this prospectus, 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 17.50(2) of the GEM Listing Rules as at the Latest Practicable Date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SENIOR MANAGEMENT

The following table sets forth certain information of the senior management of our Group:

| Name | Age | Present Position | Date of joining our Group | Date of appointment as senior management | Roles and responsibilities |
|--------------------------|-----|---------------------|---------------------------|--|---|
| Yung Kwok Leung (翁國樑) | 54 | Finance Director | 24 June 2015 | 24 June 2015 | Responsible for our financial and accounting management |
| Shum Yam Shun (沈欽順) | 48 | Site Superintendent | 1 September 2014 | 1 August 2015 | Daily monitoring and management of our sites |
| To Kam Ming (陶錦明) | 33 | Project Manager | 1 November 2015 | 1 February 2016 | Overseeing and monitoring our projects and operations |

Mr. Yung Kwok Leung (翁國樑) (“**Mr. Yung**”), aged 54, is the Finance Director of our Group. He obtained a Master of Management from Macquarie University, Sydney Australia in June 2003. Mr. Yung joined our Group in June 2015.

Mr. Yung has over 35 years of experience in accounting and financial industry. From September 1981 to April 1985, Mr. Yung worked as a clerk in Wayfoong Credit Limited, which was a subsidiary of HSBC Group. He later joined ORIX Finance Services Hong Kong Limited in April 1985, and left in September 2002 with his last position held as assistant general manager. Mr. Yung worked for ORIX Asia Limited between October 2002 to July 2003, with his last position held as senior manager. He then joined Fubon Bank (Hong Kong) Limited between July 2003 to September 2008 with his last position held as the first vice president of the SME Division. Mr. Yung has been a director of Navonview Enterprise (HK) Limited since May 2011.

Mr. Shum Yam Shun (沈欽順) (“**Mr. Shum**”), aged 48, is the Site Superintendent of our Group. Mr. Shum joined our Group as a site supervisor in September 2014 and was later promoted to his current position in August 2015. He is primarily responsible for daily monitoring and management of our sites.

Mr. Shum has over 22 years of experience in the construction industry. He worked in Shui Wing Engineering Limited from April 1994 to February 2006 with his last position held as foreman. Mr. Shum then joined Lermond Engineering Limited as head of foreman between January 2006 to August 2014. He was qualified with a Level 5 BTEC Higher National Certificate (Civil Engineering) from Pearson Education Limited in the United Kingdom (the totality of which was considered to meet the standard of a local higher certificate by the Hong Kong Council for Accreditation of Academic & Vocational Qualifications) in December 2013. Mr. Shum completed an Interim Certificate Course for Qualifying Site Supervisors as Technically Competent Persons in June 2001. Mr. Shum also obtained Certificates 1 and 2 for Qualifying Site Supervisors as Technically Competent Persons in May 2002 and May 2004, respectively.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. To Kam Ming (陶錦明) (“**Mr. To**”), aged 33, is the Project Manager of our Group. He joined our Group as an assistant project manager in November 2015 and was later promoted to his current position in February 2016. Mr. To obtained a Diploma in Civil Engineering from the Hong Kong Institute of Vocational Education in July 2003 and a Higher Diploma in Building Technology and Management (Engineering) from The Hong Kong Polytechnic University in December 2005. He also obtained a Bachelor of Engineering (Honours) in Building Engineering (Structural and Geotechnical Engineering) from the City University of Hong Kong in February 2010.

Mr. To has over 10 years of experience in the construction industry. He commenced his career working as a building safety assistant in the Buildings Department in June 2006. Mr. To joined the Drainage Services Department of Hong Kong as a works supervisory assistant with his last position held as work supervisor II (Civil) between July 2007 and November 2010. From November 2010 to July 2011, he worked as a structural engineer in Midi Aluminum Fabricator Limited. From July 2011 to November 2011, he worked as a site engineer in Chiu Hing Construction & Transportation Company Limited. Mr. To worked in Tysan Foundation Limited as an engineer between January 2012 to October 2015 with his last position held as project engineer.

COMPANY SECRETARY

Ms. Yim Sau Ping (嚴秀屏) (“**Ms. Yim**”), aged 34, graduated from The Hong Kong Polytechnic University with a Bachelor in Accountancy in December 2007 and has been a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since January 2010. She has accumulated more than 8 years of experience in accounting, auditing and financial management in international audit firm, financial institution and listed companies. Ms. Yim was appointed as the company secretary of our Company on 22 September 2016.

Prior to joining our Group, Ms. Yim worked for Ngai Shun Holdings Limited (stock code: 1246), a company listed on the Main Board of the Stock Exchange, as a company secretary from October 2014 to May 2015, and as financial controller from October 2014 to August 2015. She also worked for Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (stock code: 8326), a company listed on the GEM as a company secretary from November 2013 to December 2013, and as an accounting manager from April 2012 to December 2013. She has been a director of Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services, since October 2015. Since June 2016, Ms. Yim has been the company secretary and financial controller of Goal Forward Holdings Limited (stock code: 8240), a company listed on the GEM of the Stock Exchange.

COMPLIANCE OFFICER

Mr. Lau is the compliance officer of our Company. For details of his biographical details, please refer to the paragraph headed “Executive Directors” of this section.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPLIANCE ADVISER

Our Company has appointed Frontpage Capital as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules and Frontpage Capital assumes responsibility for acting as our Company's compliance adviser. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise our Company in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction under the GEM Listing Rules, is contemplated including share issues and share repurchases;
- (3) where our Company proposes to use the proceeds of Public Offer in a manner different from that detailed in this prospectus or where the business activities, development or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The term of appointment shall commence on the Listing Date and end on the date on which our Company distributes the annual report of its financial results for the second full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

Except for (i) Frontpage Capital's role as the sponsor in relation to the Listing; (ii) the compliance adviser agreement entered into between our Company and Frontpage Capital; and (iii) the Public Offer Underwriting Agreement, Frontpage Capital does not have any other contractual arrangement with our Group as at the Latest Practicable Date.

AUDIT COMMITTEE

Our Group has established the Audit Committee on 7 June 2017 with written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control system of our Group. The Audit Committee comprises three members, namely Mr. Ng Ki Man, Mr. Iu Tak Meng Teddy and Mr. Chong Kam Fung of whom Mr. Ng Ki Man is the chairman of the Audit Committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

REMUNERATION COMMITTEE

Our Company has established the Remuneration Committee on 7 June 2017 with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code. The Remuneration Committee comprises four members, namely Mr. Iu Tak Meng Teddy, Mr. Ng Ki Man, Mr. Chong Kam Fung and Ms. Yuen. Mr. Iu Tak Meng Teddy is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are, amongst other things, to make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and on our Group's policy and structure for all remuneration of Directors and senior management.

NOMINATION COMMITTEE

Our Company has established the Nomination Committee on 7 June 2017 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The Nomination Committee comprises of four members, namely Ms. Yuen, Mr. Ng Ki Man, Mr. Iu Tak Meng Teddy and Mr. Chong Kam Fung. Ms. Yuen is the chairlady of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for the Directors.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Company will comply with the Corporate Governance Code and the associated GEM Listing Rules. In order to comply with the requirements under the GEM Listing Rules, in particular, the code provisions contained in the Code, we have adopted the following measures as at the Latest Practicable Date:

- (i) we have established the Audit Committee, Remuneration Committee and Nomination Committee on 7 June 2017 with respective written terms of reference in accordance with the code provisions contained in the Code. Further information is set out in the paragraphs headed "Audit Committee", "Remuneration Committee" and "Nomination Committee" in this section;
- (ii) our Board has adopted the terms of reference with regard to corporate governance and a shareholder's communication policy in accordance with the code provision of the Code;
- (iii) we will arrange appropriate insurance cover on our Directors' liabilities in respect of legal actions against our Directors arising out of corporate activities before Listing;
- (iv) we have appointed three independent non-executive Directors representing more than one-third of the Board and at least one of them has accounting expertise;

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- (v) the chairman of our Board is Ms. Yuen whereas the chief executive officer of our Company is Mr. Lau. The roles of the chairman and the chief executive officer will be separate and distinct;
- (vi) our Directors will operate in accordance with the Articles which require the interested Director not to vote or be vaunted in the quorum on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested;
- (vii) our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our cost;
- (viii) our Company has adopted a comprehensive compliance manual covering legal and regulatory compliance with reference of the Code;
- (ix) our Company will consider engaging an independent internal control consultant to perform regular review on corporate governance to ensure on-going compliance after Listing; and
- (x) our Directors will attend professional development seminar including but not limit to the corporate governance to ensure on-going compliance after Listing.

Our Company is expected to comply with the Code which sets out the principles of good corporate governance in relation to, among others, our Directors, chairman and chief executive of officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communication with our Shareholders. Our Board will review our Company's policies and practices on corporate governance from time to time. Our Company will state in our interim and annual reports whether we have complied with the Code, and will provide details of, and reason for, any deviations from it in the corporate governance report which will be included in our annual reports.

DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to the Directors for each of the three years ended 31 December 2014, 2015 and 2016 was approximately HK\$741,000, HK\$912,000 and HK\$1.3 million, respectively.

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to the above senior management of our Group for each of the three years ended 31 December 2014, 2015 and 2016 was approximately HK\$214,000, HK\$1.2 million and HK\$2.2 million, respectively.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The aggregate amount of contributions to retirement benefits scheme paid by our Group to our Directors for each of the three years ended 31 December 2014, 2015 and 2016 was approximately HK\$17,000, HK\$18,000 and HK\$24,000, respectively.

Our Company's policy concerning the remuneration of the Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload, performance and the time devoted to our Group. Further details of the remuneration of the Directors are set out in the paragraph headed "Further information about substantial Shareholders, Directors and experts – 3. Remuneration of Directors" in Appendix IV to this prospectus.

The emoluments paid to our Group's five highest paid individuals (including our Directors) in aggregate for each of the three years ended 31 December 2014, 2015 and 2016 was approximately HK\$2.0 million, HK\$3.0 million and HK\$4.4 million, respectively. During the Track Record Period, no emolument was paid by our Group to any of our Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived any emoluments during the Track Record Period.

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to note 8 in the Accountant's Report set out in Appendix I to this prospectus.

MANDATORY PROVIDENT FUND SCHEME

Our Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and our Directors confirm that our Group has made the relevant contributions in accordance with the aforesaid laws and regulations. Save as the aforesaid, our Group did not participate in any other pension schemes during the Track Record Period.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of the existing Shareholder of our Company passed on 7 June 2017. The purpose of the Share Option Scheme is to enable our Company to grant options to select participants as incentives or rewards for their contribution to it. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group. This will be in accordance with Chapter 23 of the GEM Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed "D. Share option scheme" in Appendix IV to this prospectus.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The share capital of our Company immediately following completion of the Public Offer is set out in the table below. The table is prepared on the basis of the Public Offer becoming unconditional and the issue of Offer Shares pursuant thereto is made as described herein. It takes no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as referred to below or otherwise.

Authorised share capital *HK\$*

| | | |
|----------------------|-------------------------|-------------------|
| <u>3,000,000,000</u> | Shares of HK\$0.01 each | <u>30,000,000</u> |
|----------------------|-------------------------|-------------------|

Issued and to be issued, fully paid or credited as fully paid upon completion of the Public Offer:

| | | |
|--------------------|--|------------------|
| 10,000 | Shares in issue as at the date of this prospectus | 100 |
| 749,990,000 | Shares to be issued pursuant to the Capitalisation Issue | 7,499,900 |
| <u>250,000,000</u> | Offer Shares to be issued pursuant to the Public Offer | <u>2,500,000</u> |

Total:

| | | |
|---------------|-----------------|-------------------|
| 1,000,000,000 | Shares in total | <u>10,000,000</u> |
|---------------|-----------------|-------------------|

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 250,000,000 Offer Shares represent 25% of the issued share capital of our Company upon Listing.

RANKING

The Offer Shares will rank *pari passu* in all respects with all other existing Shares in issue as mentioned in this prospectus, and in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus save for entitlements under the Capitalisation Issue.

SHARE CAPITAL

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 7 June 2017. Under the Share Option Scheme, the eligible participants of the scheme, including directors, full-time employees of and advisers and consultants to the Company or its subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date. Further details of the rules of the Share Option Scheme are set out in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Public Offer becoming unconditional, the Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Public Offer (not including Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to 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 whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by 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 the Shareholders at a general meeting.

For further details of this general mandate, please refer to the sub-paragraph headed “Written resolutions of the existing Shareholder passed on 7 June 2017” under the paragraph “A. Further information about our Company” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Public Offer becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue following the completion of the Public Offer (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on GEM, 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, and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “Further information about our Company – Repurchase of Shares by our Company” in Appendix IV to this prospectus.

The general mandates to issue and repurchase Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable law of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting,

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Company – 6. Repurchase of shares by our Company” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the 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, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, immediately following completion of the Capitalisation Issue and the Public Offer (without taking into account any Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), the following persons will have an interest or a short position 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 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 our Company or any of its subsidiaries:

| Name of Shareholder | Capacity/nature | Number of Shares held/ interested as at 26 April 2017 (Note 2) | Percentage of shareholding as at 26 April 2017 (Note 2) | Number of Shares held/ interested immediately following completion of the Public Offer | Percentage of shareholding immediately following completion of the Public Offer |
|----------------------------|------------------------------------|---|--|--|---|
| Brightly Ahead (Note 1) | Beneficial owner | 1 | 100% | 750,000,000 | 75% |
| Mr. Lau (Note 1) | Interest of controlled corporation | 1 | 100% | 750,000,000 | 75% |
| Ms. Yuen (Note 1) | Interest of controlled corporation | 1 | 100% | 750,000,000 | 75% |
| | Interest of spouse | 1 | 100% | 750,000,000 | 75% |

Notes:

1. Mr. Lau and Ms. Yuen beneficially own 99.9% and 0.1% of the issued share capital of Brightly Ahead respectively. Therefore, Mr. Lau is deemed, or taken to be, interested in all the Shares held by Brightly Ahead for the purpose of the SFO. Mr. Lau is the sole director of Brightly Ahead. Ms. Yuen is the spouse of Mr. Lau. Therefore, Ms. Yuen is deemed, or taken to be, interested in all the Shares held by Brightly Ahead for the purpose of the SFO.
2. The date of filing of application proof of this prospectus and prior to completion of the Reorganisation.

All interests stated are long positions.

Save as disclosed herein, the Directors are not aware of any person (who are not Directors or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and Public Offer (without taking into account any Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our combined financial information included in the Accountants' Report, which has been prepared in accordance with HKFRSs, the text of which is set out in Appendix I to this prospectus, and the unaudited pro forma combined financial information set out in Appendix II to this prospectus, in each case together with the accompanying notes. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those risks set forth under the section headed "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are a substructure subcontractor capable of foundation and site formation works and other geotechnical engineering works in Hong Kong. We provide a wide range of foundation and site formation works, including various piling works, ELS works, footing works and site formation. We also provide other geotechnical engineering works, such as slope works, to both public and private sectors. Please refer to the section headed "Business – Description of our works" to this prospectus for an overview on our business.

The following table summarises our revenue by nature of works services during the Track Record Period:

| | 2014 | | For the year ended 31 December | | | |
|--------------------------------------|---------------|--------------|--------------------------------|--------------|------------------|--------------|
| | HK\$'000 | % | 2015 HK\$'000 | % | 2016 HK\$'000 | % |
| Revenue | | | | | | |
| Foundation and site formation works | 50,834 | 94.5 | 74,474 | 98.9 | 131,482 | 99.7 |
| Other geotechnical engineering works | 2,951 | 5.5 | 846 | 1.1 | 331 | 0.3 |
| Total | 53,785 | 100.0 | 75,320 | 100.0 | 131,813 | 100.0 |

We have experienced growth in our revenue over the Track Record Period. Our revenue increased from approximately HK\$53.8 million for the year ended 31 December 2014 to approximately HK\$75.3 million for the year ended 31 December 2015, and further increased to approximately HK\$131.8 million for the year ended 31 December 2016. Our net profit increased from approximately HK\$7.9 million for the year ended 31 December 2014 to HK\$11.5 million for the year ended 31 December 2015, and decreased to approximately HK\$7.5 million for the year ended 31 December 2016. If the effect of the listing expenses, of which approximately HK\$2.2 million and HK\$4.7 million respectively charged to profit or loss for each of the two years ended 31 December 2015 and 2016 were not taken into account and for illustrative purpose only, our net profit for the year ended 31 December 2016 would have decreased by 10.9% as compared to the year ended 31 December 2015. The drop in our net profit was mainly attributable to a drop in our gross profit margin and an increase in our administrative and other operating expenses during the year.

FINANCIAL INFORMATION

BASIS OF PRESENTATION OF OUR FINANCIAL INFORMATION

Our financial statements have been prepared in accordance with the HKFRSs and applicable disclosures requirements of the GEM Listing Rules. Throughout the Track Record Period, the entities which comprise our Group were under the control of Mr. Lau and Ms. Yuen. Pursuant to the Reorganisation, which is explained in detail under the section headed “History, Development and Reorganisation – Reorganisation” in this prospectus, our Company became the holding company of the companies now comprising our Group. Accordingly, for the purpose of the preparation of the financial statements of our Group, our Company has been considered as the holding company of the companies now comprising our Group throughout the Track Record Period. Accordingly, our financial statements have been prepared in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. We prepared our combined financial statements under the historical cost convention basis, except for certain financial instruments that are measured at their fair value, revenue recognition from contracts with customers and leases, as explained in the accounting policies set forth below. Our financial statements are presented in Hong Kong dollar, which is our functional and presentation currency.

For details of the basis of presentation, please refer to notes “1. General information and basis of presentation of the financial information” and “2. Summary of significant accounting policies” of Section II of the Accountants’ Report set out in Appendix I to this prospectus.

SIGNIFICANT FACTORS AFFECTING OUR OPERATING RESULTS AND FINANCIAL CONDITION OF OUR GROUP

Our business, financial position and results of operations have been, or are expected to be significantly affected by a number of factors, including but not limited to those set forth in the section headed “Risk Factors” in this prospectus and those set forth below.

Market demand for construction activities

We derive our revenue mainly from foundation and site formation works, whose demand relates to the number of property development and infrastructure projects, which may vary according to a combination of factors including the amount of Government spending, investment prospects of Hong Kong, the demand of housing and infrastructure, supply of land, population growth, etc. Our revenue was affected by the number and size of foundation piling projects we undertook during the Track Record Period. The construction industry in Hong Kong has been benefited from the Government’s efforts to supply land for residential buildings and the ongoing Ten Major Infrastructure Projects.

The increase or decrease in the demand for construction activities would therefore affect the demand of our services. There is no assurance that the number of construction projects in Hong Kong will not decrease in the future. In the event that the market demand of our foundation and site formation works decrease as a result of the reduction in the number of construction projects in Hong Kong, our business, financial condition and results of operations may be adversely affected.

FINANCIAL INFORMATION

Cost control and management

Our cost of sales mainly includes (i) construction materials costs; (ii) staff costs; and (iii) subcontracting charges. For each of the three years ended 31 December 2014, 2015 and 2016, the aggregate of construction materials costs, staff costs and subcontracting charges represented approximately 85.8%, 77.4% and 84.5% of our total cost of sales, respectively. Although we determine our project prices based on a cost-plus method with reference to the time and costs estimated to be involved in a project, the actual time and costs involved in completing our foundation and related projects may be adversely affected by a number of uncontrollable or unforeseen factors, including shortage and cost escalation in materials and labour, adverse weather conditions and changes in rules, regulations and policies set out by the Government. Therefore the failure to control and manage the cost and time 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.

Collectability and timing of collection of our trade receivables and retention receivables

We normally receive progress payments from our customers on a regular basis with reference to the value of works done, and a portion of such payment, which is in general up to 10% of each interim payment, and up to a maximum limit of 5% of the contract sum, is usually withheld by our customers as retention money and normally, partial of which will be remitted to us after completion of our works and the remaining of which will be remitted to us upon the agreement of the final account between our customers and us according to the contract terms. Accordingly, we may be subject to considerable credit risk and there can be no assurance that the retention money or any future retention money will be remitted by our customers to us on a timely basis and in full. As at 31 December 2016, our trade receivables amounted to approximately HK\$15.2 million and our retention receivables amounted to approximately HK\$8.8 million. Any late payment, whether arising from payment practice of our customers or delay in completion of our projects, may adversely affect our future liquidity position.

SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

Our combined financial statements are prepared in accordance with the significant accounting policies set out in the Accountants' Report included in Appendix I to this prospectus, which are important for understanding our financial condition and results of operations. Our Group has identified certain accounting policies that are significant to the preparation of the combined financial statements in accordance with HKFRSs. These accounting policies are important for an understanding of our financial position and results of operations, and are set forth in Note 2 of Section II of the Accountants' Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

In addition, some of our accounting policies involve subjective assumptions, estimates and judgements that are discussed in Note 2 of Section II of the Accountants' Report in Appendix I to this prospectus. In application of our accounting policies, our management team is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Our estimates and underlying assumptions are reviewed by our management team on an ongoing basis.

We believe the following critical accounting policies and accounting estimates involve the most significant or subjective judgements and estimates used in the preparation of the financial information.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of services in the ordinary course of our Group's activities. Revenue is shown after eliminating sales within our Group.

Our revenue from foundation and site formation works and other geotechnical engineering works contracts is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the contract costs of the contracting works can be measured reliably. The stage of completion of a contract is established with reference to the proportion that the work performed to date to the estimated total contract revenue. For the projects which we submit regular payment applications to our customers, we recognise the revenue to the extent which our works are approved or certified by our customers with reference to the activities performed in the previous month/period which were inspected by our customers from time to time.

The detailed discussion in relation to the percentage of completion of construction works is set out in Note 4(c) of Section II in the Accountants' Report in Appendix I to this prospectus.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for the variation orders, claims and incentive payments. Contract cost of sales comprises direct material and supplies, subcontracting charges and staff costs.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

FINANCIAL INFORMATION

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

Our Group adopts the “percentage-of-completion method” to determine the appropriate amount of revenue to recognise in a given period as discussed above.

On the combined statements of financial position, our Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case. Progress billings not yet paid by our customers and retention receivables are included in current assets as our Group expects to realise these within its normal operating cycle.

Please refer to the paragraph headed “Construction contracts” in Note 2(i) of Section II of the Accountants’ Report as set out in the Appendix I to this prospectus.

Gross amounts due from customers for contract work

Pursuant to paragraph 27 of HKAS 11 “Construction Contracts”, a contractor may have incurred contract costs that relate to future activity on the contract. Such contract costs are recognised as an asset provided it is probable that they will be recovered. Such costs represent an amount due from the customer and are often classified as contract work in progress.

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, if any) exceed progress billings. During the Track Record Period, our gross amounts due from customers for contract works was arisen from costs incurred plus recognised profits exceeded progress billings. The following paragraphs explain how our Group’s gross amounts due from customers for contract works arise in practice.

As mentioned under the paragraph headed “Significant accounting policies, judgements 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 our 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 attributable revenue, expenses and profit for the proportion of work completed. In other words, in a given period, all contract revenue earned, expenses incurred and resulting profit shall be attributable to the proportion of works completed in that period.

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Given the aforesaid principle the gross amounts due from customers for contract works equals costs incurred plus recognised profits less progress billings, which, alternatively in practice, means when progress billings had not yet taken place up to the 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. During the Track Record Period, progress certifications in respect of construction works performed during a financial year might not have necessarily taken place by the end of that financial year. This was because there might be works that we had completed but not yet certified by customers, as we might apply for customers' progress certifications periodically and the dates of such progress certifications happened to have not fallen on our financial year end dates.

Allowance for trade and other receivables

Our Group makes impairment loss for doubtful debts based on an assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the creditworthiness and the past collection history of each customer. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expenses in the period in which such estimate has been changed. During the Track Record Period, our Group had not made any such allowance for doubtful debt.

Other significant accounting policies, estimates and judgements

Please refer to Notes 2 of Section II of the Accountants' Report in Appendix I to this prospectus for other significant accounting policies and estimates applied in preparation of our combined financial statements.

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RESULTS OF OPERATIONS

Combined statements of profit or loss and other comprehensive income

The following combined statements of profit or loss and other comprehensive income during the Track Record Period are derived from, and should be read in conjunction with our combined financial information, including the notes thereto, included in the Accountants' Report of the Group set forth in Appendix I to this prospectus.

| | For the year ended 31 December | | |
|--|--------------------------------|-----------------|------------------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue | 53,785 | 75,320 | 131,813 |
| Cost of sales | <u>(41,189)</u> | <u>(54,322)</u> | <u>(107,216)</u> |
| Gross profit | 12,596 | 20,998 | 24,597 |
| Other income and other gain and loss | 619 | 319 | 921 |
| Administrative and other operating expenses | <u>(3,380)</u> | <u>(6,736)</u> | <u>(14,933)</u> |
| Operating profit | 9,835 | 14,581 | 10,585 |
| Finance costs | <u>(445)</u> | <u>(418)</u> | <u>(470)</u> |
| Profit before income tax | 9,390 | 14,163 | 10,115 |
| Income tax expense | <u>(1,533)</u> | <u>(2,707)</u> | <u>(2,568)</u> |
| Profit and total comprehensive income for the year attributable to owners of the Company | <u>7,857</u> | <u>11,456</u> | <u>7,547</u> |
| | HK cents | HK cents | HK cents |
| Earnings per share: | | | |
| Basic and diluted | <u>1.05</u> | <u>1.53</u> | <u>1.00</u> |

FINANCIAL INFORMATION

KEY COMPONENTS IN OUR COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our revenue was predominantly derived from our provision of foundation and site formation works, which contributed more than 90% of our total revenue.

Revenue by nature of works services

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

| | For the year ended 31 December | | | | | |
|--------------------------------------|--------------------------------|--------------|---------------|--------------|----------------|--------------|
| | 2014 | | 2015 | | 2016 | |
| | HK\$'000 | % | HK\$'000 | % | HK\$'000 | % |
| Revenue | | | | | | |
| Foundation and site formation works | 50,834 | 94.5 | 74,474 | 98.9 | 131,482 | 99.7 |
| Other geotechnical engineering works | <u>2,951</u> | <u>5.5</u> | <u>846</u> | <u>1.1</u> | <u>331</u> | <u>0.3</u> |
| Total | <u>53,785</u> | <u>100.0</u> | <u>75,320</u> | <u>100.0</u> | <u>131,813</u> | <u>100.0</u> |

(i) Foundation and site formation works

Our foundation and site formation works mainly include lateral supports for excavation, ground investigation, foundation piling, demolition, excavation and stabilisation works for site formation. For each of the three years ended 31 December 2014, 2015 and 2016, our revenue derived from our foundation and site formation works amounted to approximately HK\$50.8 million, HK\$74.5 million and HK\$131.5 million, respectively, accounting for approximately 94.5%, 98.9% and 99.7% of our total revenue for the respective years.

(ii) Other geotechnical engineering works

Our other geotechnical engineering works consisted of (i) slope works, which mainly include the upgrading of old man-made slopes through various engineering works, such as design and installation of soil nails; and (ii) other minor works related to site management and provision of grouting service. For each of the three years ended 31 December 2014, 2015 and 2016, our revenue derived from our other geotechnical engineering works amounted to approximately HK\$3.0 million, HK\$846,000 and HK\$331,000 respectively, accounting for approximately 5.5%, 1.1% and 0.3% of our total revenue for the respective years.

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Revenue by projects

During the Track Record Period, we recognised revenue from 26 projects in total, of which 19 projects were completed and 7 were still ongoing as at 31 December 2016. The following table sets out the list of projects carried out by us as at 31 December 2016:

| No. | Description of projects | Segment | Revenue recognised before the Track Record Period HK\$'000 | Revenue recognised for the year ended 31 December | | | Accumulated revenue recognised during Track Record Period HK\$'000 | Percentage of completion as at 31 December 2016 % |
|---------------|--|--------------------------------------|---|---|------------------|------------------|---|--|
| | | | | 2014 HK\$'000 | 2015 HK\$'000 | 2016 HK\$'000 | | |
| 1 | Residential property development in Happy Valley | Foundation and site formation works | – | – | 9,669 | 33,554 | 43,223 | 90.0 |
| 2 | Stage two of Cape Road Project in Chung Hom Kok | Foundation and site formation works | – | – | 12,044 | 26,924 | 38,968 | 100.0 |
| 3 | Residential property redevelopment in Repulse Bay | Foundation and site formation works | – | – | 11,682 | 23,299 | 34,981 | 87.7 |
| 4 | Residential property development in Tuen Mun | Foundation and site formation works | – | – | 9,866 | 24,530 | 34,396 | 96.9 |
| 5 | Residential property redevelopment in Yau Ma Tei | Foundation and site formation works | – | 23,498 | 2,319 | – | 25,817 | 100.0 |
| 6 | Hotel building development in Sham Shui Po | Foundation and site formation works | 276 | 12,560 | 7,351 | – | 19,912 | 100.0 |
| 7 | Residential property redevelopment in Sham Shui Po | Foundation and site formation works | – | – | 13,884 | – | 13,883 | 100.0 |
| 8 | Stage one of Cape Road Project in Chung Hom Kok | Foundation and site formation works | 5,828 | 10,313 | 569 | – | 10,882 | 100.0 |
| 9 | Hotel building redevelopment in North Point | Foundation and site formation works | – | – | – | 8,970 | 8,970 | 75.5 |
| 10 | Residential property redevelopment in Jordan | Foundation and site formation works | – | – | 6,543 | – | 6,543 | 100.0 |
| 11 | Residential property development in Discovery Bay | Site formation works | – | – | – | 6,033 | 6,033 | 45.0 |
| 12 | Residential property development in Kowloon Tong | Foundation and site formation works | – | – | – | 4,332 | 4,332 | 35.0 |
| 13 | Composite development project in Tuen Mun | Foundation and site formation works | – | – | – | 3,550 | 3,550 | 100.0 |
| 14 | Commercial building slope works in Mid-Levels | Other geotechnical engineering works | – | 2,115 | 356 | – | 2,471 | 100.0 |
| 15 | Residential property development in Tuen Mun | Foundation and site formation works | 9,789 | 2,394 | – | – | 2,394 | 100.0 |
| 16 | Infrastructure development in Kai Tak Area | Foundation and site formation works | – | 1,244 | – | – | 1,244 | 100.0 |
| 17 | Residential property development in Discovery Bay | Foundation and site formation works | – | 545 | 350 | – | 895 | 100.0 |
| 18 | Hillside catchments in Ap Lei Chau | Other geotechnical engineering works | 13,339 | 836 | – | – | 836 | 100.0 |
| 19 | Landslip prevention and mitigation works in Sai Kung | Other geotechnical engineering works | – | – | 337 | – | 337 | 100.0 |
| 20 | Construction of tunnel sleeves in Nam Cheong | Other geotechnical engineering works | – | – | – | 331 | 331 | 10.8 |
| 21 | Residential property development in Kowloon Tong | Foundation and site formation works | – | – | – | 290 | 290 | 100.0 |
| 22 | Boundary control point in Liantang | Foundation and site formation works | – | 227 | – | – | 227 | 100.0 |
| 23 | Composite development project in Tuen Mun | Foundation and site formation works | – | – | 197 | – | 197 | 100.0 |
| 24 | Commercial building redevelopment in Yau Ma Tei | Other geotechnical engineering works | – | – | 138 | – | 138 | 100.0 |
| 25 | Residential redevelopment in Tuen Mun | Foundation and site formation works | 1,536 | 53 | – | – | 53 | 100.0 |
| 26 | Grouting works in North Point | Other geotechnical engineering works | – | – | 15 | – | 15 | 100.0 |
| Total: | | | 30,768 | 53,785 | 75,320 | 131,813 | 260,918 | |

FINANCIAL INFORMATION

Set out below is an analysis of our projects based on their respective revenues recognised during the Track Record Period:

| | For the year ended 31 December | | | | | | | | |
|---------------------------------|--------------------------------|--------------|--------------------------|--------------------------|--------------|--------------------------|--------------------------|--------------|--------------------------|
| | 2014 | | | 2015 | | | 2016 | | |
| | Projects brought forward | New projects | Total number of projects | Projects brought forward | New projects | Total number of projects | Projects brought forward | New projects | Total number of projects |
| Revenue recognised | | | | | | | | | |
| HK\$10 million or above | 2 | 1 | 3 | – | 3 | 3 | 4 | – | 4 |
| HK\$5 million to HK\$10 million | – | – | – | 1 | 3 | 4 | – | 2 | 2 |
| HK\$1 million to HK\$5 million | 1 | 2 | 3 | 1 | – | 1 | – | 2 | 2 |
| Below HK\$1 million | 2 | 2 | 4 | 3 | 4 | 7 | – | 2 | 2 |
| Total | 5 | 5 | 10 | 5 | 10 | 15 | 4 | 6 | 10 |

Cost of sales

The following table sets forth the components of our cost of sales, by amount and as a percentage of cost of sales, for the periods indicated:

| | For the year ended 31 December | | | | | |
|---|--------------------------------|--------------|---------------|--------------|----------------|--------------|
| | 2014 | | 2015 | | 2016 | |
| | HK\$'000 | % | HK\$'000 | % | HK\$'000 | % |
| Cost of sales | | | | | | |
| Costs of construction materials | 3,354 | 8.1 | 5,770 | 10.6 | 19,384 | 18.1 |
| Staff costs | 3,185 | 7.7 | 9,763 | 18.0 | 28,201 | 26.3 |
| Subcontracting charges | 28,819 | 70.0 | 26,509 | 48.8 | 43,057 | 40.2 |
| Depreciation charges | 1,567 | 3.8 | 3,511 | 6.5 | 3,226 | 3.0 |
| Machinery and equipment leasing expense | 740 | 1.8 | 2,342 | 4.3 | 6,159 | 5.7 |
| Repair and maintenance | 170 | 0.4 | 648 | 1.2 | 778 | 0.7 |
| Others | 3,354 | 8.2 | 5,779 | 10.6 | 6,411 | 6.0 |
| Total | 41,189 | 100.0 | 54,322 | 100.0 | 107,216 | 100.0 |

Costs of construction materials

Costs of construction materials mainly represent direct costs for the purchase of construction materials, such as concrete, machinery spare parts and loose tools, steel reinforcement and H-piles, that are directly attributed to our construction works. Costs of construction materials amounted to approximately HK\$3.4 million, HK\$5.8 million and HK\$19.4 million, representing 8.1%, 10.6% and 18.1% of our total cost of sales for each of the three years ended 31 December 2014, 2015 and 2016, respectively. Such increase was mainly due to (i) the increase in the number of sizeable projects undertaken; and (ii) the increase in carrying out our project works by our own resources rather than through subcontractors who are usually responsible for purchasing the construction materials in respect of the works subcontracted, as we attempt to reduce our reliance on subcontractors and have a better control over our projects.

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Staff costs

Staff costs represent the labour cost directly incurred for the provision of our works. Staff costs amounted to approximately HK\$3.2 million, HK\$9.8 million and HK\$28.2 million, representing approximately 7.7%, 18.0% and 26.3% of our cost of sales for each of the three years ended 31 December 2014, 2015 and 2016, respectively. To cope with expanding workload posed by the residential property development project in Happy Valley and stage 2 of the Cape Road Project, we have deployed more labour resources to carry out the construction works in these sites throughout the Track Record Period. We had also increased the use of our own labour resources (including regular and project-based workers directly employed by us) in carrying out our works during the Track Record Period for better control over the projects undertaken by us.

Subcontracting charges

Subcontracting charges represent fees paid to our subcontractors, who mainly perform grouting, drilling and geotechnical works for us. Subcontracting charges amounted to approximately HK\$28.8 million, HK\$26.5 million and HK\$43.1 million, representing approximately 70.0%, 48.8% and 40.2% of our total cost of sales for each of the three years ended 31 December 2014, 2015 and 2016, respectively. Our increasing subcontracting charges for the year ended 31 December 2016 was primarily due to the increase in value of works subcontracted which was in line with the increase in number of contracts undertaken by us and revenue recognised during the year. The decreasing percentage as to our total cost of sales was mainly because we attempt to reduce our reliance on subcontractors for better control over the projects undertaken by us.

Depreciation charges

Depreciation charges mainly represent the depreciation of equipment, machinery and motor vehicles for carrying out the construction works. Depreciation charges amounted to approximately HK\$1.6 million, HK\$3.5 million and HK\$3.2 million, representing approximately 3.8%, 6.5% and 3.0% of our total cost of sales for each of the three years ended 31 December 2014, 2015 and 2016, respectively. The increase in depreciation charges for the year ended 31 December 2015 was mainly due to the additional machinery and equipment acquired during the year.

Machinery and equipment leasing expenses

Machinery and equipment leasing expenses represent the fees for the lease of machinery to supplement our fleet of machinery. For each of the three years ended 31 December 2014, 2015 and 2016, we incurred machinery leasing expenses of approximately HK\$740,000, HK\$2.3 million and HK\$6.2 million, respectively. Such increase was mainly resulted from (i) the increase in number of sizeable projects undertaken; and (ii) our own machinery and equipment had been practically fully utilised since 2015, and therefore we have to increasingly rent machinery from our suppliers to carry out the construction works. For details of the lease of machinery, please refer to the section headed “Business – Machinery – Leasing of machinery” in this prospectus.

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Repair and maintenance

Repair and maintenance primarily represent the costs of repair and maintenance of our machinery provided by our repair and maintenance service providers. For each of the three years ended 31 December 2014, 2015 and 2016, we incurred machinery repair and maintenance costs of approximately HK\$170,000, HK\$648,000 and HK\$778,000, respectively. Such increase was mainly driven by the additional machinery and equipment acquired and the increasing utilisation of our machinery and equipment during the Track Record Period. For details of the repair and maintenance, please refer to the section headed “Business – Machinery – Repair and maintenance and replacement” in this prospectus.

Others

Other costs mainly consist of site management fees, survey and consultancy fees for our design and build projects, insurance coverage, mobilising expenses for our machinery from site to site and motor vehicles expenses. The amounts in aggregate were approximately HK\$3.4 million, HK\$5.8 million and HK\$6.4 million for each of the three years ended 31 December 2014, 2015 and 2016, respectively. The increase was in line with our increase in revenue.

Sensitivity analysis

The following tables set out the sensitivity analysis of: (i) the effect of the fluctuations of cost of construction materials; (ii) the effect of the fluctuations of subcontracting charges; and (iii) the effect of the fluctuations of staff costs, assuming no change of any other costs. The sensitivity analysis is hypothetical in nature and we assume that all other variables remained constant. The following sensitivity analysis is for illustrative purposes only, which indicates the likely impact on our profitability during the Track Record Period if the relevant variables increased or decreased to the extent illustrated.

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To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the impact on our profit for the respective year with a 11% and 2% increase or decrease in the cost of construction materials, which correspond to the approximate CAGR in the price of steel reinforcements and Portland cement (which is a major ingredient of concrete), respectively, from 2011 to 2016 as shown in the Ipsos Report and are therefore considered reasonable for the purpose of this sensitivity analysis:

| Increase/(decrease) of our profit before tax | | | |
|---|-----------------|-----------------|-----------------|
| For the year ended 31 December | | | |
| | 2014 | 2015 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Sensitivity analysis of | | | |
| cost of construction materials | | | |
| Percentage (decrease)/increase | | | |
| (11)% | 369 | 635 | 2,132 |
| (2)% | 67 | 115 | 388 |
| 2% | (67) | (115) | (388) |
| 11% | (369) | (635) | (2,132) |

To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the impact on our profit for the respective year with a 17% and 4% increase or decrease in subcontracting charges, which correspond to the approximate minimum and maximum year-on-year fluctuations in average daily wage of construction workers in the foundation contracting industry from 2011 to 2015 and are therefore considered reasonable for the purpose of this sensitivity analysis:

| Increase/(decrease) of our profit before tax | | | |
|---|-----------------|-----------------|-----------------|
| For the year ended 31 December | | | |
| | 2014 | 2015 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Sensitivity analysis of subcontracting | | | |
| charges | | | |
| Percentage (decrease)/increase | | | |
| (17)% | 4,899 | 4,507 | 7,320 |
| (4)% | 1,153 | 1,060 | 1,722 |
| 4% | (1,153) | (1,060) | (1,722) |
| 17% | (4,899) | (4,507) | (7,320) |

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To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the impact on our profit for the respective year with a 17% and 4% increase or decrease in the staff costs, which correspond to the approximate minimum and maximum year-on-year fluctuations in average daily wage of construction workers in the foundation contracting industry from 2011 to 2015 and are therefore considered reasonable for the purpose of this sensitivity analysis:

| | Increase/(decrease) of our profit before tax | | |
|---------------------------------------|---|-----------------|-----------------|
| | For the year ended 31 December | | |
| | 2014 | 2015 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Sensitivity analysis of staff costs | | | |
| Percentage (decrease)/increase | | | |
| (17)% | 541 | 1,660 | 4,794 |
| (4)% | 127 | 391 | 1,128 |
| 4% | (127) | (391) | (1,128) |
| 17% | (541) | (1,660) | (4,794) |

Gross profit and gross profit margin

The following table sets forth our gross profits and gross profit margins by project types for the Track Record Period:

| | For the year ended 31 December | | |
|--------------------------------------|---------------------------------------|----------------------|----------------------|
| | 2014 | 2015 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Gross profit | | | |
| Foundation and | | | |
| site formation works | 11,818 | 20,723 | 24,510 |
| Other geotechnical engineering works | <u>778</u> | <u>275</u> | <u>87</u> |
| Total | <u><u>12,596</u></u> | <u><u>20,998</u></u> | <u><u>24,597</u></u> |

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| | For the year ended 31 December | | |
|--------------------------------------|--------------------------------|------|------|
| | 2014 | 2015 | 2016 |
| | % | % | % |
| Gross profit margin | | | |
| Foundation and site formation works | 23.3 | 27.8 | 18.6 |
| Other geotechnical engineering works | 26.4 | 32.5 | 26.5 |
| Overall | 23.4 | 27.9 | 18.7 |

Note: The amount represented the reverse of construction costs over recognised in prior year.

During the Track Record Period, our gross profit margin varied from project to project. Our gross profit and gross profit margin are dependent on various factors, including (i) the nature and complexity of projects that were undertaken by our Group, (ii) the progress of such projects during the relevant financial year, and (iii) our cost control and management. As such, our gross profit margin achieved in a financial year is not an accurate indicator of our gross profit margin that may be achieved in a subsequent financial year.

Our gross profit margin for foundation and site formation works increased from 23.3% for the year ended 31 December 2014 to 27.8% for the year ended 31 December 2015 and decreased to 18.6% for the year ended 31 December 2016. In particular, we were awarded three sizeable foundation and site formation projects with higher gross profit margin during the year ended 31 December 2015. These projects had higher gross profit margin in light of the technical complexity and tight delivery schedule. For instance, the foundation project in relation to residential property redevelopment in Sham Shui Po commanded relatively high gross profit margin of over 35% during the Track Record Period primarily due to the urgent demand for the relevant pipe piles and grout curtain works to be delivered within 4.5 months (including Chinese Lunar New Year period). The foundation projects in relation to the residential property redevelopment in Tuen Mun and Chung Hom Kok also commanded relatively high gross profit margin of over 35% due to the more amount of works to be performed for the projects concerned. Our gross profit margin for foundation and site formation works decreased to 18.6% for the year ended 31 December 2016. As (i) some of the projects with relatively high gross profit margin were completed in 2015; (ii) additional cost incurred in stage 2 of the Cape Road Project due to subsequent variations to the construction plan arising from the changes in design by its employer in the midst of project implementation, which had lowered the overall profitability of the project in terms of gross profit margin; and (iii) competitive project pricing arising from intense market competition couple with growing operation costs. For the detailed discussion on our gross profit margin, please refer to the paragraph headed “Financial Information – Period to period comparison of results of operations” in this prospectus.

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Our gross profit margin for other geotechnical engineering works also increased from 26.4% for the year ended 31 December 2014 to 32.5% for the year ended 31 December 2015. In particular, we were awarded one project with gross profit margin over 50% during the year ended 31 December 2015. This project had higher gross profit margin in light of tight delivery schedule of approximately 2 months and the high quality, safety and environmental standards given the employer of our customer was governmental department in relation to civil engineering and development. For the year ended 31 December 2016, our gross profit margin for other geotechnical engineering works decreased to approximately 26.5% as the high gross profit margin project abovementioned was completed in 2015.

Other income and other gain and loss

The following table sets forth the breakdown of other income and other gain and loss during the Track Record Period:

| | For the year ended 31 December | | |
|---|---------------------------------------|-------------------|-------------------|
| | 2014 | 2015 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Rental income | 444 | 120 | 20 |
| Others | 285 | 190 | 959 |
| (Loss)/gain on disposal of property, plant and equipment | <u>(110)</u> | <u>9</u> | <u>(58)</u> |
| Total | <u><u>619</u></u> | <u><u>319</u></u> | <u><u>921</u></u> |

Our other income and other gain and loss during the Track Record Period mainly consisted of (i) rental income from lease of our machinery when we consider the machinery was not required for any projects we were undertaking during the relevant period and such arrangement would not affect our operations; (ii) gain/(loss) on disposal of property, plant and equipment, which was recognised due to the disposal of three motor vehicles and a container by us during the Track Record Period; and (iii) others, which included sundry income and amortisation of deferred gain.

FINANCIAL INFORMATION

Administrative and other operating expenses

The following table sets out the administrative expenses, by amount and as a percentage of revenue, for the periods indicated:

| | For the year ended 31 December | | | | | |
|--|--------------------------------|--------------|--------------|--------------|---------------|--------------|
| | 2014 | | 2015 | | 2016 | |
| | HK\$'000 | % | HK\$'000 | % | HK\$'000 | % |
| Auditors' remuneration | 50 | 1.5 | 50 | 0.7 | 50 | 0.3 |
| Depreciation of property, plant and equipment | 156 | 4.6 | 280 | 4.2 | 330 | 2.2 |
| Listing expenses | – | – | 2,245 | 33.3 | 4,675 | 31.3 |
| Operating lease rental on premises | 432 | 12.8 | 450 | 6.7 | 800 | 5.4 |
| Staff costs, including directors' emoluments | 2,049 | 60.6 | 2,523 | 37.5 | 5,673 | 38.0 |
| Other expenses | 693 | 20.5 | 1,188 | 17.6 | 3,405 | 22.8 |
| Total | <u>3,380</u> | <u>100.0</u> | <u>6,736</u> | <u>100.0</u> | <u>14,933</u> | <u>100.0</u> |

Listing expenses consist of expenses incurred in relation to Listing. We did not incur any listing expenses for the year ended 31 December 2014, and incurred listing expenses of approximately HK\$2.2 million and HK\$4.7 million for each of the two years ended 31 December 2015 and 2016, respectively.

Finance costs

The following table sets forth the components of our finance costs of our Group for the periods indicated:

| | For the year ended 31 December | | |
|-----------------------------|--------------------------------|------------|------------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Interest on finance leases | 195 | 165 | 149 |
| Interest on bank borrowings | 220 | 253 | 321 |
| Interest on other borrowing | <u>30</u> | <u>–</u> | <u>–</u> |
| Total | <u>445</u> | <u>418</u> | <u>470</u> |

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Our finance costs during the Track Record Period represented interest expenses on finance leases of our machinery and motor vehicles, as well as our borrowings, details of which are disclosed in the paragraph headed “Indebtedness” in this section.

Income tax expense

Income tax expense represents primarily the current and deferred tax at the applicable tax rates in accordance with the relevant laws and regulations in Hong Kong and the Cayman Islands.

Cayman Islands

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law. Under the current laws of the Cayman Islands, we are not subject to any income or capital gains tax. Dividend payments made by us are not subject to any withholding tax in the Cayman Islands.

Hong Kong

All of our operating subsidiaries are located in Hong Kong and are subject to a profit tax rate of 16.5% on their estimated assessable profit derived from their Hong Kong operations. Our income tax expenses amounted to approximately HK\$1.5 million, HK\$2.7 million and HK\$2.6 million for each of the three years ended 31 December 2014, 2015 and 2016, respectively. Our effective income tax rate, calculated as our income tax expenses incurred for continuing operations divided by our profit before tax from continuing operations, for each of the three years ended 31 December 2014, 2015 and 2016 were approximately 16.3%, 19.1% and 25.4%, respectively.

To the best information, belief and knowledge of our Directors, there is no unpaid tax, dispute or resolved tax issue with the relevant tax authority.

FINANCIAL INFORMATION

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2016 compared with year ended 31 December 2015

Revenue

Our revenue increased by approximately HK\$56.5 million, or 75.0%, from approximately HK\$75.3 million for the year ended 31 December 2015 to approximately HK\$131.8 million for the year ended 31 December 2016. Such increase was mainly resulting from the increase in works undertaken and we completed substantial amount of construction works in our projects at Chung Hom Kok, Happy Valley, Tuen Mun and Repulse Bay during 2016, each with a contract sum of over HK\$30 million.

Revenue from foundation and site formation works increased by approximately 76.5% from HK\$74.5 million for the year ended 31 December 2015 to approximately HK\$131.4 million for the year ended 31 December 2016, primarily as a result of the increase in value of construction works undertaken in the sizeable projects as mentioned above.

Only approximately HK\$846,000 of revenue has been recognised from other geotechnical engineering works for the year ended 31 December 2015, and approximately HK\$331,000 has been recognised from this segment for the year ended 31 December 2016.

Cost of sales

Our cost of sales increased by approximately HK\$52.9 million, or 97.4%, from approximately HK\$54.3 million for the year ended 31 December 2015 to approximately HK\$107.2 million for the year ended 31 December 2016. Such increase was in line with the increase in revenue during the period, as (i) the revenue recognised from our foundation and site formation works increased and hence the corresponding value of works subcontracted, constructions materials costs and machinery rental fees increased; and (ii) the increase in our staff costs employed for the projects to cope with our business growth as well as the salary increment of existing staff.

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Gross profit and gross profit margin

Our gross profit increased by approximately HK\$3.6 million, or 17.1%, from approximately HK\$21.0 million for the year ended 31 December 2015 to approximately HK\$24.6 million for the year ended 31 December 2016. The gross profit increased in line with the increase in our revenue. Our gross profit margin decreased from approximately 27.9% for the year ended 31 December 2015 to approximately 18.7% for the year ended 31 December 2016, primarily due to (i) some of the projects being awarded to our Group in 2014 and 2015 having relatively high gross profit margin for tight delivery schedule and technical complexity were completed in 2015, which include the foundation and site formation works for the residential property redevelopment projects in Sham Shui Po and Yau Ma Tei, each with contract sum of over HK\$10 million and gross profit margin of approximately or over 30%; (ii) the competitive project pricing arising from the intense market competition couple with growing operation costs such as increase in the average wage of the construction workers; and (iii) additional cost incurred in stage 2 of the Cape Road Project due to subsequent variations to the construction plan arising from the changes in design by its employer in the midst of project implementation, which had lowered the overall profitability of the project in terms of gross profit margin.

According to the Ipsos Report, the foundation subcontracting industry was very competitive since mid-2015, with companies offering discounts for tendered projects to better compete with other subcontractors. The increase in wages and aging workforce in the industry has also put pressure on profit margins. As the construction works for project quotations submitted and accepted since mid-2015 were mostly commenced in or after 2016, the gross profit margins were generally lower for projects commenced in 2016 as compared to those commenced in or before 2015 due to the downward pricing pressure resulted from the more intense market competition. Our projects commenced in 2015 (with contract sum of over HK\$1 million) recorded overall gross profit margin ranging from approximately 11.5% to 39.6%, whereas our projects commenced in 2016 (with contract sum of over HK\$1 million) recorded overall gross profit margin ranging from approximately 7.0% to 25.4%.

Our gross profit margins varied by projects according to a number of factors including our pricing policies, the market conditions during projects tendering, and the actual time and costs involved in completing the projects. In 2015, we have commenced and completed works for a residential property development project in Sham Shui Po with contract sum of over HK\$10 million, which demanded a tight delivery schedule and required pipe piles and grout curtain works to be completed urgently within 5 months and spanned the Chinese New Year period, recording an overall gross profit margin of 39.6%. We have also commenced and undertaken works for a residential development project in Happy Valley since 2015. As the project was of a large contract sum of approximately HK\$48.0 million, and undertaking such large scale site formation works would enhance our job reference for future projects tendering, we have submitted the quotation with a more aggressive pricing to compete for the contract and therefore achieved a relatively low project gross profit margin of 11.5%. In 2016, we commenced works in a hotel building redevelopment project in North Point, which had a gross profit margin of 25.4% as the project was relatively complex in terms of technicality and required large amount of piling works to be performed in a small construction site in North Point. We recorded relatively low gross profit margin of 7.0% for the other geotechnical engineering project in Nam Cheong as we mainly acted a project management and supervisory role in the project.

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In addition, in early 2016, shortly after finishing our preliminaries works and commenced our piling works for stage 2 of the Cape Road Project, we received subsequent variations request to the construction plans from the customer. Such variations arose from changes in design by the employer which included (i) further deepening of the foundation level, (ii) change in size and location of the swimming pool, and (iii) change of design of the landscaping area. All of these changes required us to put our work progress on hold to re-assess the feasibility in terms of technical specifications and to obtain additional examination and approval from the resident engineer. However, as instructed by the customer, its employer did not accept delay in completion. As a result, additional labour costs were incurred to avoid delay in completion. We gradually caught up with our work progress hindered and stage 2 of the Cape Road Project was completed in October 2016 as scheduled. We subsequently received the relevant practical completion certificate in November 2016. However, the overall gross profit margin of stage 2 of the Cape Road Project decreased to approximately 22% upon completion due to the contingent project cost incurred.

Our Directors consider that such incident relates to project delay arising from change in design by the employer, which is an inherent risk of undertaking construction works and is out of our control. To mitigate the relevant risk, we have, among others, formed a project team with acute reporting line and delegated our project manager as the principal on-site contact between the customer and our Group in a timely manner. We will also negotiate with our customers for price adjustment by way of variation order but such adjustment is subject to our customers' and their respective employers' discretion. In this incident, we had negotiated with the customer for price adjustment by way of variation order but was rejected by the customer on its employer's behalf. Having considered (i) the original gross profit margin was relatively high such that the project is still profitable after absorbing the additional costs, and the reduced profitability would not have a material adverse effect on our business, financial condition or results of operations; (ii) our long involvement in both stage 1 and stage 2 of the Cape Road Project; and (iii) the ongoing competition faced by our Group, we proceeded the remaining works of the project and absorbed the additional cost. Nevertheless, on reflection of the occurrence of this incident, we will factor in a project contingent cost into our project margin, to the extent possible, for projects involved technical complexity to minimize the adverse impact of contingent project cost to our profitability. For details of the inherent risk arising from change in design by the employer of our customers, please refer to the section headed "Risk Factors" in this prospectus.

Other income and net gains

Other income and net gains increased by approximately HK\$602,000, from approximately HK\$319,000 for the year ended 31 December 2015 to approximately HK\$921,000 for the year ended 31 December 2016, primarily due to write-back of a retention payable amounted to approximately HK\$775,000, partially offset with the impact of loss on disposal of a motor vehicle in 2016.

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Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately HK\$8.2 million, or 121.7%, from approximately HK\$6.7 million for the year ended 31 December 2015 to approximately HK\$14.9 million for the year ended 31 December 2016, primarily as a result of the recognition of listing expenses of approximately HK\$4.7 million in 2016 as compared with HK\$2.2 million in 2015, and the increase in the staff costs (including Directors' remuneration). The increase in staff costs was mainly due to the increase in salary and bonus payment paid to our staff, as well as the increase in the average number of our backoffice staff.

Finance costs

Our finance costs increased by approximately HK\$52,000, or 12.4%, from approximately HK\$418,000 for the year ended 31 December 2015 to approximately HK\$470,000 for the year ended 31 December 2016, primarily as a result of the increase in our obligations under finance leases for motor vehicle purchase and machinery refinance, and the increase in bank borrowings to finance business operations.

Profit before income tax

As a result of the foregoing, our profit before income tax decreased by approximately HK\$4.0 million, or 28.6% from approximately HK\$14.2 million for the year ended 31 December 2015 to approximately HK\$10.1 million for the year ended 31 December 2016. Our profit before income tax as a percentage of revenue was approximately 7.7% for the year ended 31 December 2016 compared to approximately 18.8% for the year ended 31 December 2015.

Income tax expense

Our income tax expense decreased by approximately HK\$0.1 million, or 5.1%, from approximately HK\$2.7 million for the year ended 31 December 2015 to approximately HK\$2.6 million for the year ended 31 December 2016, primarily attributable to a decrease in our taxable income resulted from a drop in our gross profit margin and an increase in our administrative and other operating expenses during the year. Our effective income tax rate, being tax charged for the year divided by profits before income tax, was approximately 19.1% for the year ended 31 December 2015 and approximately 25.4% for the year ended 31 December 2016. Our effective income tax rate was higher for the year ended 31 December 2016 than the year ended 31 December 2015, primarily due to the increase in the non-deductible listing expenses incurred in 2016 as compared with 2015.

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Profit for the year

As a result of the foregoing, our profit for the year decreased by approximately HK\$4.0 million, or 34.1%, from approximately HK\$11.5 million for the year ended 31 December 2015 to approximately HK\$7.5 million for the year ended 31 December 2016.

Year ended 31 December 2015 compared with year ended 31 December 2014

Revenue

Our revenue increased by approximately HK\$21.5 million, or 40.0%, from approximately HK\$53.8 million for the year ended 31 December 2014 to approximately HK\$75.3 million for the year ended 31 December 2015. Such increase was mainly attributable to the commencement of 10 new projects with contract sum of approximately HK\$165.2 million in aggregate.

Revenue from foundation and site formation works increased by approximately HK\$23.7 million, or 46.5% from approximately HK\$50.8 million for the year ended 31 December 2014 to approximately HK\$74.5 million for the year ended 31 December 2015, primarily as a result of the increase in the number of sizeable foundation and site formation projects, revenue recognised above HK\$5 million during the year, which increased from 3 for the year ended 31 December 2014 to 7 for the year ended 31 December 2015. In particular, the revenue recognised from the 7 new projects accounted for approximately HK\$63.9 million for the year ended 31 December 2015.

Revenue from other geotechnical engineering works decreased by approximately HK\$2.2 million, or 71.3% from approximately HK\$3.0 million for the year ended 31 December 2014 to approximately HK\$846,000 for the year ended 31 December 2015, primarily due to lower contract sum of projects secured as we focus our resources on more profitable foundation and site formation works. During the year ended 31 December 2014, we were awarded and completed one slope works project at Mid-Levels which generated revenue of approximately HK\$2.1 million to our Group.

Cost of sales

Our cost of sales increased by approximately HK\$13.1 million, or 31.9%, from approximately HK\$41.2 million for the year ended 31 December 2014 to approximately HK\$54.3 million for the year ended 31 December 2015. Such increase was in line with the upward trend of the revenue during the year as (i) the revenue from our foundation and site formation works, and hence the corresponding construction materials costs and machinery related fees increased; and (ii) the increase in our staff costs employed for the projects to cope with our business growth as well as the salary increment of existing staff.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$8.4 million, or 66.7%, from approximately HK\$12.6 million for the year ended 31 December 2014 to approximately HK\$21.0 million for the year ended 31 December 2015. The gross profit increased in line with the increase in our revenue. Our gross profit margin, increased from approximately 23.4% for the year ended 31 December 2014 to approximately 27.9% for the year ended 31 December 2015, mainly attributable to (i) different project profit margin we charged to different customers, further discussion of which was set out in the paragraph headed “Key components in our combined statements of profit or loss and other comprehensive income – Gross profit and gross profit margin” in this section; (ii) the decrease in value of works subcontracted decreased as the number of our average site workers increased from 12 to 39 for the corresponding periods, resulting in a drop of subcontracting charges by approximately HK\$2.3 million; and (iii) due to the economies of scale, especially as a result of the increase in utilisation of our specialised machinery for the year ended 31 December 2015, our overall gross profit margin therefore increased.

Other income and other gain and loss

Other income, other gains and losses decreased by approximately HK\$300,000, or 48.5%, from approximately HK\$619,000 for the year ended 31 December 2014 to approximately HK\$319,000 for the year ended 31 December 2015, primarily as a result of the decrease in machinery rental income as there was an increase in projects undertaken and therefore the number of machinery for lease decreased.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately HK\$3.3 million, or 99.3%, from approximately HK\$3.4 million for the year ended 31 December 2014 to approximately HK\$6.7 million for the year ended 31 December 2015, primarily as a result of the recognition of Listing expenses of approximately HK\$2.2 million and the increase in the staff costs, including Directors’ remuneration as a result of the increase in number of our backoffice staff.

Finance costs

Our finance costs decreased slightly by approximately HK\$27,000, or 6.1%, from approximately HK\$445,000 for the year ended 31 December 2014 to approximately HK\$418,000 for the year ended 31 December 2015, owing to the repayment of obligations under finance leases.

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Profit before income tax

As a result of the foregoing, our profit before income tax increased by approximately HK\$4.8 million, or 50.8% from approximately HK\$9.4 million for the year ended 31 December 2014 to approximately HK\$14.2 million for the year ended 31 December 2015. Our profit before income tax as a percentage of revenue was approximately 17.5% for the year ended 31 December 2014 compared to approximately 18.8% for the year ended 31 December 2015.

Income tax expense

Our income tax expense increased by approximately HK\$1.2 million, or 76.6%, from approximately HK\$1.5 million for the year ended 31 December 2014 to approximately HK\$2.7 million for the year ended 31 December 2015, primarily attributable to an increase in our taxable income. Our effective income tax rate, being tax charged for the year divided by profits before income tax, was approximately 16.3% for the year ended 31 December 2014 and approximately 19.1% for the year ended 31 December 2015. Our effective income tax rate is higher for the year ended 31 December 2015 than the year ended 31 December 2014, primarily due to the recognition of the listing expenses of approximately HK\$2.2 million, which was not deductible for tax purposes.

Profit for the year

As a result of the foregoing, our profit increased by approximately HK\$3.6 million, or 45.8%, from approximately HK\$7.9 million for the year ended 31 December 2014 to approximately HK\$11.5 million for the year ended 31 December 2015.

LIQUIDITY AND CAPITAL RESOURCES

Our primary use of cash is to fund our working capital requirements, our purchase of plant and equipment, and to repay the loans and related interest expenses. During the Track Record Period and up to the Latest Practicable Date, our Group's operations were generally financed through a combination of cash generated from operating activities and external borrowings. Upon completion of the Public Offer, we expect to meet our liquidity needs and finance our working capital from cash generated from our operations, debt financing and the proceeds from the Public Offer. As of 31 December 2014, 2015 and 2016, we had cash and bank balances of approximately HK\$1.5 million, HK\$13.1 million and HK\$5.5 million, respectively.

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Cash Flows

The following table summarises our cash flows for the periods indicated:

| | For the year ended 31 December | | |
|--|---------------------------------------|-----------------|-----------------|
| | 2014 | 2015 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net cash generated from/(used in) | | | |
| operating activities | 4,055 | 14,768 | (5,658) |
| Net cash used in investing activities | (3,357) | (3,772) | (5,848) |
| Net cash (used in)/generated from | | | |
| financing activities | (537) | 561 | 3,950 |
| Net increase/(decrease) in cash and | | | |
| cash equivalents | 161 | 11,557 | (7,556) |
| Cash and cash equivalents at the beginning | | | |
| of the year | 1,359 | 1,520 | 13,077 |
| Cash and cash equivalents at the end of | | | |
| the year | 1,520 | 13,077 | 5,521 |

Net cash generated from/(used in) operating activities

Our Group's cash inflow from operating activities is principally generated from receipt of payments from our customers in relation to our provision of foundation and site formation, and other geotechnical engineering services. Our cash outflows from operating activities are principally due to the payments for purchase of materials from suppliers, subcontracting charges, staff costs, administrative and other operating expenses.

Net cash generated from/(used in) operating activities reflects our profit before income tax deducted by interests and income tax paid during the period and adjusted for non-cash items such as depreciation of property, plant and equipment, and the effects of changes in working capital items.

For the year ended 31 December 2016, we had net cash used in operating activities amounted to approximately HK\$5.7 million, which was a combined result of operating cash inflow before movements in working capital of approximately HK\$14.0 million, net decrease in working capital changes of approximately HK\$15.1 million and income tax paid of approximately HK\$4.6 million. The net decrease in working capital changes primarily reflected (i) an increase in gross amounts due from customers for contract works of approximately HK\$3.1 million mainly due to the increase in projects revenue of which the payment certificates from clients were issued after the year end date from the foundation works project in Repulse Bay and the site formation works project in Discovery Bay; (ii) an increase in trade and other receivables of approximately HK\$14.4 million as a result of value of works completed and certified by our customers towards the year end of 2016 being substantial, especially for the foundation and site formation works projects in Happy Valley, Kowloon Tong and Chung Hom Kok, hence increased the balance of trade receivables as at 31 December 2016; and (iii) a decrease in gross amounts due to customers of contract works of approximately HK\$1.3 million.

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For the year ended 31 December 2015, we had net cash generated from operating activities amounted to approximately HK\$14.8 million, which was a combined result of operating cash inflow before movements in working capital of approximately HK\$18.2 million, net decrease in working capital changes of approximately HK\$1.2 million and income tax paid of approximately HK\$2.2 million. The net decrease in working capital changes primarily reflected (i) an increase in gross amounts due from customers for contract works of approximately HK\$3.4 million mainly due to the increase in costs that related to future activity on the foundation works project in Happy Valley and projects revenue of which the payment certificates from clients were issued after the year end date; (ii) an increase in trade and other receivables of approximately HK\$1.6 million mainly on higher retention receivables as a result of commencement in new projects and increase in size of our projects undertaken; partially offset by (iii) an increase in trade and other payables of approximately HK\$2.6 million mainly on higher accrual employee benefit expenses due to higher headcounts; and (iv) an increase in gross amounts due to customers of contract works of approximately HK\$1.3 million.

For the year ended 31 December 2014, we had net cash generated from operating activities amounted to approximately HK\$4.1 million, which was a combined result of operating cash inflow before movements in working capital of approximately HK\$11.8 million, net decrease in working capital changes of approximately HK\$7.7 million and income tax paid of approximately HK\$54,000. The net decrease in working capital changes primarily reflected (i) an increase in trade and other receivables of approximately HK\$8.2 million mainly on higher trade and retention receivables as a result of commencement in new projects and increase in size of our projects undertaken; (ii) an increase in gross amounts due from customers for contract works of approximately HK\$4.1 million mainly due to projects revenue of which the payment certificates were issued after the year end date; (iii) a decrease in gross amounts due to customers of contract works of approximately HK\$15,000; and partially offset by (iv) an increase in trade and other payables of approximately HK\$4.6 million mainly on higher purchases of construction materials for our foundation and site formation projects.

Net cash used in investing activities

Our investing activities principally consisted of proceeds from the disposal of property, plant and equipment, and payment for the purchase of property, plant and equipment.

For the year ended 31 December 2016, we had net cash used in investing activities amounted to approximately HK\$5.8 million, primarily attributable to (i) purchases of property, plant and equipment of approximately HK\$0.8 million; and (ii) increase in amount due from a director of approximately HK\$5.0 million.

For the year ended 31 December 2015, we had net cash used in investing activities amounted to approximately HK\$3.8 million, primarily attributable to purchases of property, plant and equipment.

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For the year ended 31 December 2014, we had net cash used in investing activities amounted to approximately HK\$3.4 million, primarily attributable to purchases of property, plant and equipment.

Net cash generated from/(used in) financing activities

Our cash inflow from financing activities was principally from proceeds from borrowings from the financial institutions, while our cash used in financing activities was principally for the repayment of borrowings from the financial institutions and the repayment of the obligation under finance leases.

For the year ended 31 December 2016, our net cash generated from financing activities amounted to approximately HK\$3.9 million. This was primarily attributable to (i) net increase in bank borrowings and finance leases of approximately HK\$4.6 million; partially offset by (ii) interest paid on bank borrowings and finance leases of approximately HK\$470,000; and (iii) decrease in amounts due to directors of approximately HK\$132,000.

For the year ended 31 December 2015, our net cash generated from financing activities amounted to approximately HK\$561,000. This was primarily attributable to (i) new proceeds on bank borrowings net of repayment amounted to approximately HK\$4.3 million; partially offset by (ii) repayment of finance leases of approximately HK\$2.0 million; (iii) interest paid on bank borrowings and finance leases of approximately HK\$418,000; and (iv) decrease in amounts due to directors of approximately HK\$1.3 million.

For the year ended 31 December 2014, our net cash used in financing activities amounted to approximately HK\$537,000. This was primarily attributable to (i) repayment of finance leases of approximately HK\$1.7 million; (ii) interest paid on borrowings and finance leases of approximately HK\$445,000; (iii) decrease in amounts due to directors of approximately HK\$77,000; partially offset by (iv) new proceeds on bank borrowings net of repayment amounted to approximately HK\$1.7 million.

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NET CURRENT ASSETS

The table below sets forth the breakdown of our current assets and current liabilities as of the dates indicated:

| | As at 31 December | | | As at 30 April 2017 |
|---|-------------------|---------------|---------------|---------------------------|
| | 2014 | 2015 | 2016 | 2017 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | | (Unaudited) |
| Current assets | | | | |
| Trade and other receivables | 14,805 | 16,397 | 30,810 | 25,157 |
| Gross amounts due from customers for contract work | 8,882 | 12,355 | 15,458 | 18,060 |
| Amount due from a director | – | – | 5,018 | 8,403 |
| Cash and bank balances | 1,520 | 13,077 | 5,521 | 4,931 |
| Total current assets | 25,207 | 41,829 | 56,807 | 56,551 |
| Current liabilities | | | | |
| Trade and other payables | 10,035 | 12,658 | 16,409 | 17,706 |
| Gross amounts due to customers for contract work | 73 | 1,339 | – | – |
| Amounts due to directors | 1,447 | 180 | 48 | 48 |
| Borrowings | 3,801 | 8,947 | 15,088 | 11,049 |
| Deferred gain | – | – | 463 | 278 |
| Current income tax liabilities | 2,040 | 2,216 | 185 | 651 |
| Total current liabilities | 17,396 | 25,340 | 32,193 | 29,732 |
| Net current assets | 7,811 | 16,489 | 24,614 | 26,819 |

As of 31 December 2014, 2015 and 2016, we recorded net current assets of approximately HK\$7.8 million, HK\$16.5 million and HK\$24.6 million, respectively. The increase in our net current assets was attributable to our increase in the total current assets, which was as a result of our business growth and our increased amount of work done for our customers during Track Record Period. This was partially offset by the increase in our total current liabilities primarily as a result of the increase in our borrowings to finance our daily operations and the increase in our trade and other payables for materials and equipment purchase for the growth of business.

As at 30 April 2017, being the latest practicable date for ascertaining our net current assets position, we recorded net current assets of approximately HK\$26.8 million which was HK\$2.2 million higher than the net current assets as at 31 December 2016.

The following section sets forth detailed discussion of the fluctuations in the key components of our assets and liabilities.

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DISCUSSION OF CERTAIN COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

Property, plant and equipment

As at 31 December 2014, 2015 and 2016, the aggregate net book values of our property, plant and equipment amounted to approximately HK\$6.1 million, HK\$11.2 million and approximately HK\$9.0 million. During the Track Record Period, our property, plant and equipment mainly consists of machinery and equipment.

As at 31 December 2014, 2015 and 2016, the aggregate net book value of our machinery and equipment amounted to approximately HK\$5.6 million, HK\$8.8 million and HK\$6.9 million, respectively. We increased our machinery capacity substantially by acquiring two pile drivers, three drilling rigs, three air compressors and three excavators and other accessory parts and components during the Track Record Period in order to cope with our increased number of projects as well as reduce our reliance on rented equipment. Further details of our machinery and equipment are set out in the paragraph headed “Business – Machinery” to this prospectus. For details of our purchases and disposal of property, plant and equipment during the Track Record Period, please refer to note 13 of Section II to the Accountants’ Report in Appendix I to this prospectus.

Trade and other receivables

Our trade and other receivables comprise (i) trade receivables; (ii) retention receivables; and (iii) other receivables, deposits and prepayments. The following table sets forth the details of our trade and other receivables as at the dates indicated:

| | As at 31 December | | |
|--|----------------------|----------------------|----------------------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Trade receivables | 5,039 | 3,386 | 15,153 |
| Retention receivables | 4,276 | 5,961 | 8,787 |
| Other receivable, deposits and prepayments | <u>5,490</u> | <u>7,050</u> | <u>6,870</u> |
| Total | <u><u>14,805</u></u> | <u><u>16,397</u></u> | <u><u>30,810</u></u> |

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Trade receivables analysis

During the Track Record Period, our trade receivables primarily represented amounts receivable in relation to our construction services. In general, our Group submits payment applications to our customers on a regular basis in accordance with the value of works undertaken including variations works and claims, if any, for our foundation, site formation and other projects. Our customers will assess our payment applications and certify the amount we are entitled to be paid for the relevant month/period. Payment certificates will be issued to us and the payment will be made to us once our customers are satisfied with our payment application. The credit terms granted to our customers vary from contract to contract and are usually stipulated in the sub-contract agreements. Such credit terms may make reference to the payment application date, with settlement typically ranging from 7 to 45 days from such date, depending on the terms and conditions of our signed sub-contract agreements.

Our trade receivables decreased from approximately HK\$5.0 million as at 31 December 2014 to approximately HK\$3.4 million as at 31 December 2015, primarily due to the timing of the amount settled by different customers and the amount certified by different customers at the respective reporting date. Our trade receivables then increased to HK\$15.2 million as at 31 December 2016 mainly due to the increase in value of works undertaken and certified near the end of 2016.

Aging analysis and subsequent settlement

The following is the aging analysis of our trade receivables presented based on the date of the payment certificates which approximates revenue recognition date as at the end of the periods indicated:

| | As at 31 December | | |
|---------------|---------------------|---------------------|----------------------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| 0 to 30 days | 1,404 | 3,386 | 15,153 |
| 31 to 60 days | <u>3,635</u> | <u>–</u> | <u>–</u> |
| Total | <u><u>5,039</u></u> | <u><u>3,386</u></u> | <u><u>15,153</u></u> |

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The following is the aging analysis of our trade receivables that were past due but not impaired:

| | As at 31 December | | |
|---------------------------|-------------------|----------|----------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Past due but not impaired | | | |
| 0 to 30 days | 3,635 | – | – |
| Total | <u>3,635</u> | <u>–</u> | <u>–</u> |

As discussed in the paragraph headed “Allowance for trade and other receivables” above in this section, our management team assesses whether there is objective evidence that each individual trade receivable is impaired. As at 31 December 2014, 2015 and 2016, included in our trade receivables balances were approximately HK\$3.6 million, nil and nil respectively, which were past due at the end of each reporting period. Our Directors did not provide any impairment loss for this balances as this trade receivables related to a number of independent customers of whom there is no recent history of default. Accordingly, these amounts are considered recoverable. As at the Latest Practicable Date, all of our trade receivables as at 31 December 2016 had been settled.

Trade receivables turnover days

As our business is project-based, our trade receivables were mainly affected by the actual works progress of our on-going projects, the amount certified by the relevant customers and the amount settled by the relevant customers as at the respective reporting dates. The following table sets out the turnover days of trade receivables for the periods indicated:

| | For the year ended | | |
|---------------------------------|--------------------|-----------|-----------|
| | 31 December | | |
| | 2014 | 2015 | 2016 |
| Trade receivables turnover days | 32.9 days | 20.4 days | 25.7 days |

Note:

Trade receivables turnover days are calculated based on the average trade receivables divided by the revenue for the relevant year multiplied by number of days in the relevant year (365 days). Average trade receivables are calculated as the sum of the beginning balance and ending balance for the relevant year, divided by two.

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The credit period that we granted to our customers generally ranged from 7 to 45 days. Our trade receivables turnover days were approximately 32.9 days for the year ended 31 December 2014, 20.4 days for the year ended 31 December 2015, and 25.7 days for the year ended 31 December 2016. Such fluctuation was mainly due to (i) the different settlement practices of our customers as well as the different credit periods granted by us; and (ii) as our business operates on a non-recurring project-by-project basis, our revenue recognised during the Track Record Period may vary subject to the size and the progress of our construction works contracts at a given time, which thereby affected our trade receivables balances as at the respective reporting dates and our trade receivables turnover days accordingly.

Retention receivables

Retention receivables represent the retention monies required by our customers to secure our Group's due performance of the contracts according to contract terms. Typically, the amount of retention money depends on negotiation between the parties, which is in general up to 10% of the value of works certified in each progress payment, and up to a maximum limit of 5% of the contract sum as retention money for the project. The terms and conditions in relation to the release of retention money also vary from contract to contract, which may subject to, practical completion, the expiry of the defects liability period or a pre-agreed time period.

Our retention receivables increased from approximately HK\$4.3 million as at 31 December 2014 to approximately HK\$6.0 million as at 31 December 2015, and further increased to HK\$8.8 million as at 31 December 2016. Such increase was mainly due to our business growth as evidenced by our increase in revenue and the increase in the number of our projects with larger contract sums which normally require longer time to complete resulting in the release of retention monies at a later date.

The following table illustrates the ageing analysis of retention receivables as at each period indicated:

| | As at 31 December | | |
|--|---------------------|---------------------|---------------------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Retention receivables | | | |
| Expected to be recovered within one year | 3,293 | 3,659 | 4,531 |
| Expected to be recovered after one year | <u>983</u> | <u>2,302</u> | <u>4,256</u> |
| Total | <u><u>4,276</u></u> | <u><u>5,961</u></u> | <u><u>8,787</u></u> |

Except for the retention receivables of approximately HK\$983,000, HK\$2.3 million and HK\$4.3 million as at 31 December 2014, 2015 and 2016, respectively, which were expected to be recovered or settled after one year, all of the remaining balances of our retention receivables are expected to be recovered within one year. All retention receivables are included in current assets as the Group expects to collect the retention receivables within its normal operating cycle.

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During the Track Record Period, no provision has been made to the retention receivables as there was no material defects reported by our customers. As at the Latest Practicable Date, we expected that approximately 46.8% of the retention monies held by our customers as at 31 December 2016 will be released to us by 31 December 2017. The expected release dates of the retention monies as at 31 December 2016 should fall with the latest 31 May 2018.

Concentration

As at 31 December 2014, 2015 and 2016, there were 2, 2 and 4 customer(s) which individually contributed over 10% of our trade and other receivables, respectively. The aggregate amounts of our trade and other receivables from these customers amounted to approximately 88.3%, 78.1% and 83.9% of our total trade and other receivables as at 31 December 2014, 2015 and 2016, 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 – Customer concentration" in this prospectus.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables comprised of deposits paid, prepayments and other receivables during the Track Record Period. The following table sets out the breakdown of our prepayments, deposits and other receivables as at the reporting date:

| | As at 31 December | | |
|-------------------|---------------------|---------------------|---------------------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Deposits paid | 882 | 1,437 | 1,455 |
| Prepayments | 390 | 562 | 2,551 |
| Other receivables | <u>4,218</u> | <u>5,051</u> | <u>2,864</u> |
| Total | <u><u>5,490</u></u> | <u><u>7,050</u></u> | <u><u>6,870</u></u> |

Our prepayments, deposits and other receivables increased from approximately HK\$5.5 million as at 31 December 2014 to approximately HK\$7.1 million as at 31 December 2015, mainly attributable to the increase in our performance bond payment for a sizeable foundation and site formation project awarded during the year ended 31 December 2015, with reference to the work progress of such project.

Our prepayments, deposits and other receivables decreased to approximately HK\$6.9 million as at 31 December 2016, mainly due to the release of a performance bond upon completion of a sizeable foundation project during 2016, partially offset by the increase in prepayment of listing expenses.

FINANCIAL INFORMATION

Amount due from/to customers for contract work

Our Group recognises gross amounts due from customers for contract work as an asset when costs incurred plus recognised profits (less recognised losses) exceed progress billings, which, in practice, generally means when (i) we have incurred contract costs that relate to future activity on the contract; and (ii) 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. Our Group recognises gross amounts due to customers for contract work as a liability when progress billings exceed costs incurred plus recognised profits (less recognised losses). Please refer to the paragraph headed “Significant accounting policies, judgements and estimates” above for the details of the corresponding accounting policies. The following table sets out the details of the amounts due from/to customers of contract works as at each reporting date:

| | As at 31 December | | |
|--|-------------------|-----------------|------------------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Gross amounts due from customers for contract work | | | |
| Contract costs incurred plus recognised profits less recognised losses | 72,528 | 59,082 | 178,926 |
| Less: Progress billings received and receivable | <u>(63,646)</u> | <u>(46,727)</u> | <u>(163,468)</u> |
| | <u>8,882</u> | <u>12,355</u> | <u>15,458</u> |
| Gross amounts due to customers for contract work | | | |
| Progress billings received and receivable | 10,855 | 23,758 | – |
| Less: Contract costs incurred plus recognised profits less recognised losses | <u>(10,782)</u> | <u>(22,419)</u> | <u>–</u> |
| | <u>73</u> | <u>1,339</u> | <u>–</u> |

Gross amounts due from customers for contract work analysis

Our Group recorded gross amounts due from customers for contract work of approximately HK\$8.9 million, HK\$12.4 million and HK\$15.5 million as at 31 December 2014, 2015 and 2016, respectively.

Our gross amounts due from customers for contract work increased by approximately HK\$3.5 million from approximately HK\$8.9 million as at 31 December 2014 to approximately HK\$12.4 million as at 31 December 2015. Such increase was mainly attributable to the increase in costs that related to future activity on the foundation works project in Happy Valley.

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Our gross amounts due from customers for contract work increased by approximately HK\$3.1 million from approximately HK\$12.4 million as at 31 December 2015 to approximately HK\$15.5 million as at 31 December 2016. Such increase was mainly attributable to the timing difference in relation to the foundation and site formation works in the residential property development projects in Repulse Bay, Tuen Mun and Discovery Bay undertaken by us before 31 December 2016 but the payment certificates were issued by our customers after the year end date.

Subsequent settlement

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 and/or retention receivables.

In respect of the entire gross amounts of approximately HK\$8.9 million due from customers for contract work as at 31 December 2014, progress billings had subsequently taken place during the Track Record Period, upon which such amounts had become our trade receivables and retention 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\$12.4 million due from customers for contract work as at 31 December 2015, the entire gross amounts had been subsequently billed up to the Latest Practicable Date. Of the entire amounts of approximately HK\$12.4 million where subsequent billings had taken place, approximately HK\$11.9 million had been subsequently settled by the relevant customers up to the Latest Practicable Date. The remaining unsettled portion of approximately HK\$469,000 represented retention receivables to be released by our customers.

Of the gross amounts of approximately HK\$15.5 million due from customers for contract work as at 31 December 2016, approximately HK\$14.5 million had been subsequently billed up to the Latest Practicable Date. Of such amount of approximately HK\$14.5 million where subsequent billings had taken place, approximately HK\$11.9 million had been subsequently settled by the relevant customers up to the Latest Practicable Date. The remaining unsettled portion of approximately HK\$2.6 million represented trade receivables and retention receivables of HK\$2.3 million and HK\$254,000 respectively.

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Of the gross amounts of approximately HK\$15.5 million due from customers for contract work as at 31 December 2016, approximately HK\$980,000 had not yet been subsequently billed nor settled up to the Latest Practicable Date. This represented the costs incurred in certain projects which were not billable according to the project stage of completion.

All gross amounts due from/to customers for contract work are expected to be recovered/settled within one year.

Our amounts due from/to customers for contract works are usually affected by (i) the volume and value of works performed by our Group at the time close to the end of each reporting period by reference to the construction costs incurred for and the budgeted costs of the projects; and (ii) the timing of issuing the payment certificates by our customers for the project progress recorded by us, which can significantly vary from period to period.

Amounts due from/to directors

Set out below are the balances due from/to our Directors as at each reporting date:

| | As at 31 December | | |
|-------------------------|-------------------|----------|----------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Amount due from Mr. Lau | – | – | 5,018 |
| Amount due to Mr. Lau | 702 | 133 | – |
| Amount due to Ms. Yuen | 745 | 47 | 48 |

These amounts are unsecured, interest-free and repayment on demand. The amount due from Mr. Lau, the amount due to Mr. Lau and the amount due to Ms. Yuen were all non-trade in nature and will be settled upon listing. Please refer to Note 17 to the Accountants' Report set out in Appendix I to this prospectus for further details.

FINANCIAL INFORMATION

Trade and other payables

Our trade and other payables comprise trade payables, accrued employee benefit expenses, retention payables, and other accruals and payable. The following table sets out the breakdown of our trade and other payables at each reporting date:

| | As at 31 December | | |
|-----------------------------------|----------------------|----------------------|----------------------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Trade payables | 7,953 | 7,280 | 9,278 |
| Accrued employee benefit expenses | 200 | 2,607 | 2,559 |
| Retention payables | 1,116 | 1,442 | 3,477 |
| Other accruals and payables | <u>766</u> | <u>1,329</u> | <u>1,095</u> |
| Total | <u><u>10,035</u></u> | <u><u>12,658</u></u> | <u><u>16,409</u></u> |

Trade payables analysis

During the Track Record Period, our trade payables were mainly for purchase of construction materials and consumables from our suppliers and subcontracting works performed by our subcontractors.

Our trade payables was approximately HK\$8.0 million, HK\$7.3 million and HK\$9.3 million as at 31 December 2014, 2015 and 2016, respectively. As our business is project-based in nature, our cost of sales and our trade payables balance during the Track Record Period varied depending on the size and the progress of our construction works.

As at the Latest Practicable Date, approximately HK\$9.2 million, or 98.7%, of our trade payables outstanding as at 31 December 2016, had been subsequently settled.

FINANCIAL INFORMATION

The following table sets forth the ageing analysis of our trade payables as at the dates indicated:

| | As at 31 December | | |
|--------------|-------------------|--------------|--------------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| 0 – 30 days | 6,522 | 1,144 | 4,723 |
| 31 – 60 days | 552 | 3,514 | 3,277 |
| 61 – 90 days | 833 | 2,521 | 1,236 |
| Over 90 days | <u>46</u> | <u>101</u> | <u>42</u> |
| | <u>7,953</u> | <u>7,280</u> | <u>9,278</u> |

We generally receive credit terms of 30 to 60 days from our suppliers and subcontractors.

The following table sets forth the turnover days of trade payables for the periods indicated:

| | For the year ended 31 December | | |
|------------------------------|-----------------------------------|-----------|-----------|
| | 2014 | 2015 | 2016 |
| Trade payables turnover days | 49.5 days | 51.2 days | 28.2 days |

Note:

Trade payables turnover days are calculated based on the average trade payables divided by the cost of sales for the relevant year multiplied by number of days in the relevant year (365 days). Average trade payables are calculated as the sum of the beginning balance and ending balance for the relevant year, divided by two.

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Trade payables turnover days were 49.5 days, 51.2 days and 28.2 days for each of the three years ended 31 December 2014, 2015 and 2016, respectively, which were generally in line with the credit periods granted by our suppliers and subcontractors.

Our trade payables of approximately nil and HK\$354,000 and HK\$312,000 as at 31 December 2014, 2015 and 2016, respectively, were guaranteed by personal guarantees given by Mr. Lau and Ms. Yuen to one of our suppliers for purchase of steel related materials. The abovementioned guarantees provided by Mr. Lau and Ms. Yuen are to be released and replaced by corporate guarantee of our Company upon Listing.

Retention payables

Our retention payables represent the retention monies withheld by us from our subcontractors.

The following table illustrates the ageing analysis of retention payables as at each period indicated:

| | As at 31 December | | |
|--|---------------------|---------------------|---------------------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Retention payables | | | |
| Expected to be settled within one year | 341 | 1,057 | 3,477 |
| Expected to be settled after one year | <u>775</u> | <u>385</u> | <u>–</u> |
| Total | <u><u>1,116</u></u> | <u><u>1,442</u></u> | <u><u>3,477</u></u> |

Except for the retention payables of approximately HK\$775,000, HK\$385,000 and nil as at 31 December 2014, 2015 and 2016, respectively, which were expected to be settled after one year, all of the remaining balances of our retention payables are expected to be settled within one year. The increasing trend of retention payables was owing to the increasing amount of retention money withheld by us from our subcontractors arising from the increase in number of sizeable projects.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances that are trade in nature

During the Track Record Period, we entered into the following transactions with Teamwork.

| Nature of transactions | For the year ended 31 December | | |
|---|--------------------------------|----------|----------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Machine rental expenses to Teamwork | 108 | – | – |
| Machinery and equipment purchased from Teamwork | – | 650 | – |

Teamwork has ceased its business since 29 January 2016, and the aforesaid related party transactions had been discontinued. Please refer to note 27 headed “Related party transactions” of the Accountants’ Report in Appendix I to this prospectus for details.

Our Directors believe that each of the related party transactions set out above was conducted in the ordinary course of business on arm’s length basis. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not comparable with our future performance.

Balances with related parties

Please refer to note 17 of the Accountants’ Report in Appendix I to this prospectus, and the paragraph headed “Amounts due from/ to directors” in this section for further details of balances with related parties. As at 31 December 2014, 2015 and 2016, amounts due to our Directors were approximately HK\$1.4 million, HK\$180,000 and HK\$48,000, respectively. Our amounts due from Mr. Lau were nil, nil and approximately HK\$5.0 million for the same periods respectively.

The aforementioned amounts due from/to our Directors are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

We expect to settle all amounts due from/to our Directors prior to Listing.

FINANCIAL INFORMATION

INDEBTEDNESS

As at 30 April 2017, which is the latest practicable date for ascertaining information contained in the indebtedness statement prior to the printing of this prospectus, our total indebtedness amounted to HK\$11.8 million, which was attributable to amount due to Director, bank borrowings and financial lease liabilities. The table below sets forth the breakdown of our indebtedness as of the dates indicated:

| | As at 31 December | | | As at 30 April |
|-------------------------------|-------------------|---------------|---------------|-------------------|
| | 2014 | 2015 | 2016 | 2017 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | | (Unaudited) |
| Non-current | | | | |
| – Financial lease liabilities | <u>123</u> | <u>2,115</u> | <u>615</u> | <u>722</u> |
| Current | | | | |
| – Amount due to Mr. Lau | 702 | 133 | – | – |
| – Amount due to Ms. Yuen | 745 | 47 | 48 | 48 |
| – Bank borrowings | 2,585 | 6,875 | 12,072 | 8,620 |
| – Financial lease liabilities | <u>1,216</u> | <u>2,072</u> | <u>3,016</u> | <u>2,429</u> |
| Sub-total | <u>5,248</u> | <u>9,127</u> | <u>15,136</u> | <u>11,097</u> |
| Total | <u>5,371</u> | <u>11,242</u> | <u>15,751</u> | <u>11,819</u> |

As at 31 December 2014, 2015 and 2016, our Group had borrowings and amounts due to Directors in aggregate of approximately HK\$5.4 million, HK\$11.2 million and HK\$15.8 million respectively, all of which were denominated in Hong Kong Dollars. As at 30 April 2017, being the latest practicable date for determining indebtedness, our Group had borrowings and amount due to Director in aggregate of approximately HK\$11.8 million.

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Our bank borrowings as of the dates indicated were all denominated in Hong Kong Dollar. The table below sets out the effective interest rates per annum for our borrowings as at the dates indicated:

| | As at 31 December | | | As at 30 April |
|---------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2014 | 2015 | 2016 | 2017 |
| Bank borrowings | 8.23% to 9.89% | 4.60% to 9.89% | 3.48% to 8.23% | 3.48% to 8.23% |
| Finance lease liabilities | 6.47% to 7.06% | 3.13% to 6.47% | 3.13% to 6.47% | 3.13% to 6.47% |

Our Group's bank borrowings were primarily used in financing the working capital requirement of our operations, while our liability of the finance lease obligations was for the acquisition of machinery, equipment and motor vehicles to support our operations. During the Track Record Period, our Group's borrowings were secured/guaranteed by (i) personal guarantees executed by our Directors; (ii) guarantees by the Government of Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme; (iii) guarantee by the Hong Kong Mortgage Corporation Limited under SME Financing Guarantee Scheme; and (iv) secured by our Group's machinery and equipment with an aggregate net book value of approximately HK\$2.6 million, HK\$2.3 million and HK\$3.3 million and motor vehicles with an aggregate net book value of HK\$168,000, HK\$2.0 million and HK\$1.6 million as at 31 December 2014, 2015 and 2016, respectively. The personal guarantees executed by our Directors will be released and replaced by the corporate guarantee of our Company upon Listing.

As at 31 December 2014, 2015 and 2016 and 30 April 2017, our Group had unutilised banking facilities amounted to nil, nil, HK\$2.2 million and HK\$1.9 million, respectively.

As confirmed by our Directors, our Group had not defaulted or delayed any payment, and/or breached any of the finance covenants of our banking facilities during the Track Record Period and up to the Latest Practicable Date. For details of our borrowings, please refer to note 20 to the financial information in the Accountants' Report set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

Bank borrowings

Our bank borrowings primarily consisted of short-term and long-term borrowings used to fund our business operations. The following table sets forth a breakdown of our bank borrowings as at the dates indicated:

| | As at 31 December | | | As at 30 April |
|--|-------------------|--------------|---------------|-------------------|
| | 2014 | 2015 | 2016 | 2017 |
| | (HK\$'000) | (HK\$'000) | (HK\$'000) | (HK\$'000) |
| | | | | (Unaudited) |
| Bank borrowings | <u>2,585</u> | <u>6,875</u> | <u>12,072</u> | <u>8,620</u> |
| Carrying amounts repayable (based on scheduled repayment dates set out in the corresponding agreements) | | | | |
| – Within one year | 1,535 | 5,352 | 12,004 | 8,620 |
| – Between one and two years | 903 | 1,523 | 68 | – |
| – Between two and five years | <u>147</u> | <u>–</u> | <u>–</u> | <u>–</u> |
| | <u>2,585</u> | <u>6,875</u> | <u>12,072</u> | <u>8,620</u> |

FINANCIAL INFORMATION

Obligations under finance leases

As at 31 December 2014, 2015 and 2016 and 30 April 2017, our Group had finance leases repayable as follows:

| | As at 31 December 2014 <i>HK\$'000</i> | As at 31 December 2015 <i>HK\$'000</i> | As at 31 December 2016 <i>HK\$'000</i> | As at 30 April 2017 <i>HK\$'000</i> (Unaudited) |
|---|---|---|---|---|
| Gross finance lease liabilities – minimum lease payments | | | | |
| Within one year | 1,278 | 2,229 | 3,118 | 2,506 |
| Between one and two years | 48 | 1,772 | 524 | 674 |
| Between two and five years | <u>88</u> | <u>407</u> | <u>108</u> | <u>65</u> |
| | 1,414 | 4,408 | 3,750 | 3,245 |
| Future finance charges on finance leases | <u>(75)</u> | <u>(221)</u> | <u>(119)</u> | <u>(94)</u> |
| Present value of finance leases liabilities | <u><u>1,339</u></u> | <u><u>4,187</u></u> | <u><u>3,631</u></u> | <u><u>3,151</u></u> |

Our Directors confirm that as at the Latest Practicable Date, except as otherwise disclosed in this prospectus, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to Latest Practicable Date. Our Directors further confirm that we did not have any material default in payment of trade and non-trade payables, bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily related to the acquisition of the machineries and equipment, leasehold improvements, furniture, fixtures and office equipment and motor vehicles. The following table sets forth our additions of property, plant and equipment for the periods indicated.

| | For the year ended | | |
|---|---------------------|---------------------|---------------------|
| | 31 December | | |
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Machinery and equipment | 3,216 | 6,090 | 1,976 |
| Leasehold improvements | – | 45 | 259 |
| Furniture, fixture and office equipment | 117 | 201 | 125 |
| Motor vehicles | <u>210</u> | <u>2,351</u> | <u>426</u> |
| Total | <u><u>3,543</u></u> | <u><u>8,687</u></u> | <u><u>2,786</u></u> |

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Capital commitments

Our capital commitments primarily relate to the acquisition of machinery and equipment, leasehold improvement, furniture, fixtures and office equipment, as well as motor vehicles. As at 31 December 2014, 2015 and 2016 and 30 April 2017, we had capital commitments contracted in respect of the acquisition of property, plant and equipment of approximately HK\$407,000, HK\$7,000, nil and nil respectively.

FINANCIAL INFORMATION

Operating lease commitments

During the Track Record Period, we, as tenant, leased certain office premises, quarters and warehouses under operating leases. The following table sets forth our total future aggregate minimum lease payments under non-cancellable operating leases in respect of our leased properties as of the dates indicated:

| | As at 31 December | | | As at 30 April |
|--|-------------------|-------------------|-------------------|---------------------|
| | 2014 | 2015 | 2016 | 2017 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | | (Unaudited) |
| Within one year | 467 | 364 | 454 | 1,003 |
| In the second to fifth year inclusive | <u>–</u> | <u>127</u> | <u>61</u> | <u>732</u> |
| Total | <u><u>467</u></u> | <u><u>491</u></u> | <u><u>515</u></u> | <u><u>1,735</u></u> |

Our leases are generally negotiated for a lease term of one to three years at fixed rentals.

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 or results of operations. As at the Latest Practicable Date, we were not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, we expect would materially and adversely affect our financial positions or results of operations.

As at 31 December 2014, 2015 and 2016 and 30 April 2017, we did not have any significant contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contractual obligations set out in the paragraphs headed “Indebtedness” and the “Contractual obligations and commitments” in this section, as at the Latest Practicable Date, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder’s equity, or that are not reflected in our combined financial statements. We do not have any variable interests in any uncombined entity that provides financing, liquidity or credit support to us, or engages in leasing, hedging or research and development services with us.

FINANCIAL INFORMATION

WORKING CAPITAL SUFFICIENCY

Taking into consideration the financial resources available to us including the internally generated funds, the available banking facilities and the estimated net proceeds from the Public Offer, our Directors are of the view and the Sole Sponsor concurs, after due and careful inquiry, that our Group has sufficient working capital for at least 12 months commencing from the date of this prospectus.

SUMMARY OF KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates indicated:

| | For the year ended 31 December | | |
|---|-----------------------------------|------------|------------|
| | 2014 | 2015 | 2016 |
| Profitability ratios | | | |
| Gross profit margin <i>(note 1)</i> | 23.4% | 27.9% | 18.7% |
| Net profit margin <i>(note 2)</i> | 14.6% | 15.2% | 5.7% |
| Return on equity <i>(note 3)</i> | 59.2% | 46.3% | 23.4% |
| Return on total assets <i>(note 4)</i> | 25.1% | 21.6% | 11.5% |
| Capital adequacy ratio | | | |
| Interest coverage ratio <i>(note 5)</i> | 22.1 times | 34.9 times | 22.5 times |
| | As at 31 December | | |
| | 2014 | 2015 | 2016 |
| Liquidity ratios | | | |
| Current/Quick ratio <i>(note 6)</i> | 1.4 times | 1.7 times | 1.8 times |
| Capital adequacy ratios | | | |
| Gearing ratios <i>(note 7)</i> | 29.6% | 44.8% | 48.7% |

Notes:

- Gross profit margin is calculated by dividing our revenue minus our direct costs for the respective year by our revenue for the same year, and multiplying the result by 100%.
- Net profit margin is calculated by dividing the profit attributable to owners of our Company for the respective year by our revenue for the same year, and multiplying the result by 100%.

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3. Return on equity is calculated based on the profit attributable to the owners of our Company for the respective year divided by the total equity attributable to the owners of our Company as at the end of the respective year, multiplied by 100% for each of the years ended 31 December 2014, 2015 and 2016.
4. Return on total assets is calculated based on the profit attributable to owners of our Company for the respective year divided by the total assets at the end of the respective year, multiplied by 100% for each of the years ended 31 December 2014, 2015 and 2016.
5. Interest coverage ratio is calculated based on the net profit before interest and tax for the respective year divided by the interest expenses for the respective year.

Current ratio is calculated based on the total current assets as at the end of the respective year divided by the total current liabilities as at the end of the respective year.

6. Quick ratio is calculated based on the total current assets minus inventories as at the end of the respective year divided by the total current liabilities as at the end of the respective year.
7. Gearing ratio is calculated based on the total interest-bearing liabilities as at the end of the respective year divided by total equity as at the end of the respective year, multiplied by 100% for each of the years ended 31 December 2014, 2015 and 2016.

Please refer to the paragraphs headed “Key components in our combined statements of profit or loss and other comprehensive income” and “Net current assets” above in this section for discussion of (i) the factors affecting return on equity, return on total assets, quick/current ratio, gearing ratio, net debt to equity ratio and interest coverage ratio; and (ii) the analysis of revenue growth, gross profit margin and net profit margin. Please also refer to the paragraph headed “Indebtedness” above in this section for discussion of the factors affecting gearing ratio.

Analysis of key financial ratios

Return on equity

Return on equity decreased from approximately 59.2% for the year ended 31 December 2014 to approximately 46.3% for the year ended 31 December 2015. The decrease was mainly due to (i) the increase in return is not as much as the increase in equity in terms of percentage; and (ii) our net profit was affected by the recognition of listing expenses of approximately HK\$2.2 million during the year ended 31 December 2015 (2014: nil) as well as the tax effect of the non-deductible listing expenses.

Return on equity for the year ended 31 December 2016 further decreased to approximately 23.4% due to the decrease in net profit resulting from (i) the recognition of listing expenses of approximately HK\$4.7 million; (ii) a drop in our gross profit margin; and (iii) an increase in our administrative and other operating expenses to support our business growth.

FINANCIAL INFORMATION

Return on total assets

Return on total assets decreased from approximately 25.1% for the year ended 31 December 2014 to approximately 21.6% for the year ended 31 December 2015. The decrease was mainly due to the higher rate of increase of assets of approximately 69.3% as compared to the increase of net profit of approximately 45.8%. The significant expansion of our total assets base was primarily attributable to the increase in working capital contributed from the profit for the year ended 31 December 2015 and the purchase of fixed assets partially financed by borrowings. Return on total assets for the year ended 31 December 2016 further decreased to 11.5% due to (i) the decrease in net profit as mentioned above; and (ii) the increase in total assets mainly on the increase in trade receivables resulting from the substantial value of works undertaken and certified towards the end of 2016.

Interest coverage ratio

Our interest coverage ratio increased from approximately 22.1 times for the year ended 31 December 2014 to approximately 34.9 times for the year ended 31 December 2015. Such increase was mainly attributable to the increase in profit before interest and tax of approximately 48.3% while the interest expenses remained at the same level. Our interest coverage ratio decreased to 22.5 times for the year ended 31 December 2016 mainly due to the decrease in net profit (before interest and tax) as mentioned above, and the higher finance cost due to an increase in average level of borrowings.

Current/quick ratio

As our Group did not hold any inventory during the Track Record Period, the current ratio of our Group is identical to the quick ratio. Our current ratio increased from 1.4 times as at 31 December 2014 to approximately 1.7 times as at 31 December 2015, primarily as a result of an increase in cash and bank balances contributed by our net profit of approximately HK\$11.5 million recognised for the year ended 31 December 2015. Our current ratio remained stable at 1.8 times as at 31 December 2016.

Gearing ratio

Our gearing ratio increased from approximately 29.6% as at 31 December 2014 to approximately 44.8% as at 31 December 2015. The increase was mainly attributable to the increase in bank borrowings and the increase in obligations under finance leases for new motor vehicles partially offset by the increase in equity base of approximately 86.4%.

FINANCIAL INFORMATION

Our gearing ratio increased from approximately 44.8% as at 31 December 2015 to approximately 48.7% as at 31 December 2016. Such increase was mainly due to the increase in bank borrowings to finance our working capital.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are, in the ordinary course of our business, exposed to a variety of financial risks, including market risk (including interest risk), equity price risk, credit risk and liquidity risk. We monitor and manage such financial risks through internal risks reports which analyse exposure by degree and magnitude of risk.

Please refer to Note 3 to the Accountants' Report of Appendix I to this prospectus for further details regarding our financial risk management.

Interest rate risk

Our interest rate risk is insignificant because our Group do not have any significant interest-bearing assets except for bank balance, in which our management team expected that the interest rates of bank balances will not change significantly. We are exposed to cash flow interest rate risk arising from our borrowings, as our borrowings were obtained at variable interest rates. Our Group does not use any derivative financial instruments to hedge our risk exposure against changes in interest rates.

The sensitivity analysis below has been determined based on the exposure to the interest rates for variable rate bank borrowings at the end of each reporting period and assumed that the amount of liabilities outstanding at the end of each reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates on all variable-rate borrowings had been 100 basis points higher/lower and all other variables were held constant, our net profit after income tax for the years ended 31 December 2014, 2015 and 2016 would increase/decrease by nil, HK\$28,000 and HK\$35,000, respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

FINANCIAL INFORMATION

Credit risk

The credit risk of our Group mainly arises from trade and other receivables, amount due from a director as well as cash and bank balances. The carrying amounts, where applicable, of each class of these financial assets represent our Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates. Our credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies. In respect of trade and other receivables, individual credit evaluations are performed on our customers and counterparties. Monitoring procedures have been implemented to ensure that follow-up action will be taken to recover overdue debts. Our Directors will consider making specific provisions for trade receivables at the end of each reporting year/period when there are indications that the balances are unlikely to be recovered.

Our Group has certain concentration of credit risk. As at 31 December 2014, 2015 and 2016, approximately 88%, 78% and 84% of our Group's total trade and other receivables were attributable to two, two and four customers which individually contributed over 10% of our Group's trade and other receivables, respectively.

Liquidity risk

Our Group's policy is to monitor our current and expected liquidity requirements regularly to ensure that our Group maintains sufficient reserve of cash to meet our liquidity requirements in both long and short terms to ensure that our Group has sufficient financial resources to fund our operations.

Foreign exchange risk

Our Group is a substructure subcontractor capable of foundation and site formation works and other geotechnical engineering works in Hong Kong, with all of our transactions settled in Hong Kong Dollars. As such, our Directors are of the view that our Group did not have any significant foreign exchange liabilities and did not have any significant exposure to foreign exchange risk during the Track Record Period.

DISCLOSURES OF ADVANCES REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances which give rise to a disclosure obligations under GEM Listing Rules 17.15 to 17.21 of the GEM Listing Rules.

FINANCIAL INFORMATION

PROPERTY INTERESTS

During the Track Record Period and up to the Latest Practicable Date, we did not own any properties, the details of which are set out in the paragraph headed “Business – Properties” to this prospectus.

RECENT BUSINESS DEVELOPMENT AND FINANCIAL PERFORMANCE

Subsequent to Track record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking foundation and related works in Hong Kong. As at the Latest Practicable Date, we had 12 projects on hand (including contracts in progress as well as contracts that awarded to us but not yet commenced). The aggregate contract sum of all contracts on hand is approximately HK\$181.3 million of which approximately HK\$10.7 million of revenue has been recognised during the Track Record Period. Based only on our projects completed and contracts on hand, we expect to recognise revenue of approximately HK\$143.4 million for the year ending 31 December 2017. As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and none of them have had any material interruption. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects. Please refer to the section headed “Business – Projects of Our Group” for details. Following the Track Record Period, we have been continuously approached by customers for submitting quotations for new projects. In this regard, our Directors have been cautiously optimistic in preparing our quotations with an aim to expand our business.

Save as disclosed above, our Directors confirm that there have not been any material adverse changes on our financial and trading position and our prospect after the Track Record Period and up to the Latest Practicable Date, other than the impact of listing expenses.

MATERIAL ADVERSE CHANGE

We did not experience any significant decrease in revenue or any unexpected increase in the direct costs and other costs subsequent to the Track Record Period and up to the Latest Practicable Date. The foundation and related industry in Hong Kong remained relatively stable after the Track Record Period and up to the Latest Practicable Date. As far as the our Directors are aware, there are no material adverse changes affecting the industry we operate in Hong Kong which could have a material and adverse impact on our business and financial conditions and our operating results. However, the impact of the Listing expenses on the profit or loss accounts has posted a material adverse change in the financial or trading position or prospect of our Group since 31 December 2016 (being the date on which our latest audited consolidated financial statements were made up). Prospective investors should be aware of the impact of the Listing expenses on the financial performance of our Group for the year ending 31 December 2017.

FINANCIAL INFORMATION

Saved as disclosed above, after performing sufficient due diligence works which our Directors consider appropriate and after due and careful consideration, our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 December 2016 (being the date on which our latest audited consolidated financial statements were prepared as set out in the Accountants' Report in Appendix I to this prospectus) and up to the date of this prospectus and there had been no event since 31 December 2016 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma data relating to our combined net tangible assets attributable to owners of our Company prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only and is set out below to illustrate the effect of the Public Offer on our combined net tangible assets attributable to owners of our Company as at 31 December 2016 as if the Public Offer had taken place on that date. Due to its hypothetical nature, the following unaudited pro forma data may not give a true picture of our combined net tangible assets attributable to owners of our Company as at 31 December 2016 or as at any subsequent date following the Public Offer. It is prepared based on the audited combined financial information as at 31 December 2016 as set forth in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. This unaudited pro forma statement of adjusted combined net tangible assets does not form part of the Accountants' Report as set forth in Appendix I to this prospectus.

| | Audited combined net tangible assets of our Group attributable to owners of our Company as at 31 December 2016 (Note 1) HK\$'000 | Add: Estimated net proceeds from the Public Offer (Note 2) HK\$'000 | Unaudited pro forma adjusted net tangible assets attributable to owners of our Company (Note 3) HK\$ | Unaudited pro forma adjusted net tangible assets of our Group attributable to owners of our Company per Share (Note 3) HK\$ |
|---|---|---|--|---|
| Based on the Offer Price of HK\$0.20 per Offer Share | 32,265 | 37,701 | 69,966 | 0.07 |
| Based on the Offer Price of HK\$0.24 per Offer Share | 32,265 | 47,451 | 79,716 | 0.08 |

FINANCIAL INFORMATION

Notes:

1. The unadjusted audited combined net tangible assets attributable to the owners of the Company as of 31 December 2016 is extracted from Accountants' Report, which is based on the audited combined net assets of the Group attributable to the owners of the Company of approximately HK\$32,265,000.
2. The estimated net proceeds from the Public Offer are based on 250,000,000 Shares at the indicative Offer Price of HK\$0.20 and HK\$0.24 per Share, respectively, after deduction of relevant estimated underwriting commissions and fees and other related fees (excluding approximately HK\$6,920,000 listing-related expenses which have been accounted for prior to 31 December 2016).
3. The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in Notes 1 and 2 above and on the basis that 1,000,000,000 Shares are issued and outstanding as set out in the section headed "Share Capital" of this prospectus (assuming that the Offer Shares and the Capitalisation Issue had been completed on 31 December 2016).
4. The unaudited pro forma adjusted net tangible assets of our Group does not take into account the dividend of approximately HK\$9.0 million declared by our Group members in June 2017. The unaudited pro forma net tangible assets per Share would have been HK\$0.06 and HK\$0.07 per Share based on the Offer Price of HK\$0.20 and HK\$0.24 respectively, after taking into account the declaration of dividend in the sum of approximately HK\$9.0 million.
5. The unaudited pro forma financial information presented above does not take account of any trading or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 31 December 2016).

For more details, please refer to Appendix II to this prospectus.

DIVIDEND AND DISTRIBUTABLE RESERVES

We did not declare any dividends to our then Shareholders for the financial years of 2014, 2015 and 2016.

We do not have a fixed dividend policy and our Company does not have any predetermined dividend payout ratio. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on the future operations and earnings, capital requirements and surplus, general financial condition and other factors that our Directors deem relevant. Investors should note that historical dividend distributions are not indicative of our Company's future dividend distribution policy.

Any declaration, payment as well as the amount of dividends will be subject to the Articles and the Companies Law. Our Shareholders in general meeting may approve and make any declaration of dividends in any currency, but no dividend shall exceed the amount recommended by our Board. Dividends may be paid out of our Company's distributable profits as permitted under the relevant laws.

FINANCIAL INFORMATION

Our Company was incorporated on 4 January 2016 and has not carried out any business since the date of incorporation. Accordingly, our Company did not have any distributable reserve available for distribution to our Shareholders as at 31 December 2016.

On 1 June 2017, members of our Group declared a dividend to their then shareholders in an amount of approximately HK\$9.0 million, of which approximately HK\$8.4 million was set off against the net amount due from director and approximately HK\$0.6 million to be settled by cash by internal resources before Listing. Our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising out of the dividend payment as our Group will maintain net current assets and net assets positions after payment of the dividend.

LISTING EXPENSES

Our Directors expect that our total listing expenses are non-recurring in nature. Assuming the Offer Price of HK\$0.22 per Offer Share (being the mid-point of the indicative offer price range stated in this prospectus), the total estimated listing expenses incurred in relation to the Public Offer are approximately HK\$19.3 million, without taking into account any discretionary incentive fees, of which approximately HK\$5.8 million is directly attributable to the issuance of Offer Shares and will be capitalised and deducted from equity upon Listing in the financial year of 2017, approximately HK\$2.2 million and HK\$4.7 million were charged to the combined statements of profit or loss and other comprehensive income for each of the two years ended 31 December 2015 and 2016, respectively, and approximately HK\$6.6 million is expected to be charged for the year ending 31 December 2017. The final amount to be recognised to the profit or loss of our Group or to be capitalised is subject to adjustment based on audit and the changes in variables and assumptions. In the circumstances, we expect that the expenses in connection with the Listing will have a negative effect on our results of operations and financial condition for the year ending 31 December 2017.

UNDERWRITING

JOINT LEAD MANAGERS

Frontpage Capital Limited

Supreme China Securities Limited

UNDERWRITERS

Frontpage Capital Limited

Supreme China Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Our Company, Controlling Shareholders, executive Directors and the Underwriters have entered into the Public Offer Underwriting Agreement. As described in the Public Offer Underwriting Agreement, we are offering the Offer Shares for subscription on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement at the Offer Price. Subject to the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be issued, and to certain other conditions described in the Public Offer Underwriting Agreement (including the Joint Lead Managers (on behalf of themselves and the Underwriters) and us agreeing to the Offer Price), the Underwriters have agreed severally to subscribe, or procure subscribers to subscribe for their respective applicable portions of the Offer Shares on the terms and conditions set out in this prospectus and the Public Offer Underwriting Agreement.

Grounds for termination

If at any time prior to 8:00 a.m. on the Listing Date:

- (a) there comes to the notice of the Joint Lead Managers (on behalf of themselves and the Underwriters):
 - (i) any new law or regulation in Hong Kong, the BVI and the Cayman Islands comes into force, or there is any change in existing law or regulation in Hong Kong, the BVI and the Cayman Islands, or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the BVI and the Cayman Islands; or

UNDERWRITING

- (ii) there is any material adverse change (including any event or series of events concerning or relating to or otherwise having an effect on) in Hong Kong financial, political, military, industrial, fiscal, legal, regulatory, economic or market conditions, stock or financial market conditions; or
- (iii) there is any material adverse change in the conditions of the Hong Kong securities markets including, for the avoidance of doubt, any significant adverse change in the index level or value of turnover of such markets; or
- (iv) without prejudice to sub-paragraph (ii) and (iii) above, there is imposed any moratorium, suspension on trading in securities generally on the Stock Exchange due to exceptional financial circumstance, or minimum prices having been established for securities traded in general thereon; or
- (v) without prejudice to sub-paragraph (ii), (iii) and (iv) above, a general banking moratorium is declared by Hong Kong authorities; or
- (vi) there is a material adverse change or development involving a prospective material adverse change in taxation or exchange controls in Hong Kong, the BVI, or the Cayman Islands; or
- (vii) there is any material investigation or litigation or claim being threatened or instituted against any executive Director or member of our Group; or
- (viii) there is any event or series of event of force majeure (including, but without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike, lockout, or outbreak of other diseases); or
- (ix) any statement contained in this prospectus and any announcement or circular published by our Company in relation to the Public Offer was, when any of such documents was issued, or has become, untrue, incorrect or misleading in any material respect; or
- (x) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom in the context of the Public Offer or the Listing; or
- (xi) a contravention by any member of our Group of the Companies Ordinance, the SFO, or any of the GEM Listing Rules; or
- (xii) a prohibition on our Company from allotting the Offer Shares pursuant to the terms of the Public Offer under applicable laws; or

UNDERWRITING

- (xiii) a petition is presented or an order is made for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any material member of our Group,

which in the sole and reasonable opinion of the Joint Lead Managers (for themselves and the Underwriters) has or will have a material adverse effect on the business or financial conditions or prospects of our Group taken as a whole or to the success of the Public Offer or the distribution of the Offer Shares, or

- (b) any of the Joint Lead Managers, the Sole Sponsor or the Underwriters becomes aware, or has reasonable cause to believe that:
 - (i) there has occurred any breach which is material and adverse in the context of the Public Offer or the Listing, of any of the obligations and provisions (save for those from the Joint Lead Managers, the Sole Sponsor and/or any of the Underwriters) contained in the Public Offer Underwriting Agreement; or
 - (ii) there has occurred any material adverse change in the business or in the financial or trading positions or prospects of any member of our Group taken as a whole which is material and adverse in the context of the Public Offer and the Listing,

then and in any such case, the Joint Lead Managers (for themselves and on behalf of the Underwriters) shall have the sole right upon giving notice in writing to our Company at any time prior to 8:00 a.m. on the Listing Date to terminate their obligations under the Public Offer Underwriting Agreement.

UNDERTAKINGS GIVEN TO THE STOCK EXCHANGE PURSUANT TO THE GEM LISTING RULES

Undertaking by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except in any of the circumstances provided for under Rule 17.29 of the GEM Listing Rules or pursuant to the Public Offer.

UNDERWRITING

Undertaking by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, our Controlling Shareholders have, jointly and severally, undertaken to the Stock Exchange and our Company that, save as permitted under the GEM Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of their shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), they shall not dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests, or encumbrances in respect of, any of our Shares in respect of which they are shown in this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date which the First Six-month Period expires (the “**Second Six-month Period**”), they shall not dispose of, nor enter into any agreement to dispose of, or otherwise created any options, rights, interests or encumbrances in respect of, any of the Shares, if immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would then cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange and our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or she or it will:

- (i) when he or she or it pledges or charges any Share beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) (the “**Banking Ordinance**”) pursuant to Rule 13.18(1) of the GEM Listing Rules, or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, inform our Company immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any interest in the Shares under paragraph (i) above, inform our Company immediately in the event that he or she or it becomes aware that the pledgee or charge has disposed of or intends to dispose of such interest and of the number of Shares affected.

Our Company will also inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the publication requirements under of the GEM Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

UNDERWRITING

UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

Undertaking by our Company

We have undertaken to the Sole Sponsor, the Joint Lead Managers and the Underwriters pursuant to the Public Offer Underwriting Agreement that, except pursuant to the Public Offer or grant of options or issue of our Shares upon exercise of such options pursuant to the Share Option Scheme, we will not without the prior written consent of the Joint Lead Managers (for themselves and on behalf of the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, at any time during the First Six-month Period, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right, warrant or other rights to subscribe for any Shares or other securities of our Company over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of our subsidiaries), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction, and we further agree that, during the Second Six-month Period, we will not carry out any of the above transactions the completion of which would result in any of our Controlling Shareholders ceasing to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

Undertaking by our Controlling Shareholders

Each of our Controlling Shareholders has respectively undertaken to the Sole Sponsor, the Joint Lead Managers, the Underwriters and our Company that:

- (a) during the First Six-month Period, he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its close associates and companies controlled by him/her/it and any nominee or trustee holding in trust for himself/herself/itself shall not, without the prior written consent of the Joint Lead Managers and unless in compliance with the requirements of the GEM 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 Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities; or

UNDERWRITING

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; or
 - (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
 - (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/her/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance of the laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted under the GEM Listing Rules;
- (b) he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its close associates or companies controlled by him/her/it and any nominee or trustee holding in trust for himself/herself/itself shall not, without the prior written consent of the Stock Exchange during the Second Six-month Period commencing on the expiry of the First Six-month Period set out in paragraph (a) above, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/her/it or any of his/her/its close associates or companies controlled by him/her/it or any nominee or trustee holding in trust for himself/herself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be controlling shareholder (as defined in the GEM Listing Rules) of our Company or the aggregate interest of all members of our Controlling Shareholders would be less than 30% of our Company's issued share capital except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/her/it as security (including a charge or pledge) in favour of any authorized institution (as defined in the Banking Ordinance of the laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted under the GEM Listing Rules; and
- (c) in the event of a disposal of any Shares or securities of our Company or any interest therein within the Second Six-month Period, he/she/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company.

UNDERWRITING

Each of our Controlling Shareholders undertakes to the Sole Sponsor, the Joint Lead Managers, the Underwriters and our Company that within the First Six-month Period and the Second Six-month Period, he/she/it shall:

- (a) if and when he/she/it pledges or charges, directly or indirectly, any Shares or other securities of our Company beneficially owned by him/her/it (or any beneficial interest therein), immediately inform our Company and the Joint Lead Managers in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) if and when he/she/it receives indications, either verbal or written, from any pledgee or chargee that any Shares or other securities in our Company (or any beneficial interest therein) pledged or charged by him/her/it will be disposed of, immediately inform our Company and the Joint Lead Managers in writing of such indications.

Our Company will notify the Stock Exchange as soon as our Company has been informed of any of such events and shall make a public disclosure by way of announcement in accordance with the GEM Listing Rules.

Voluntary lock-up undertaking by our Controlling Shareholders

Apart from satisfying the lock-up requirement under Rule 13.16A of the GEM Listing Rules, each of our Controlling Shareholders has voluntarily undertaken to the Company for a further 12 months commencing on the date on which the twelve-month lock-up period under Rule 13.16A of the GEM Listing Rules expires, not to dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he/she is or they are shown by this prospectus to be the beneficial owner(s) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be controlling shareholder (as defined in the GEM Listing Rules) of our Company. This undertaking can only be waived by majority of our independent Shareholders.

Total commission, fee and expenses

In connection with the Public Offer, the Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions and selling concessions. Underwriting commission will be payable by our Company for the number of Offer Shares offered for subscription in the Public Offer.

In connection with the Listing, the Sole Sponsor will receive a sponsorship and documentation fees and will be reimbursed for their expenses.

In connection with the Listing and the Public Offer, the total expenses (including underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation fee, the listing fee, legal and other professional fees, printing cost and other expenses relating to the Public Offer) are estimated to be approximately HK\$19.3 million (assuming that the underwriting commission is calculated with reference to the mid-point of the indicative Offer Price range of HK\$0.20 to HK\$0.24 per Offer Share) which will be solely borne by our Company.

UNDERWRITING

Our Company and our Controlling Shareholders have agreed to indemnify the Joint Lead Managers and the Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Public Offer Underwriting Agreement, and any breach by our Company or our Controlling Shareholders of the Public Offer Underwriting Agreement.

Independence of the Sole Sponsor

Save for (i) the Sole Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until the despatch of the audited consolidated financial results for the second full financial year after the Listing Date, and our Company will pay to the Sole Sponsor an agreed fee for its provision of services as required under the GEM Listing Rules; and (ii) the interests and obligations under the Public Offer Underwriting Agreement and the advisory fee payable to the Sole Sponsor in respect of the Public Offer, none of the Sole Sponsor, the Joint Lead Managers or the Underwriters is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group, no director or employee of the Sole Sponsor who is involved in providing advice to our Company has or, as a result of the Listing and/or the Public Offer, may have any interest in any class of securities of our Company or any other members of the Group (including options or rights to subscribe for such securities). No director or employee of the Sole Sponsor has any directorship in our Company or any other members of our Group. The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

Following the completion of the Public Offer, the Underwriters and their respective affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Public Offer Underwriting Agreement.

Save for their interests and obligations under the Public Offer Underwriting Agreement, the sponsorship and documentation fee payable to the Sole Sponsor in connection with the Listing, and the fee payable to the Sole Sponsor for its acting as our compliance adviser, none of the Sole Sponsor, the Joint Lead Managers and the Underwriters is interested, beneficially or otherwise, in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

Sole Sponsor's, Joint Lead Managers' and Underwriters' interests in our Company

Save for their interests and obligations under the Public Offer Underwriting Agreement and the advisory and documentation fee payable to the Sole Sponsor in respect of the Public Offer, pursuant to the requirements under Rule 6A.07 of the GEM Listing Rules, none of the Sole Sponsor, the Joint Lead Managers and the Underwriters or any of their close associates is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group. None of the directors and employees of the Sole Sponsor, the Joint Lead Managers and the Underwriters has any directorship in our Company or any other companies comprising our Group.

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER

THE PUBLIC OFFER

This prospectus is published in connection with the Public Offer. The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

250,000,000 Offer Shares will be made available under the Public Offer.

The Offer Shares will represent approximately 25% of the total Shares in issue immediately following the completion of the Public Offer.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Public Offer.

Number of Offer Shares offered

We are offering 250,000,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 100% of the total number of Offer Shares available under the Public Offer.

The Public Offer is open to members of the public in Hong Kong as well as to professional, institutional and other investors in Hong Kong. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that 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” below in this section.

Allocation

Allocation of Offer 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 Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Offer Shares, and those applicants who are not successful in the ballot may not receive any Offer Shares.

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER

The total number of Offer Shares available for subscription under the Public Offer is to be divided into two pools for allocation purposes: pool A and pool B. The Offer Shares in pool A will consist of 125,000,000 Offer Shares (being 50% of the total number of Offer Shares available under the Public Offer) and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate subscription price of HK\$5.0 million or less (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). The Offer Shares in pool B will consist of 125,000,000 Offer Shares (being 50% of the total number of Offer Shares available under the Public Offer) and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate subscription price of more than HK\$5.0 million and up to the total value of pool B (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “subscription price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than 125,000,000 Offer Shares, being the number of Offer Shares allocated to each pool, are liable to be rejected.

Applications

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may require any investor who has made an application under the Public Offer to provide sufficient information to the Joint Lead Managers so as to allow them to identify the relevant applications under the Public Offer.

OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on or before Tuesday, 20 June 2017.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lowered than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$0.24 per Offer Share and is expected to be not less than HK\$0.20 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, not later than the morning of the last day for lodging applications under the Public Offer.

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER

Change to the Offer Price range

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, where they consider appropriate, based on the level of applications in the Public Offer, and with the consent of our Company, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer (the “**Acceptance Date**”).

In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day lodging applications under the Public Offer, cause there to be published on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.wbgroupfw.com.hk:

- (a) notices of reduction in the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Public Offer statistics as currently set out in the section headed “Summary” of this prospectus, and any other financial information which may change as a result of such reduction; and
- (b) such supplemental offering documents as may be required by laws of any governmental authority to be published in such manner as the relevant laws or governmental authority may require as soon as practicable following the decision to make the change and not later than the morning of the Acceptance Date.

Before submitting applications for Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants who have submitted their applications for Offer Shares before such an announcement is made may subsequently withdraw their applications in the event that such an announcement is subsequently made. In the absence of any such announcement so published, the Offer Price will not be reduced, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Lead Managers, the Public Offer will not proceed and will lapse.

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER

ANNOUNCEMENT OF THE OFFER PRICE AND BASIS OF ALLOCATIONS

Announcement of the final Offer Price, together with the level of applications in the Public Offer, the basis of allocation and the results of applications in the Public Offer is expected to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.wbgroupfw.com.hk.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.24 per Offer Share and is expected to be not less than HK\$0.20 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.24 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$2,424.18 per board lot of 10,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.24 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest. Further details are set out in the section headed "How to apply for the Offer Shares" of this prospectus.

UNDERWRITING

The Public Offer is fully underwritten by the Underwriters under the terms and conditions of the Public Offer Underwriting Agreement and is subject to the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) agreeing on the Offer Price.

The underwriting arrangements, including the Public Offer Underwriting Agreement, are summarised in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE PUBLIC OFFER

The Public Offer is conditional upon:

- (a) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus;
- (b) the Price Determination Agreement between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) being entered into on or before the Price Determination Date; and
- (c) the obligations of the Joint Lead Managers and the Underwriters under the Public Offer Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Lead Managers (for themselves and on behalf of the Underwriters), and such obligations not having been terminated in accordance with the terms of the Public Offer Underwriting Agreement,

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER

in each case, on or before the dates and times specified in the Public Offer Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

The consummation of the Public Offer is conditional upon, among other things, the Public Offer Underwriting Agreement becoming unconditional and not having been terminated in accordance with its terms.

If any of the above conditions has not fulfilled or (where applicable) waived by the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before the day which is the 30 days after the date of this prospectus, the Public Offer shall lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Public Offer will be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.wbgroupfw.com.hk on the next business day after such lapse. The terms on which the application money will be returned to the applicants are set out in the section headed “How to apply for the Offer Shares – 13. Despatch/Collection of share certificates and refund monies” of this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Tuesday, 27 June 2017. The Shares will be traded in board lot of 10,000 Shares each. The GEM stock code for the Shares is 8460.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the 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 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.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements will affect their rights and interests.

HOW TO APPLY FOR THE OFFER SHARES

1. HOW TO APPLY

To apply for Offer Shares, you may:

- use a **WHITE** Application Form or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in our application.

Our Company, the Joint Lead Managers 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 Offer Shares on a **WHITE** Application Form or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his/her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Lead Managers, may accept it at our/their discretion and on any conditions we/they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Offer Shares.

HOW TO APPLY FOR THE OFFER SHARES

Unless permitted by the GEM Listing Rules, you cannot apply for any Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate or a close associate (as defined in the GEM Listing Rules) of any of the above; and
- a connected person or a core connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Public Offer.

3. APPLYING FOR OFFER SHARES

Which Application Channel to Use

For Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For 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 copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, 14 June 2017 until 12:00 noon on Monday, 19 June 2017 from:

- (a) any of the following offices of the Underwriters:

| Name | Address |
|----------------------------------|---|
| Frontpage Capital Limited | 26/F, Siu On Centre 188 Lockhart Road Wan Chai Hong Kong |
| Supreme China Securities Limited | Suite 2701-2, 27/F, Everbright Centre 108 Gloucester Road Wan Chai Hong Kong |

HOW TO APPLY FOR THE OFFER SHARES

(b) any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

| District | Branch Name | Address |
|------------------|----------------------------------|--|
| Hong Kong Island | Des Voeux Road Branch | Standard Chartered Bank Building 4-4A Des Voeux Road Central Central |
| Kowloon | 68 Nathan Road Branch | Basement, Shop B1, G/F and M/F Golden Crown Court 66-70 Nathan Road Tsimshatsui |
| | Lok Fu Shopping Centre Branch | Shop G201, G/F Lok Fu Shopping Centre |
| New Territories | Shatin Plaza Branch | Shop No. 8, Shatin Plaza 21-27 Shatin Centre Street Shatin |

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Wednesday, 14 June 2017 until 12:00 noon on Monday, 19 June 2017 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

HOW TO APPLY FOR THE OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** Application Form or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**HORSFORD NOMINEES LIMITED – BASETROPY PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Wednesday, 14 June 2017 – 9:00 a.m. to 5:00 p.m.
Thursday, 15 June 2017 – 9:00 a.m. to 5:00 p.m.
Friday, 16 June 2017 – 9:00 a.m. to 5:00 p.m.
Saturday, 17 June 2017 – 9:00 a.m. to 1:00 p.m.
Monday, 19 June 2017 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 19 June 2017, the last application day or such later time as described in the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" in this section below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Forms carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (or if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Lead Managers (or their respective agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Offer Shares allotted to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Articles of Association of our Company;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

HOW TO APPLY FOR THE OFFER SHARES

- (v) confirm that you are aware of the restrictions on the Public Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Public Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (viii) for the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (ix) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (x) agree that your application will be governed by the laws of Hong Kong;
- (xi) represent, warrant and undertake that (i) you understand that the Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xii) warrant that the information you have provided is true and accurate;
- (xiii) agree to accept the Offer Shares applied for, or any lesser number allocated to you under the application;
- (xiv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Hong Kong branch share register of members as the holder(s) of any Offer Shares allotted to you, and our Company and/or its agents to send any Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;

HOW TO APPLY FOR THE OFFER SHARES

- (xv) 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;
- (xvi) understand that our Company, the Sole Sponsor and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvii) (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** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by anyone as your agent or by any other person; and
- (xviii) (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** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HOW TO APPLY FOR THE OFFER SHARES

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 copy of this 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 Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers and the Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Offer Shares applied for or any lesser number allocated;
 - (if the electronic instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

HOW TO APPLY FOR THE OFFER SHARES

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Offer Shares allotted to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Public Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

HOW TO APPLY FOR THE OFFER SHARES

- 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 a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Articles of Association of our Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

HOW TO APPLY FOR THE 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 our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Offer Shares. Instructions for more than 10,000 Offer Shares must be in one of the numbers set out in the table in the relevant Application Forms. No application for any other number of 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:

| | | |
|--------------------------------|---------------------------------|--|
| Wednesday, 14 June 2017 | – 9:00 a.m. to 8:30 p.m. | ^(Note 1) |
| Thursday, 15 June 2017 | – 8:00 a.m. to 8:30 p.m. | ^(Note 1) |
| Friday, 16 June 2017 | – 8:00 a.m. to 8:30 p.m. | ^(Note 1) |
| Monday, 19 June 2017 | – 8:00 a.m. | ^(Note 1) to 12:00 noon |

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR THE OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 14 June 2017 until 12:00 noon on Monday, 19 June 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 19 June 2017, the last application day or such later time as described in the paragraph headed “9. Effect of bad weather on the opening of the application lists” in this section 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 Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of 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 Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Lead Managers, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Offer Shares.

HOW TO APPLY FOR THE 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** Application Form or **YELLOW** Application Form or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 19 June 2017.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"*Unlisted company*" means a company with no equity securities listed on the Stock Exchange.

"*Statutory control*" means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR THE OFFER SHARES

8. HOW MUCH ARE THE OFFER SHARES

The **WHITE** Application Form and **YELLOW** Application Form have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** Application Form or **YELLOW** Application Form in respect of a minimum of 10,000 Offer Shares. Each application or **electronic application instruction** in respect of more than 10,000 Offer Shares must be in one of the numbers set out in the table in the relevant Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the paragraph headed “Structure and Conditions of the Public Offer – Offer Price” in this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 19 June 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 19 June 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

HOW TO APPLY FOR THE OFFER SHARES

10. PUBLICATION OF RESULTS

Our Company expect to announce the final Offer Price, the level of applications in the Public Offer and the basis of allocation of the Offer Shares on Monday, 26 June 2017 on our website at www.wbgrouppfw.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:

- in the announcement to be posted on our Company's website at www.wbgrouppfw.com.hk and the Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. on Monday, 26 June 2017;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, 26 June 2017 to 12:00 midnight on Sunday, 2 July 2017;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 26 June 2017 to Thursday, 29 June 2017;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 26 June 2017 to Wednesday, 28 June 2017 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Offer Shares if the conditions of the Public Offer are satisfied and the Public Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Public 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.

HOW TO APPLY FOR THE OFFER SHARES

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an **Application Form** or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Lead Managers 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 OFFER SHARES

(iii) If the allotment of Offer Shares is void:

The allotment of Offer Shares will be void if the Listing Division of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or are suspected of making multiple applications;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Public Offer Underwriting Agreement do not become unconditional or is terminated;
- our Company or the Joint Lead Managers believes that by accepting your application, we or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.24 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and Conditions of the 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 Monday, 26 June 2017.

HOW TO APPLY FOR THE OFFER SHARES

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Form or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** Application Form or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Offer Shares allotted to you (for **YELLOW** Application Form, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Monday, 26 June 2017. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 27 June 2017 provided that the Public Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised and the Public Offer has become unconditional. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR THE OFFER SHARES

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 26 June 2017 or such other date as notified by us at www.hkexnews.hk.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Monday, 26 June 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 26 June 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 26 June 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE OFFER SHARES

If you are applying through a designated CCASS participant (other than a CCASS investor participant)

For Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Offer Shares allotted to you with that CCASS participant.

If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "10. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 26 June 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the 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 Offer Shares

For the purposes of allocating Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic **application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 26 June 2017, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE OFFER SHARES

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed “10. Publication of results” above on Monday, 26 June 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 26 June 2017 or such other date as determined by HKSCC or HKSCC Nominees.

You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 26 June 2017 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Monday, 26 June 2017. Immediately following the credit of the 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 Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 26 June 2017.

HOW TO APPLY FOR THE 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 our Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

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

The following is the text of a report received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

14 June 2017

The Directors
Basetrophy Group Holdings Limited
Frontpage Capital Limited

Dear Sirs,

We set out below our report on the financial information (the **"Financial Information"**) regarding Basetrophy Group Holdings Limited (the **"Company"**) and its subsidiaries (hereinafter collectively referred to as the **"Group"**) for the years ended 31 December 2014, 2015 and 2016 (the **"Track Record Period"**), for inclusion in the prospectus of the Company dated 14 June 2017 (the **"Prospectus"**) in connection with the proposed listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company, which acts as an investment holding company, was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 4 January 2016. Through a corporate reorganisation as more fully explained in the paragraph headed "Reorganisation" under the section headed "History, Development and Reorganisation" to the Prospectus (the **"Reorganisation"**), the Company became the holding company of the companies now comprising the Group on 7 June 2017.

As at the date of this report, the Company has 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 |
|--|--|--|---|---|
| Wide View Enterprises Limited ("Wide View") | Limited liability company incorporated on 20 November 2015, the British Virgin Islands (the "BVI") | US\$100 | 100% (direct) | Investment holding |
| Workbase Engineering Limited ("Workbase") | Limited liability company incorporated on 16 July 2003, Hong Kong | HK\$1,000 | 100% (indirect) | Provision of foundation and related works |

All companies now comprising the Group have adopted 31 December as their financial year end date.

No audited statutory financial statements have been prepared for the Company since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement and the Company has not carried on any business other than those transactions relating to the Reorganisation.

No audited statutory financial statements have been prepared for Wide View since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement.

The statutory financial statements of Workbase for the years ended 31 December 2014 and 2015, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), were audited by us.

No audited statutory financial statements have been prepared for Workbase for the year ended 31 December 2016 as such financial statements are not yet due for audit under the statutory requirement of its place of incorporation.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Track Record Period (the "Underlying Financial Statements") in accordance with HKFRSs issued by the HKICPA.

We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis of presentation set out in Note 1 of Section II below, and no adjustments to the Underlying Financial Statements are considered necessary in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 1 of Section II below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 December 2014, 2015 and 2016 and of the Company as at 31 December 2016, and of the combined financial performance and combined cash flows of the Group for the Track Record Period.

I FINANCIAL INFORMATION OF THE GROUP

The following is the Financial Information of the Group as at 31 December 2014, 2015 and 2016 and for each of the years ended 31 December 2014, 2015 and 2016, presented on the basis set out in Note 1 of Section II below:

Combined Statements of Profit or Loss and Other Comprehensive Income

| | | Year ended 31 December | | |
|--|------|------------------------|----------------------|----------------------|
| | | 2014 | 2015 | 2016 |
| | Note | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue | 5 | 53,785 | 75,320 | 131,813 |
| Cost of sales | 6 | <u>(41,189)</u> | <u>(54,322)</u> | <u>(107,216)</u> |
| Gross profit | | 12,596 | 20,998 | 24,597 |
| Other income and other gain and loss | 5 | 619 | 319 | 921 |
| Administrative and other operating expenses | 6 | <u>(3,380)</u> | <u>(6,736)</u> | <u>(14,933)</u> |
| Operating profit | | 9,835 | 14,581 | 10,585 |
| Finance costs | 9 | <u>(445)</u> | <u>(418)</u> | <u>(470)</u> |
| Profit before income tax | | 9,390 | 14,163 | 10,115 |
| Income tax expense | 10 | <u>(1,533)</u> | <u>(2,707)</u> | <u>(2,568)</u> |
| Profit and total comprehensive income for the year attributable to owners of the Company | | <u>7,857</u> | <u>11,456</u> | <u>7,547</u> |
| Basic and diluted earnings per share | 11 | <u>HK cents 1.05</u> | <u>HK cents 1.53</u> | <u>HK cents 1.00</u> |

Details of dividends are disclosed in Note 12 to the Financial Information.

Combined Statements of Financial Position

| | | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 31 December 2016 HK\$'000 |
|---|------|--|--|--|
| | Note | | | |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 13 | <u>6,097</u> | <u>11,155</u> | <u>9,049</u> |
| Current assets | | | | |
| Trade and other receivables | 15 | 14,805 | 16,397 | 30,810 |
| Gross amounts due from customers for contract work | 16 | 8,882 | 12,355 | 15,458 |
| Amount due from a director | 17 | – | – | 5,018 |
| Cash and bank balances | 18 | <u>1,520</u> | <u>13,077</u> | <u>5,521</u> |
| | | <u>25,207</u> | <u>41,829</u> | <u>56,807</u> |
| Total assets | | <u><u>31,304</u></u> | <u><u>52,984</u></u> | <u><u>65,856</u></u> |
| EQUITY | | | | |
| Capital and reserves | | | | |
| Combined capital | 19 | 1 | 1 | 1 |
| Retained earnings | | <u>13,261</u> | <u>24,717</u> | <u>32,264</u> |
| Total equity | | <u>13,262</u> | <u>24,718</u> | <u>32,265</u> |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Borrowings | 20 | 123 | 2,115 | 615 |
| Deferred tax liabilities | 21 | <u>523</u> | <u>811</u> | <u>783</u> |
| | | <u>646</u> | <u>2,926</u> | <u>1,398</u> |
| Current liabilities | | | | |
| Trade and other payables | 22 | 10,035 | 12,658 | 16,409 |
| Gross amounts due to customers for contract work | 16 | 73 | 1,339 | – |
| Amounts due to directors | 17 | 1,447 | 180 | 48 |
| Deferred gain | 23 | – | – | 463 |
| Borrowings | 20 | 3,801 | 8,947 | 15,088 |
| Current income tax liabilities | | <u>2,040</u> | <u>2,216</u> | <u>185</u> |
| | | <u>17,396</u> | <u>25,340</u> | <u>32,193</u> |
| Total liabilities | | <u>18,042</u> | <u>28,266</u> | <u>33,591</u> |
| Total equity and liabilities | | <u><u>31,304</u></u> | <u><u>52,984</u></u> | <u><u>65,856</u></u> |
| Net current assets | | <u><u>7,811</u></u> | <u><u>16,489</u></u> | <u><u>24,614</u></u> |
| Total assets less current liabilities | | <u><u>13,908</u></u> | <u><u>27,644</u></u> | <u><u>33,663</u></u> |

Statement of Financial Position

| | | As at 31 December 2016 |
|--|-------------|------------------------------|
| | <i>Note</i> | <i>HK\$'000</i> |
| ASSETS | | |
| Current assets | | |
| Prepayments | | 2,129 |
| Cash | | <u>—</u> |
| | | <u>2,129</u> |
| EQUITY | | |
| Capital and reserves | | |
| Share capital | 19 | — |
| Accumulated losses | | <u>(4,675)</u> |
| | | <u>(4,675)</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Amount due to Workbase | 24 | <u>6,804</u> |
| Total equity and liabilities | | <u><u>2,129</u></u> |
| Net current liabilities | | <u><u>(4,675)</u></u> |
| Total assets less current liabilities | | <u><u>(4,675)</u></u> |

Combined Statements of Changes in Equity

| | Combined capital <i>HK\$'000</i> (Note 19) | Retained earnings <i>HK\$'000</i> | Total equity <i>HK\$'000</i> |
|---|---|---|------------------------------------|
| Balance at 1 January 2014 | 1 | 5,404 | 5,405 |
| Profit and total comprehensive income for the year | <u>–</u> | <u>7,857</u> | <u>7,857</u> |
| Balance at 31 December 2014 | <u><u>1</u></u> | <u><u>13,261</u></u> | <u><u>13,262</u></u> |
| Balance at 1 January 2015 | 1 | 13,261 | 13,262 |
| Profit and total comprehensive income for the year | <u>–</u> | <u>11,456</u> | <u>11,456</u> |
| Balance at 31 December 2015 | <u><u>1</u></u> | <u><u>24,717</u></u> | <u><u>24,718</u></u> |
| Balance at 1 January 2016 | 1 | 24,717 | 24,718 |
| Profit and total comprehensive income for the year | <u>–</u> | <u>7,547</u> | <u>7,547</u> |
| Balance at 31 December 2016 | <u><u>1</u></u> | <u><u>32,264</u></u> | <u><u>32,265</u></u> |

Combined Statements of Cash Flows

| | | Year ended 31 December | | |
|---|------|------------------------|----------------|----------------|
| | | 2014 | 2015 | 2016 |
| | Note | HK\$'000 | HK\$'000 | HK\$'000 |
| Cash flows from operating activities | | | | |
| Net cash generated from/(used in) operations | 25 | 4,109 | 17,011 | (1,031) |
| Tax paid | | <u>(54)</u> | <u>(2,243)</u> | <u>(4,627)</u> |
| Net cash generated from/(used in) operating activities | | <u>4,055</u> | <u>14,768</u> | <u>(5,658)</u> |
| Cash flows from investing activities | | | | |
| Proceeds from disposal of property, plant and equipment | | – | 23 | – |
| Purchases of property, plant and equipment | | (3,357) | (3,795) | (830) |
| Increase in amount due from a director | | <u>–</u> | <u>–</u> | <u>(5,018)</u> |
| Net cash used in investing activities | | <u>(3,357)</u> | <u>(3,772)</u> | <u>(5,848)</u> |
| Cash flows from financing activities | | | | |
| Decrease in amounts due to directors | | (77) | (1,267) | (132) |
| Drawdown of finance leases | | – | – | 1,583 |
| Repayment of finance leases | | (1,689) | (2,044) | (2,228) |
| Drawdown of bank borrowings | | 2,550 | 6,947 | 11,901 |
| Repayment of bank borrowings | | (876) | (2,657) | (6,704) |
| Drawdown of other borrowing | | 1,500 | – | – |
| Repayment of other borrowing | | (1,500) | – | – |
| Interest paid on finance leases | | (195) | (165) | (149) |
| Interest paid on bank borrowings | | (220) | (253) | (321) |
| Interest paid on other borrowing | | <u>(30)</u> | <u>–</u> | <u>–</u> |
| Net cash (used in)/generated from financing activities | | <u>(537)</u> | <u>561</u> | <u>3,950</u> |
| Net increase/(decrease) in cash and cash equivalents | | | | |
| Cash and cash equivalents at beginning of year | | <u>1,359</u> | <u>1,520</u> | <u>13,077</u> |
| Cash and cash equivalents at end of year | 18 | <u>1,520</u> | <u>13,077</u> | <u>5,521</u> |

II NOTES TO THE FINANCIAL INFORMATION

1 General Information and Basis of Presentation of the Financial Information

The Company was incorporated in the Cayman Islands on 4 January 2016 as an exempted company with limited liability. Its parent and ultimate holding company is Brightly Ahead Limited (“**Brightly Ahead**”), a company incorporated in the BVI and wholly-owned by Mr. Lau Chung Ho (“**Mr. Lau**”) and Ms. Yuen Suk Har (“**Ms. Yuen**”), spouse of Mr. Lau, the controlling parties of the Company.

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 provision of foundation and related works.

Throughout the Track Record Period, the group entities were under the control of Mr. Lau and Ms. Yuen. Through the Reorganisation as more fully explained in the paragraph headed “Reorganisation” under the section headed “History, Development and Reorganisation” to the Prospectus, the Company became the holding company of the companies now comprising the Group on 7 June 2017. Accordingly, for the purpose of the preparation of the 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 Mr. Lau and Ms. Yuen prior to and after the Reorganisation.

The 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 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.

The Financial Information is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) *Basis of preparation*

The principal accounting policies applied in the preparation of the Financial Information which are in accordance with the HKFRSs issued by the HKICPA are set out below. The 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 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 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 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 | Transfers of Investment Property | 1 January 2018 |
| Amendments to HKFRS 2 | Classification and Measurement of Share- based Payment Transactions | 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 HKFRSs | Annual Improvements to HKFRSs 2014-2016 Cycle | 1 January 2017 or 1 January 2018, as appropriate |

- HKFRS 9 “Financial Instruments”, addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the “hedged ratio” to be the same as the one management actually use for risk management purposes. The Group is assessing the impact of HKFRS 9 but anticipate that the application of HKFRS 9 in the future will have no material impact on the Group’s consolidated financial statements.

- HKFRS 15 “Revenue from Contracts with Customers” 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 recognition 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 Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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.

Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

- HKFRS 16 “Leases” 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 financial statements. As set out in note 26, total operating lease commitments of the Group in respect of office premises, quarters and warehouses as at 31 December 2016 amounted to approximately HK\$515,000. The directors of the Company do not expect the adoption of HKFRS 16 would result in significant impact on the Group’s result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The Group will adopt these new standards, amendments and interpretations in the period of initial application. Other than explained above regarding the impact of HKFRS 9, HKFRS 15 and HKFRS 16, the Group expects that the adoption of the other new or revised standards will have no significant impact on the Group’s result of operations and its financial position.

(b) Consolidation and combination

The combined 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 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 reported 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 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 | Over lease term |
| Furniture, fixtures and office equipment | 20% |
| Motor vehicles | 20% |

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.

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 short-term and 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.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term.

(i) Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the “percentage-of-completion method” to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to work performed to date as a percentage of total contract value.

On the combined statements of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

(j) *Financial assets*

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for 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 "trade and other receivables", "amount due from a director" and "cash and bank balances" in the combined statements of financial position.

(k) *Impairment of financial assets*

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.

(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 flow, 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 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 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 a defined contribution plan and pays contributions to a privately administered pension insurance plan 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.

(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 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 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.

(a) *Foundation and related works income*

Revenue from construction contracts, including foundation works, site formation works and other geotechnical engineering works, is recognised based on the stage of completion of the contracts as detailed in note 2(i) above.

(b) *Rental income*

Rental income is recognised based on the straight-line basis over the lease terms.

(c) *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

(w) *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 Company's shareholders or directors, where appropriate.

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's interest rate risk arises from borrowings. Borrowings obtained with variable rates expose the Group to cash flow interest rate risk which is partially offset by cash deposited at variable rates. The Group has not hedged its cash flow interest rate risks.

As at 31 December 2014, 2015 and 2016, if the interest rate on all variable-rate borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's profit after income tax for the year would have been decreased/increased by approximately nil, HK\$28,000 and HK\$35,000 respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

(ii) Credit risk

Credit risk arises mainly from trade and other receivables, amount due from a director 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 is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

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 December 2014, 2015 and 2016, there were two, two and four 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 88%, 78% and 84% of the Group's total trade and other receivables as at 31 December 2014, 2015 and 2016 respectively.

(iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities 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 rates current at the year end dates during the Track Record Period) and the earliest date the Group may be required to pay:

| | On demand or within one year HK\$'000 | Between one and two years HK\$'000 | Between two and five years HK\$'000 | Total HK\$'000 |
|---|--|---|--|-------------------|
| At 31 December 2014 | | | | |
| Trade and other payables | 10,035 | – | – | 10,035 |
| Amounts due to directors | 1,447 | – | – | 1,447 |
| Finance lease liabilities | 1,278 | 48 | 88 | 1,414 |
| Borrowings (excluding finance lease liabilities) | <u>2,800</u> | <u>–</u> | <u>–</u> | <u>2,800</u> |
| | <u>15,560</u> | <u>48</u> | <u>88</u> | <u>15,696</u> |

| | On demand or within one year HK\$'000 | Between one and two years HK\$'000 | Between two and five years HK\$'000 | Total HK\$'000 |
|---|--|---|--|-------------------|
| At 31 December 2015 | | | | |
| Trade and other payables | 12,658 | – | – | 12,658 |
| Amounts due to directors | 180 | – | – | 180 |
| Finance lease liabilities | 2,229 | 1,772 | 407 | 4,408 |
| Borrowings (excluding finance lease liabilities) | <u>7,113</u> | <u>–</u> | <u>–</u> | <u>7,113</u> |
| | <u>22,180</u> | <u>1,772</u> | <u>407</u> | <u>24,359</u> |
| At 31 December 2016 | | | | |
| Trade and other payables | 16,409 | – | – | 16,409 |
| Amounts due to directors | 48 | – | – | 48 |
| Finance lease liabilities | 3,118 | 524 | 108 | 3,750 |
| Borrowings (excluding finance lease liabilities) | <u>12,267</u> | <u>–</u> | <u>–</u> | <u>12,267</u> |
| | <u>31,842</u> | <u>524</u> | <u>108</u> | <u>32,474</u> |

(b) Capital 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 total interest-bearing liabilities divided by the total equity.

The gearing ratios during the Track Record Period are as follows:

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 31 December 2016 HK\$'000 |
|-------------------------------------|--|--|--|
| Total borrowings (<i>Note 20</i>) | 3,924 | 11,062 | 15,703 |
| Total equity | <u>13,262</u> | <u>24,718</u> | <u>32,265</u> |
| Gearing ratio | <u>30%</u> | <u>45%</u> | <u>49%</u> |

4 Critical Accounting Estimates and Judgements

Estimates and judgements used in preparing the 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.

(a) *Useful lives and impairment of property, plant and equipment*

The Group has significant investments in property, plant and equipment. The Group is required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting period.

Useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including decline in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

Impairment of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management judgement is required in the area of asset impairment particularly in assessing; (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of the operations.

(b) Impairment of receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at each financial period.

Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(c) 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.

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

5 Revenue and Segment Information

Revenue and other income and other gain and loss recognised during the respective years are as follows:

| | Year ended 31 December | | |
|--|------------------------|---------------|----------------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue | | | |
| Foundation and related works (<i>Note a</i>) | <u>53,785</u> | <u>75,320</u> | <u>131,813</u> |
| Other income and other gain and loss | | | |
| Rental income | 444 | 120 | 20 |
| (Loss)/gain on disposal of property, plant and equipment | (110) | 9 | (58) |
| Amortisation of deferred gain (<i>Note 23</i>) | — | — | 93 |
| Others | <u>285</u> | <u>190</u> | <u>866</u> |
| | <u>619</u> | <u>319</u> | <u>921</u> |

Note:

- (a) Related works included site formation works and other geotechnical engineering works.

Segment information

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 Financial Information accordingly. Also, the Group only engages its business in Hong Kong. Therefore, no segment 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 December | | |
|------------|------------------------|----------|----------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Customer A | 46,372 | 33,965 | 59,193 |
| Customer B | N/A ¹ | 24,297 | 34,404 |
| Customer C | N/A ¹ | 9,669 | 33,554 |

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group during the corresponding year of the Track Record Period.

6 Expenses by Nature

| | Year ended 31 December | | |
|--|------------------------|---------------|----------------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Cost of sales | | | |
| Construction contracts costs | | | |
| – Staff costs (Note 7) | 3,185 | 9,763 | 28,201 |
| – Depreciation of property, plant and equipment (Note a) | 1,567 | 3,511 | 3,226 |
| – Other construction contracts costs (Note b) | 36,437 | 41,048 | 75,789 |
| | <u>41,189</u> | <u>54,322</u> | <u>107,216</u> |

| | Year ended 31 December | | |
|---|------------------------|---------------------|----------------------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Administrative and other operating expenses | | | |
| Auditors' remuneration | 50 | 50 | 50 |
| Depreciation of property, plant and equipment (<i>Note a</i>) | 156 | 280 | 330 |
| Listing expenses | – | 2,245 | 4,675 |
| Operating lease rental on premises | 432 | 450 | 800 |
| Staff costs, including directors' emoluments (<i>Note 7</i>) | 2,049 | 2,523 | 5,673 |
| Other expenses | <u>693</u> | <u>1,188</u> | <u>3,405</u> |
| | <u><u>3,380</u></u> | <u><u>6,736</u></u> | <u><u>14,933</u></u> |

Notes:

| (a) | Year ended 31 December | | |
|--|------------------------|---------------------|---------------------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Depreciation | 1,886 | 3,615 | 3,523 |
| (Less)/add: Amount included in gross amounts due from/to customers for contract work | <u>(163)</u> | <u>176</u> | <u>33</u> |
| | <u><u>1,723</u></u> | <u><u>3,791</u></u> | <u><u>3,556</u></u> |

- (b) Other construction contracts costs included but are not limited to construction materials, subcontracting charges, machinery and equipment leasing expense and repair and maintenance.

7 Employee Benefit Expenses, Including Directors' Emoluments

| | Year ended 31 December | | |
|---|------------------------|----------------------|----------------------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Salaries, allowances and other benefits | 5,155 | 13,363 | 32,033 |
| Retirement scheme contributions | | | |
| – defined contribution plan | <u>174</u> | <u>466</u> | <u>962</u> |
| | 5,329 | 13,829 | 32,995 |
| (Less)/add: Amount included | | | |
| in gross amounts due | | | |
| from/to customers | | | |
| for contract work | <u>(95)</u> | <u>(1,543)</u> | <u>879</u> |
| | <u><u>5,234</u></u> | <u><u>12,286</u></u> | <u><u>33,874</u></u> |

The Group operates a defined contribution scheme in Hong Kong which complies 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 December 2014 | | | | | |
| <i>Executive directors</i> | | | | | |
| Mr. Lau | – | 699 | 25 | 17 | 741 |
| Ms. Yuen | – | – | – | – | – |
| | <u>–</u> | <u>699</u> | <u>25</u> | <u>17</u> | <u>741</u> |
| Year ended 31 December 2015 | | | | | |
| <i>Executive directors</i> | | | | | |
| Mr. Lau | – | 894 | – | 18 | 912 |
| Ms. Yuen | – | – | – | – | – |
| | <u>–</u> | <u>894</u> | <u>–</u> | <u>18</u> | <u>912</u> |
| Year ended 31 December 2016 | | | | | |
| <i>Executive directors</i> | | | | | |
| Mr. Lau | – | 1,108 | 60 | 18 | 1,186 |
| Ms. Yuen | – | 130 | 10 | 6 | 146 |
| | <u>–</u> | <u>1,238</u> | <u>70</u> | <u>24</u> | <u>1,332</u> |

Mr. Lau and Ms. Yuen were appointed as executive directors of the Company on 4 January 2016. Mr. Lau was also a director of certain subsidiary of the Company during the Track Record Period and the Group paid emoluments to him in his capacity as the director of this subsidiary before his appointment as an executive director of the Company.

Mr. Ng Ki Man, Mr. Iu Tak Meng Teddy and Mr. Chong Kam Fung were appointed as independent non-executive directors of the Company on 7 June 2017. During the Track Record Period, the independent non-executive directors have not yet been appointed and received no directors' remuneration in their 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

Of the five individuals with the highest emoluments, one of them is director for the Track Record Period whose emoluments are disclosed above. The emoluments in respect of the remaining four individuals for the Track Record Period are as follows:

| | Year ended 31 December | | |
|---------------------------------|-------------------------------|-----------------|-----------------|
| | 2014 | 2015 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Salaries and allowances | 1,144 | 2,003 | 2,911 |
| Discretionary bonuses | 55 | 73 | 228 |
| Retirement scheme contributions | 49 | 59 | 72 |
| | <u>1,248</u> | <u>2,135</u> | <u>3,211</u> |

The emoluments fell within the following bands:

| | Number of individuals | | |
|-------------------------------|-------------------------------|-------------|-------------|
| | Year ended 31 December | | |
| | 2014 | 2015 | 2016 |
| Emolument bands (in HK\$) | | | |
| Nil – HK\$1,000,000 | 4 | 4 | 3 |
| HK\$1,000,001 – HK\$1,500,000 | <u>–</u> | <u>–</u> | <u>1</u> |

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 December | | |
|-----------------------------|-------------------------------|-----------------|-----------------|
| | 2014 | 2015 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interest on finance leases | 195 | 165 | 149 |
| Interest on bank borrowings | 220 | 253 | 321 |
| Interest on other borrowing | <u>30</u> | <u>—</u> | <u>—</u> |
| | <u>445</u> | <u>418</u> | <u>470</u> |

10 Income Tax Expense

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 December | | |
|--|-------------------------------|-----------------|-----------------|
| | 2014 | 2015 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Hong Kong profits tax | | | |
| Current income tax | 1,239 | 2,419 | 2,596 |
| Over-provision of current income tax in prior year | (2) | — | — |
| Deferred income tax (<i>Note 21</i>) | <u>296</u> | <u>288</u> | <u>(28)</u> |
| Income tax expense | <u>1,533</u> | <u>2,707</u> | <u>2,568</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 December | | |
|--|------------------------|---------------|---------------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Profit before income tax | <u>9,390</u> | <u>14,163</u> | <u>10,115</u> |
| Calculated at a tax rate of 16.5% | 1,549 | 2,337 | 1,669 |
| Expenses not deductible for tax purposes | 6 | 390 | 823 |
| Over-provision of current income tax in prior year | (2) | – | – |
| Tax concession | (20) | (20) | – |
| Others | <u>–</u> | <u>–</u> | <u>76</u> |
| Income tax expense | <u>1,533</u> | <u>2,707</u> | <u>2,568</u> |

11 Earnings Per Share

For the purpose of this report, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company for the Track Record Period and (ii) the weighted average number of 750,000,000 shares (comprising 10,000 shares in issue and 749,990,000 shares to be issued under the capitalisation issue as described in Appendix IV “Statutory and General Information” to the Prospectus) as if these 750,000,000 shares were outstanding throughout the Track Record Period.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary share in issue during the Track Record Period.

12 Dividends

During the Track Record Period, no dividend was paid or declared by the Company.

Subsequent to the year ended 31 December 2016, on 1 June 2017, interim dividends of HK\$9,000,000 were appropriated to the then shareholder of Wide View.

13 Property, Plant and Equipment

| | Machinery and equipment <i>HK\$'000</i> <i>(Note a)</i> | Leasehold improvements <i>HK\$'000</i> | Furniture, fixtures and office equipment <i>HK\$'000</i> | Motor vehicles <i>HK\$'000</i> <i>(Note b)</i> | Total <i>HK\$'000</i> |
|--------------------------|---|--|--|---|--------------------------|
| Cost | | | | | |
| At 1 January 2014 | 5,513 | 101 | 299 | 977 | 6,890 |
| Additions | 3,216 | – | 117 | 210 | 3,543 |
| Disposals | – | – | – | (223) | (223) |
| At 31 December 2014 | 8,729 | 101 | 416 | 964 | 10,210 |
| Accumulated depreciation | | | | | |
| At 1 January 2014 | 1,414 | 20 | 154 | 752 | 2,340 |
| Charge for the year | 1,672 | 50 | 64 | 100 | 1,886 |
| Disposals | – | – | – | (113) | (113) |
| At 31 December 2014 | 3,086 | 70 | 218 | 739 | 4,113 |
| Net book value | | | | | |
| At 31 December 2014 | 5,643 | 31 | 198 | 225 | 6,097 |
| Cost | | | | | |
| At 1 January 2015 | 8,729 | 101 | 416 | 964 | 10,210 |
| Additions | 6,090 | 45 | 201 | 2,351 | 8,687 |
| Disposals | (19) | – | (4) | – | (23) |
| At 31 December 2015 | 14,800 | 146 | 613 | 3,315 | 18,874 |
| Accumulated depreciation | | | | | |
| At 1 January 2015 | 3,086 | 70 | 218 | 739 | 4,113 |
| Charge for the year | 2,891 | 52 | 102 | 570 | 3,615 |
| Disposals | (8) | – | (1) | – | (9) |
| At 31 December 2015 | 5,969 | 122 | 319 | 1,309 | 7,719 |
| Net book value | | | | | |
| At 31 December 2015 | 8,831 | 24 | 294 | 2,006 | 11,155 |

| | Machinery and equipment <i>HK\$'000</i> (Note a) | Leasehold improvements <i>HK\$'000</i> | Furniture, fixtures and office equipment <i>HK\$'000</i> | Motor vehicles <i>HK\$'000</i> (Note b) | Total <i>HK\$'000</i> |
|--------------------------|--|--|--|--|--------------------------|
| Cost | | | | | |
| At 1 January 2016 | 14,800 | 146 | 613 | 3,315 | 18,874 |
| Additions | 1,976 | 259 | 125 | 426 | 2,786 |
| Disposals | (4,400) | — | — | (427) | (4,827) |
| At 31 December 2016 | <u>12,376</u> | <u>405</u> | <u>738</u> | <u>3,314</u> | <u>16,833</u> |
| Accumulated depreciation | | | | | |
| At 1 January 2016 | 5,969 | 122 | 319 | 1,309 | 7,719 |
| Charge for the year | 2,862 | 89 | 116 | 456 | 3,523 |
| Disposals | (3,373) | — | — | (85) | (3,458) |
| At 31 December 2016 | <u>5,458</u> | <u>211</u> | <u>435</u> | <u>1,680</u> | <u>7,784</u> |
| Net book value | | | | | |
| At 31 December 2016 | <u>6,918</u> | <u>194</u> | <u>303</u> | <u>1,634</u> | <u>9,049</u> |

Notes:

- (a) Machinery and equipment includes the following amounts where the Group is a lessee under finance leases:

| | As at 31 December 2014 <i>HK\$'000</i> | As at 31 December 2015 <i>HK\$'000</i> | As at 31 December 2016 <i>HK\$'000</i> |
|-----------------------------------|---|---|---|
| Cost – capitalised finance leases | 4,400 | 2,900 | 4,482 |
| Accumulated depreciation | <u>(1,760)</u> | <u>(580)</u> | <u>(1,213)</u> |
| Net book value | <u>2,640</u> | <u>2,320</u> | <u>3,269</u> |

(b) Motor vehicles includes the following amounts where the Group is a lessee under finance leases:

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 31 December 2016 HK\$'000 |
|-----------------------------------|--|--|--|
| Cost – capitalised finance leases | 210 | 2,560 | 2,507 |
| Accumulated depreciation | <u>(42)</u> | <u>(554)</u> | <u>(914)</u> |
| Net book value | <u><u>168</u></u> | <u><u>2,006</u></u> | <u><u>1,593</u></u> |

14 Financial Instruments by Category

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 31 December 2016 HK\$'000 |
|---|--|--|--|
| Financial assets | | | |
| <i>Loans and receivables</i> | | | |
| Trade and other receivables excluding prepayments | 14,415 | 15,835 | 28,259 |
| Amount due from a director | – | – | 5,018 |
| Cash and bank balances | <u>1,520</u> | <u>13,077</u> | <u>5,521</u> |
| Total | <u><u>15,935</u></u> | <u><u>28,912</u></u> | <u><u>38,798</u></u> |
| Financial liabilities | | | |
| <i>Financial liabilities at amortised cost</i> | | | |
| Trade and other payables | 10,035 | 12,658 | 16,409 |
| Amounts due to directors | 1,447 | 180 | 48 |
| Borrowings (excluding finance lease liabilities) | 2,585 | 6,875 | 12,072 |
| Finance lease liabilities | <u>1,339</u> | <u>4,187</u> | <u>3,631</u> |
| Total | <u><u>15,406</u></u> | <u><u>23,900</u></u> | <u><u>32,160</u></u> |

15 Trade and Other Receivables

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 31 December 2016 HK\$'000 |
|---|--|--|--|
| Trade receivables | 5,039 | 3,386 | 15,153 |
| Other receivables, deposits and prepayments | 5,490 | 7,050 | 6,870 |
| Retention receivables | <u>4,276</u> | <u>5,961</u> | <u>8,787</u> |
| | <u>14,805</u> | <u>16,397</u> | <u>30,810</u> |

Notes:

- (a) The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. Trade receivables are denominated in HK\$.
- (b) The ageing analysis of the trade receivables based on date of payment certificates issued by customers is as follows:

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 31 December 2016 HK\$'000 |
|------------|--|--|--|
| 0-30 days | 1,404 | 3,386 | 15,153 |
| 31-60 days | <u>3,635</u> | <u>–</u> | <u>–</u> |
| | <u>5,039</u> | <u>3,386</u> | <u>15,153</u> |

Trade receivables of approximately HK\$1,404,000, HK\$3,386,000 and HK\$15,153,000 as at 31 December 2014, 2015 and 2016 respectively were not yet past due and approximately HK\$3,635,000, nil and nil as at 31 December 2014, 2015 and 2016 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. The ageing analysis of these trade receivable is as follows:

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 31 December 2016 HK\$'000 |
|-----------|--|--|--|
| 0-30 days | <u>3,635</u> | <u>–</u> | <u>–</u> |

Except for retention receivables of approximately HK\$983,000, HK\$2,302,000 and HK\$4,256,000 as at 31 December 2014, 2015 and 2016 respectively, which are expected to be recovered after one year, all of the remaining retention receivables are expected to be recovered within one year.

- (c) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

16 Gross Amounts Due from/to Customers for Contract Work

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 31 December 2016 HK\$'000 |
|---|--|--|--|
| Gross amounts due from customers for contract work | | | |
| Contract costs incurred plus recognised profits less | | | |
| recognised losses | 72,528 | 59,082 | 178,926 |
| Less: Progress billings received and receivable | <u>(63,646)</u> | <u>(46,727)</u> | <u>(163,468)</u> |
| | <u>8,882</u> | <u>12,355</u> | <u>15,458</u> |

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 31 December 2016 HK\$'000 |
|---|--|--|--|
| Gross amounts due to customers for contract work | | | |
| Progress billings received and receivable | 10,855 | 23,758 | – |
| Less: Contract costs incurred plus recognised profits less recognised losses | <u>(10,782)</u> | <u>(22,419)</u> | <u>–</u> |
| | <u>73</u> | <u>1,339</u> | <u>–</u> |

All gross amounts due from/to customers for contract work are expected to be recovered/settled within one year.

17 Amounts Due from/to Directors

(a) Amount due from a director

| Name of director | Maximum outstanding balance during the year ended 31 December | | | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 31 December 2016 HK\$'000 |
|---------------------|--|------------------|------------------|--|--|--|
| | 2014 HK\$'000 | 2015 HK\$'000 | 2016 HK\$'000 | | | |
| | | | | | | |
| Mr. Lau | – | – | 5,018 | <u>–</u> | <u>–</u> | <u>5,018</u> |

The amount due was non-trade nature, unsecured, non-interest bearing and had no fixed terms of repayment.

(b) Amounts due to directors

| Name of directors | As at 31 | As at 31 | As at 31 |
|-------------------|--------------|------------|-----------|
| | December | December | December |
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Mr. Lau | 702 | 133 | – |
| Ms. Yuen | <u>745</u> | <u>47</u> | <u>48</u> |
| | <u>1,447</u> | <u>180</u> | <u>48</u> |

The amounts due were non-trade nature, unsecured, non-interest bearing and had no fixed terms of repayment.

18 Cash and Bank Balances

| | As at 31 | As at 31 | As at 31 |
|---------------|--------------|---------------|--------------|
| | December | December | December |
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Cash at banks | 1,518 | 13,067 | 5,511 |
| Cash on hand | <u>2</u> | <u>10</u> | <u>10</u> |
| | <u>1,520</u> | <u>13,077</u> | <u>5,521</u> |

Notes:

- (a) The carrying amount of cash and bank balances were denominated in the following currencies:

| | As at 31 | As at 31 | As at 31 |
|-----------------------|--------------|---------------|--------------|
| | December | December | December |
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| HK\$ | 1,520 | 13,077 | 5,520 |
| United States dollars | <u>–</u> | <u>–</u> | <u>1</u> |
| | <u>1,520</u> | <u>13,077</u> | <u>5,521</u> |

- (b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

19 Combined Capital/Share Capital

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 31 December 2016 HK\$'000 |
|------------------|--|--|--|
| Combined capital | <u>1</u> | <u>1</u> | <u>1</u> |

For the purpose of the preparation of the combined statements of financial position, the balance of combined capital:

- at 31 December 2014 and 2015 represents the aggregate of the paid up share capital of the subsidiary(ies) comprising the Group held by the controlling parties of the Company prior to the Reorganisation; and
- at 31 December 2016 represents the aggregate of the paid up share capital of the Company and the subsidiaries comprising the Group held by the controlling parties of the Company prior to the Reorganisation.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 4 January 2016 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each and one fully paid share was allotted and issued to the initial subscriber, an independent third party, which was subsequently transferred to Brightly Ahead on 29 January 2016.

As at 31 December 2016, the Company has issued share capital of HK\$0.01 divided into 1 ordinary share of HK\$0.01 each.

20 Borrowings

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 31 December 2016 HK\$'000 |
|--|--|--|--|
| Non-current | | | |
| Finance lease liabilities (<i>Notes b and c</i>) | <u>123</u> | <u>2,115</u> | <u>615</u> |
| Current | | | |
| Bank borrowings (<i>Notes a, c and d</i>) | 2,585 | 6,875 | 12,072 |
| Finance lease liabilities (<i>Notes b and c</i>) | <u>1,216</u> | <u>2,072</u> | <u>3,016</u> |
| | <u>3,801</u> | <u>8,947</u> | <u>15,088</u> |
| Total borrowings | <u><u>3,924</u></u> | <u><u>11,062</u></u> | <u><u>15,703</u></u> |

Notes:

(a) Bank borrowings

The bank borrowings are classified as current liabilities according to the HK Interpretation 5, *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* issued by the HKICPA. According to the repayment schedule, the bank borrowings are repayable as follows:

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 31 December 2016 HK\$'000 |
|-----------------------|--|--|--|
| Within 1 year | 1,535 | 5,352 | 12,004 |
| Between 1 and 2 years | 903 | 1,523 | 68 |
| Between 2 and 5 years | <u>147</u> | <u>–</u> | <u>–</u> |
| | <u><u>2,585</u></u> | <u><u>6,875</u></u> | <u><u>12,072</u></u> |

The carrying amounts of the bank borrowings are denominated in HK\$.

(b) Finance lease liabilities

Lease liabilities are secured as the rights to the leased assets revert to the lessors in the event of default.

At the end of lease term of certain finance leases the Group has the option to purchase the leased asset at a price deemed to be a bargain purchase option.

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 31 December 2016 HK\$'000 |
|--|--|--|--|
| Gross finance lease liabilities – minimum lease payments | | | |
| Within 1 year | 1,278 | 2,229 | 3,118 |
| Between 1 and 2 years | 48 | 1,772 | 524 |
| Between 2 and 5 years | <u>88</u> | <u>407</u> | <u>108</u> |
| | 1,414 | 4,408 | 3,750 |
| Future finance charges on finance leases | <u>(75)</u> | <u>(221)</u> | <u>(119)</u> |
| Present value of finance lease liabilities | <u><u>1,339</u></u> | <u><u>4,187</u></u> | <u><u>3,631</u></u> |

The present value of finance lease liabilities is as follows:

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 31 December 2016 HK\$'000 |
|-----------------------|--|--|--|
| Within 1 year | 1,216 | 2,072 | 3,016 |
| Between 1 and 2 years | 41 | 1,715 | 510 |
| Between 2 and 5 years | <u>82</u> | <u>400</u> | <u>105</u> |
| | <u><u>1,339</u></u> | <u><u>4,187</u></u> | <u><u>3,631</u></u> |

The finance leases are secured by the Group's machinery and equipment with an aggregate net book value of approximately HK\$2,640,000, HK\$2,320,000 and HK\$3,269,000 and motor vehicles with an aggregate net book value of approximately HK\$168,000, HK\$2,006,000 and HK\$1,593,000 as at 31 December 2014, 2015 and 2016 respectively. Finance leases with carrying amounts of approximately HK\$1,177,000 as at 31 December 2014 are guaranteed by personal guarantees given by directors of the Company and third party. Finance leases with carrying amounts of approximately HK\$3,687,000 and HK\$3,293,000 as at 31 December 2015 and 2016 respectively are guaranteed by personal guarantee given by a director of the Company.

The carrying amounts of all finance lease liabilities are denominated in HK\$.

(c) The interest rates per annum of borrowings are as follows:

| | As at 31 December 2014 | As at 31 December 2015 | As at 31 December 2016 |
|---------------------------|---------------------------|---------------------------|---------------------------|
| Bank borrowings | 8.23% to 9.89% | 4.60% to 9.89% | 3.48% to 8.23% |
| Finance lease liabilities | <u>6.47% to 7.06%</u> | <u>3.13% to 6.47%</u> | <u>3.13% to 6.47%</u> |

(d) These banking facilities are secured by:

- (i) Personal guarantees given by directors of the Company as at 31 December 2014, 2015 and 2016;
- (ii) Guarantees by the Government of Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme as at 31 December 2014, 2015 and 2016; and
- (iii) Guarantee by The Hong Kong Mortgage Corporation Limited under SME Financing Guarantee Scheme as at 31 December 2015.

21 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: | Depreciation allowances in excess of the related depreciation HK\$'000 |
|---|---|
| At 1 January 2014 | 227 |
| Charged to profit or loss (<i>Note 10</i>) | <u>296</u> |
| At 31 December 2014 and 1 January 2015 | 523 |
| Charged to profit or loss (<i>Note 10</i>) | <u>288</u> |
| At 31 December 2015 and 1 January 2016 | 811 |
| Credited to profit or loss (<i>Note 10</i>) | <u>(28)</u> |
| At 31 December 2016 | <u>783</u> |

22 Trade and Other Payables

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 31 December 2016 HK\$'000 |
|-----------------------------------|--|--|--|
| Trade payables | 7,953 | 7,280 | 9,278 |
| Accrued employee benefit expenses | 200 | 2,607 | 2,559 |
| Other accruals and payables | 766 | 1,329 | 1,095 |
| Retention payables | <u>1,116</u> | <u>1,442</u> | <u>3,477</u> |
| | <u>10,035</u> | <u>12,658</u> | <u>16,409</u> |

Notes:

- (a) The ageing analysis of trade payables based on the invoice date is as follows:

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 31 December 2016 HK\$'000 |
|--------------|--|--|--|
| 0-30 days | 6,522 | 1,144 | 4,723 |
| 31-60 days | 552 | 3,514 | 3,277 |
| 61-90 days | 833 | 2,521 | 1,236 |
| Over 90 days | <u>46</u> | <u>101</u> | <u>42</u> |
| | <u>7,953</u> | <u>7,280</u> | <u>9,278</u> |

Trade payables of approximately nil, HK\$354,000 and HK\$312,000 as at 31 December 2014, 2015 and 2016 respectively are guaranteed by personal guarantees given by directors of the Company.

Except for retention payables of approximately HK\$775,000, HK\$385,000 and nil as at 31 December 2014, 2015 and 2016 respectively, which are expected to be settled after one year, all of the remaining retention payables are expected to be settled within one year.

- (b) All trade and other payables are denominated in HK\$.

23 Deferred Gain

During the year ended 31 December 2016, the Group sold construction machineries and leased back the relevant assets with a lease term of 1 year under sale and leaseback arrangement. There were approximately HK\$556,000 deferred gain arising from the sale and leaseback transaction to be amortised over its lease term. For the year ended 31 December 2016, deferred gain on sale and leaseback of property, plant and equipment of approximately HK\$93,000 was released and recognised in the combined statements of profit or loss and other comprehensive income.

24 Amount Due to Workbase

The amount due was non-trade nature, unsecured, non-interest bearing and had no fixed terms of repayment.

25 Notes to Combined Statements of Cash Flows**(a) Reconciliation of profit before income tax to net cash generated from/(used in) operations**

| | Year ended 31 December | | |
|---|------------------------|----------|----------|
| | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Profit before income tax | 9,390 | 14,163 | 10,115 |
| Adjustments for: | | | |
| Depreciation | 1,886 | 3,615 | 3,523 |
| Amortisation of deferred gain | – | – | (93) |
| Loss/(gain) on disposal of property, plant and equipment | 110 | (9) | 58 |
| Interest expense | 445 | 418 | 470 |
| Operating profit before working capital changes | 11,831 | 18,187 | 14,073 |
| Increase in trade and other receivables | (8,204) | (1,592) | (14,413) |
| Increase in gross amounts due from customers for contract work | (4,090) | (3,473) | (3,103) |
| Increase in trade and other payables | 4,587 | 2,623 | 3,751 |
| (Decrease)/increase in gross amounts due to customers for contract work | (15) | 1,266 | (1,339) |
| Net cash generated from/(used in) operations | 4,109 | 17,011 | (1,031) |

(b) Material non-cash transactions

During the years ended 31 December 2014, 2015 and 2016, additions to property, plant and equipment of approximately HK\$186,000, HK\$4,892,000 and HK\$374,000 were financed by finance lease arrangements respectively.

During the year ended 31 December 2016, settlement of finance lease of approximately HK\$284,000 was settled by disposal of property, plant and equipment.

26 Commitments**(a) Capital commitments**

Capital expenditure contracted for at the end of each of the Track Record Period but not yet incurred are as follows:

| | As at 31 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 31 December 2016 HK\$'000 |
|-------------------------------|--|--|--|
| Property, plant and equipment | <u>407</u> | <u>7</u> | <u>–</u> |

(b) 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 December 2014 HK\$'000 | As at 31 December 2015 HK\$'000 | As at 31 December 2016 HK\$'000 |
|--|--|--|--|
| Within one year | 467 | 364 | 454 |
| In the second to fifth years inclusive | <u>–</u> | <u>127</u> | <u>61</u> |
| | <u>467</u> | <u>491</u> | <u>515</u> |

The Group is the lessee in respect of office premises, quarters and warehouses under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the leases when all terms are renegotiated.

27 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 holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) The directors of the Company are of the view that the following parties were related parties that had transactions or balances with the Group during the Track Record Period:

| Name of related party | Relationship with the Group |
|--|--|
| Mr. Lau | Director of the Company |
| Ms. Yuen | Director of the Company |
| Teamwork Engineering Co. ("Teamwork") | A sole proprietorship wholly owned by a director of the Company |

- (b) Transactions

Save as disclosed in Notes 17, 20 and 22 to the Financial Information, the following significant transactions were carried out with a related party at terms mutually agreed by both parties:

| | Year ended 31 December | | |
|--|-------------------------------|-----------------|-----------------|
| | 2014 | 2015 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Paid to a related party: | | | |
| Machine rental expenses to Teamwork | 108 | — | — |
| Machinery and equipment purchased from Teamwork | — | 650 | — |

(c) Key management compensation

Key management includes directors (executive and non-executive) of the Group. The compensation paid or payable to key management for employee services is disclosed in Note 8.

28 Contingent Liabilities

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 judgments or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

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 December 2017 is expected to be approximately HK\$1,892,000.

IV SUBSEQUENT EVENTS

Save as disclosed in Note 12 to the Financial Information, the following significant events took place subsequent to 31 December 2016:

- (a) The Reorganisation as set out in Note 1 of Section II was completed on 7 June 2017.
- (b) The Company adopted a share option scheme on 7 June 2017, a summary of the terms and conditions of which are set out in the paragraph headed "Share Option Scheme" in Appendix IV "Statutory and General Information" to the Prospectus.
- (c) On 7 June 2017, the authorised share capital of the Company was increased from HK\$380,000 to HK\$30,000,000 by the creation of an additional of 2,962,000,000 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 31 December 2016.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Chan Ching Pang
Practising Certificate Number: P05746
Hong Kong

The information set forth in this appendix does not form part of the Accountants' Report on the financial information of our Group for the three years ended 31 December 2016 prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted combined net tangible assets of the Group which has been prepared in accordance with paragraph 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the proposed Public Offer on the audited combined net tangible assets of the Group attributable to owners of the Company as of 31 December 2016, as if the Public Offer had taken place on 31 December 2016.

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company had the Public Offer been completed as at 31 December 2016 or at any future dates. It is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below.

| | Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 HK\$'000 (Note 1) | Add: Estimated net proceeds from the Public Offer HK\$'000 (Note 2) | Unaudited pro forma adjusted net tangible assets HK\$'000 | Unaudited pro forma adjusted net tangible assets per Share HK\$ (Note 3) |
|---|--|--|---|--|
| Based on the Offer Price of HK\$0.24 per Share | <u>32,265</u> | <u>47,451</u> | <u>79,716</u> | <u>0.08</u> |
| Based on the Offer Price of HK\$0.20 per Share | <u>32,265</u> | <u>37,701</u> | <u>69,966</u> | <u>0.07</u> |

Notes:

1. The audited combined net tangible assets attributable to the owners of the Company as of 31 December 2016 is extracted from the Accountants' Report, which is based on the audited combined net assets of the Group attributable to the owners of the Company of approximately HK\$32,265,000.
2. The estimated net proceeds from the Public Offer are based on 250,000,000 Shares at the indicative Offer Price of HK\$0.24 and HK\$0.20 per Share, respectively, after deduction of relevant estimated underwriting commissions and fees and other related fees (excluding approximately HK\$6,920,000 listing-related expenses which have been accounted for prior to 31 December 2016).
3. The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in Notes 1 and 2 above and on the basis that 1,000,000,000 Shares are issued and outstanding as set out in the section headed "Share Capital" of this prospectus (assuming that the Public Offer and the Capitalisation Issue had been completed on 31 December 2016).
4. The unaudited pro forma financial information presented above does not take account of any trading or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 31 December 2016). In particular, on 1 June 2017, interim dividends of HK\$9,000,000 were appropriated to the then shareholder of Wide View Enterprises Limited. The unaudited pro forma adjusted net tangible assets had not taken into account of the above transaction. Had the effect of the interim dividends of HK\$9,000,000 appropriated on 1 June 2017 been taken into account, the unaudited pro forma adjusted net tangible assets per Share would be HK\$0.07 and HK\$0.06, assuming the indicative Offer Price of HK\$0.24 and HK\$0.20, respectively on the basis that 1,000,000,000 Shares were in issue and that the interim dividends appropriated on 1 June 2017, the Public Offer and the Capitalisation Issue had been completed on 31 December 2016.

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.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

14 June 2017

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF BASETROPHY GROUP HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Basetrophy Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted net tangible assets as at 31 December 2016 (the “**Unaudited Pro Forma Financial Information**”) and related notes as set out in Section A of Appendix II to the prospectus issued by the Company dated 14 June 2017 (the “**Prospectus**”). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed public offer (the “**Public Offer**”) of the shares of the Company on the Group’s financial position as at 31 December 2016 as if the Public Offer had taken place at 31 December 2016. As part of this process, information about the Group’s financial information has been extracted by the directors from the Group’s financial information for the three years ended 31 December 2016, on which an accountants’ report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of 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 the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 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' Responsibility

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2016 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

Yours faithfully,

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Chan Ching Pang

Practising Certificate Number: P05746

Hong Kong

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 4 January 2016 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**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 7 June 2017. 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.

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(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 authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

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(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.

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).

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The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) *Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) *Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

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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 despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

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- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the 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.

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Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(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.

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(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

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(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

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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;

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(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

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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.

(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 GEM 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;

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- (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 GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

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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 GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

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(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the 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 summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

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- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

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The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

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Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

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.

(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.

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3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 4 January 2016 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
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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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.

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In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

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(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 2 February 2016.

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.

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(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.

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.

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In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

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(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. 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 4 January 2016. Our Company has established a principal place of business in Hong Kong at Unit 18, 29th Floor, New Tech Plaza, 34 Tai Yau Street, San Po Kong, Kowloon and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 7 March 2016. CFN Lawyers in association with Broad & Bright has been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to its constitution, which comprises the Memorandum and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, our Company has an authorised share capital of HK\$380,000 divided in to 38,000,000 shares of HK\$0.01 each. One fully-paid Share was allotted and issued to the initial subscriber on 4 January 2016, and was subsequently transferred to Brightly Ahead on the same date.
- (b) Pursuant to the Reorganisation and as consideration for the acquisition by our Company of the entire issued share capital of Wide View from Brightly Ahead, 9,999 Shares, all credited as fully paid, were allotted and issued to Brightly Ahead on 7 June 2017.
- (c) On 7 June 2017, the Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$30,000,000 by the creation of an additional of 2,962,000,000 Shares, each ranking *pari passu* with the Shares then in issue in all respects.
- (d) Immediately following completion of the Capitalisation Issue and the Public Offer, and taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, 1,000,000,000 Shares will be issued fully paid or credited as fully paid, 2,000,000,000 Shares will remain unissued.

- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of our existing Shareholder passed on 7 June 2017” in this appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised by unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (f) Save as disclosed in the section headed “Share Capital” of this prospectus and in this paragraph headed “Changes in share capital of our Company”, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our existing Shareholder passed on 7 June 2017

On 7 June 2017, resolutions in writing were passed by the Shareholder pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum;
- (b) our Company conditionally approved and adopted the Articles;
- (c) 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\$30,000,000 divided into 3,000,000,000 Shares of HK\$0.01 each by creation of an additional 2,962,000,000 Shares of HK\$0.01 each, ranking *pari passu* with the existing Shares in all respects;
- (d) 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 Underwriters under the Public Offer Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of 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 Public Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Public 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 Public Offer, our Directors were authorised to capitalise an amount of HK\$7,499,900 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 749,990,000 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 7 June 2017 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;
- (e) a general unconditional mandate was given to our Directors to exercise all power 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 or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by the Shareholders in general meeting or pursuant to the Public Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Public Offer and the Capitalisation Issue but excluding or 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 Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (f) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Public 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 (the “**Repurchase Mandate**”), and the Repurchase 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 the 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
 - (iii) the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (g) the Repurchase Mandate mentioned in sub-paragraph (e) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted and agreed to be allotted by the Directors pursuant to the Repurchase Mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (f) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Public Offer and the Capitalisation Issue but excluding or 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. Please refer to the paragraph headed “History, Development and Reorganisation – Reorganisation” in this prospectus for further details.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant’s Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed “History, Development and Reorganisation” in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of the 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 summary of which is set out below:

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, a summary of which is set out below:

(i) Shareholders’ approval

The GEM 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 GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the Shareholders on 7 June 2017, the Repurchase Mandate was granted to our Directors authorising them to exercise all powers of our Company to repurchase on GEM, or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Public Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the option 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 the Shareholders in a general meeting.

(ii) Source of funds

Any repurchase by our Company must be funded out of funds legally available for the purchase in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. Our Company may not repurchase its own Shares on GEM 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 repurchase 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 GEM Listing Rules prohibit our Company from knowingly repurchasing the Shares on GEM from a “connected person” (as defined in the GEM Listing Rules), which includes a Director, chief executive or substantial shareholder of our Company or any of our subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company on GEM.

(b) Exercise of the Repurchase Mandate

On the basis of 1,000,000,000 Shares in issue immediately after completion of the Public Offer and the Capitalisation Issue, our Directors would be authorised under the Repurchase Mandate to repurchase up to 100,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangement at the time, lead to an enhancement of our Company’s net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) Funding of repurchases

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM 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 associates (as defined in the GEM Listing Rules) of any Director, 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 GEM Listing Rules, the Articles and the applicable law and regulations from time to time in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of the Shareholder's 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 the 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 GEM Listing Rules).

No connected person (as defined in the GEM Listing Rules) has notified the Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**1. Summary of material contracts**




The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:

- (a) an agreement dated 12 September 2016 entered into between Lau Chung Ho and Yuen Suk Har, as vendors, and Wide View Enterprises Limited as purchaser, in relation to the sale and purchase of 1,000 shares in the issued share capital of Workbase Engineering Limited (雋基工程有限公司) in consideration of which Wide View Enterprises Limited allotted and issued an aggregate of 99 fully-paid shares to Brightly Ahead Limited;
- (b) a share swap deed dated 7 June 2017 entered into between (i) Brightly Ahead Limited; (ii) Basetrophy Group Holdings Limited (基地錦標集團控股有限公司); (iii) Wide View Enterprises Limited; (iv) Lau Chung Ho; and (v) Yuen Suk Har in relation to the transfer of the entire issued share capital in Wide View Enterprises Limited to our Company;
- (c) the Deed of Non-competition dated 7 June 2017 given by Lau Chung Ho, Yuen Suk Har and Brightly Ahead Limited in favour of Basetrophy Group Holdings Limited (基地錦標集團控股有限公司) (for itself and on behalf of its subsidiaries), details of which are set out in the paragraph headed “Non-competition undertakings” under the section headed “Relationships with Our Controlling Shareholders” in this prospectus;
- (d) the Deed of Indemnity dated 7 June 2017 given by Lau Chung Ho, Yuen Suk Har and Brightly Ahead Limited in favour of Basetrophy Group Holdings Limited (基地錦標集團控股有限公司) (for itself and on behalf of its subsidiaries) containing indemnities referred to in the paragraph headed “Tax and other indemnities” in this appendix; and
- (e) the Public Offer Underwriting Agreement dated 9 June 2017 relating to the Public Offer and entered into between Basetrophy Group Holdings Limited, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Lead Managers and the Underwriters, details of which are summarised in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer” in this Prospectus.

2. Intellectual property rights of the Group

(a) Trademark

As at the Latest Practicable Date, our Group has registered the following trademark and series of trademark in Hong Kong:

| Trademark | Registered owner | Class | Registration number | Duration |
|---|----------------------|-------|---------------------|--|
|  | Workbase Engineering | 37 | 303533698 | 11 September 2015 – 10 September 2025 |
| A  | Workbase Engineering | 37 | 303637062 | 22 December 2015 – 21 December 2025 |
| B  | | | | |

(b) Domain name

As at the Latest Practicable Date, our Group is the registered owner of the following domain name which is material to the business of our Group:

| Registered owner | Domain Name | Duration |
|----------------------|----------------------|--------------------------------------|
| Workbase Engineering | www.wbgroupfw.com.hk | 2 December 2015 – 2 December 2017 |

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 Public Offer and the Capitalisation Issue, but taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in the shares, underlying shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the GEM, 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 Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, will be as follows:

(i) *Long position in the Shares*

| Name | Capacity/Nature | Number of Shares held/ interested (Note 2) | Percentage of shareholding |
|-------------------|--|---|-------------------------------|
| Mr. Lau (Note 1) | Interested in a controlled corporation | 750,000,000 | 75% |
| Ms. Yuen (Note 1) | Interested in a controlled corporation | 750,000,000 | 75% |
| | Interest of spouse | 750,000,000 | 75% |

Notes:

- (1) Mr. Lau and Ms. Yuen beneficially own 99.9% and 0.1% of the issued share capital of Brightly Ahead, respectively. Therefore, Mr. Lau is deemed, or taken to be, interested in all the Shares held by Brightly Ahead for the purpose of the SFO. Mr. Lau is the sole director of Brightly Ahead. Ms. Yuen is the spouse of Mr. Lau. Under the SFO, Ms. Yuen is deemed to be interested in the same number of Shares in which Mr. Lau is interested.
- (2) All interests stated are long positions.

(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 of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of the Company) will, immediately following the completion of the Capitalisation Issue and the Public 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 the Group:

| Name | Capacity/ Nature | Number of Shares held/ interested (Note) | Percentage of shareholding |
|----------------|---------------------|---|-------------------------------|
| Brightly Ahead | Beneficial owner | 750,000,000 | 75% |

Note: All interests stated are long positions.

2. Particulars of service agreements

None of our Directors has entered into any service agreement 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)).

3. Remuneration of Directors

The aggregate remuneration paid and benefits in kind granted by the Group to the Directors in respect of each of the three years ended 31 December 2014, 2015 and 2016 were approximately HK\$741,000, HK\$912,000 and HK\$1.3 million respectively.

Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2017 will be approximately HK\$1.9 million.

Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

HK\$

Executive Directors

| | |
|------------------|---------|
| Ms. Yuen Suk Har | 360,000 |
| Mr. Lau Chung Ho | 840,000 |

Independent non-executive Directors

| | |
|-----------------------|---------|
| Mr. Ng Ki Man | 144,000 |
| Mr. Iu Tak Meng Teddy | 144,000 |
| Mr. Chong Kam Fung | 144,000 |

4. Agency fees or commissions received

Save as disclosed in the paragraph headed “Underwriting – Underwriting arrangements and expenses – Total commission, fee and expenses” in this prospectus, none of the Directors or the experts named in the paragraph headed “E. Other Information – 7. Qualifications of experts” in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out in note 27 to the financial information in the Accountants’ Report in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) taking no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or repurchased by the Company pursuant to the mandates as referred to in the paragraph headed “A. Further information about our Company” in this appendix, 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 Public Offer and the Capitalisation Issue, 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 Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the GEM;
- (c) none of our Directors or the experts named in the paragraph headed “E. Other information – 7. 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 – 7. 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 the Group taken as a whole;
- (e) none of our Directors or the experts named in the paragraph headed “E. Other information – 7. 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 GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group; and
- (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)).

D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 7 June 2017. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

| | |
|-----------------|--|
| “Adoption Date” | 7 June 2017, the date on which the Share Option Scheme is conditionally adopted by the Shareholders 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 Shareholders passed on 7 June 2017:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

Our 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 the Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or services provider of the 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 our Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average 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 grant of the option, provided always that for the purpose of calculating the subscription price, where the Company has been listed on the Stock Exchange for less than five Business Days, the new issue price shall be used as the closing price for any Business Day fall within the period before listing.

(iv) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(v) ***Maximum number of Shares***

- (aa) Subject to sub-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 options 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 100,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 100,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the GEM Listing Rules in this regard.
- (cc) Our Company may seek separate approval of the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the GEM Listing Rules.

- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(vi) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to the 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 GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) Grant of options to certain connected persons

- (aa) Any grant of an option to a Director, chief executive or substantial shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a substantial shareholder of our Company 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 the Shareholders containing all information as required under the GEM Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in terms of an option granted to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in aforesaid manner.

(viii) Restrictions on the times of grant of options

- (aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the GEM 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 our Board meeting (such date to first be notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM 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 GEM Listing Rules, or other interim period (whether or not required under the GEM Listing Rules).
- (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 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 our Board may determine which shall not exceed ten years from the date of grant subject to the provisions or early termination thereof.

(x) Performance targets

Save as determined by our 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

The 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 transferrable 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 of the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of 12 months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board) on any other ground 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 agreement 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 of 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 three 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 our Board to be in their opinion fair and reasonable in compliance with the relevant provisions of our GEM 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 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 the 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 winding-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Day 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 Share 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 the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our 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 respect be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of its officers.

(xx) *Lapse of options*

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which our 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 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 our 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 the Shareholders in general meeting.

(xxiii) Alteration to the Share Option Scheme

- (aa) The Share Option Scheme may be altered in any respect by resolution of our 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 23.03 of the GEM Listing Rules shall not be made except with the prior approval of the 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 our 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 GEM Listing Rules or any guidelines issued by the Stock Exchange from time to time.

(xxiv) Termination of the Share Option Scheme

Our Company by resolution in general meeting or our 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 in provisions of the Share Option Scheme.

(xxv) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on the Listing Division 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.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Division for listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

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**

The Controlling Shareholders (collectively, the “**Indemnifiers**”) have, under a deed of indemnity referred to in the paragraph headed “B. Further Information about the Business of our Group – 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 Public 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 Public Offer becomes unconditional; and (b) 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 Public Offer becomes unconditional. The Indemnifiers will, however, not be liable under the deed of indemnity to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such liability in the audited 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 Public Offer becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of any members of our Group after 31 December 2016 up to and including the date on which the Public Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands and BVI is likely to fall on the Group and the estate duty under the laws of Hong Kong has been abolished.

2. Litigation

Our Directors have confirmed that, as at the Latest Practicable Date, save as otherwise disclosed in the paragraph headed “Business – Litigation and potential claims” of this prospectus, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened by or against any member of our Group.

3. Sole Sponsor's fee

The Sole Sponsor has made an application on behalf of our Company to our Listing Division for listing of and permission to deal in our Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

The Sole Sponsor's fee in relation to the Listing is HK\$3.88 million.

4. Independence of the Sole Sponsor

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 6A.07 of the GEM Listing Rules.

5. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$38,298 and are payable by our Company.

6. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

7. 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 |
|------------------------------------|---|
| Frontpage Capital Limited | A corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO |
| HLB Hodgson Impey Cheng Limited | Certified Public Accountants |
| Appleby | Legal adviser to the Company as to Cayman Islands law |
| Ipsos Limited | Market research consultant |
| Antonio & Clayton CPA Limited | Internal control consultant |
| Mr. Yuen Siu Kei | Barrister-at-law of Hong Kong |

Mr. Chan Shing Wa

Safety auditor registered under section 4(1) of the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong)

8. Consents of experts

Each of above-named experts has given and has not withdrawn his/its written consents to the issue of this prospectus, with the inclusion of his/its letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or reference to his/its name included herein in the form and context in which they respectively appear.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Eterra Trust (Cayman) Limited and a branch register of members of our Company will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfer 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.

11. No material adverse change

Our Directors confirm that save as disclosed in the paragraph headed "Financial Information – Material adverse change" in this prospectus, there had been no material adverse change in the financial or trading position or prospects of our Company or our subsidiaries since 31 December 2016 (being the date to which the latest audited financial statements of the Group were made up) and up to the Latest Practicable Date.

12. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch 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 Public 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.

13. Miscellaneous

(a) Save as disclosed in this prospectus:

(i) Within the two years immediately preceding the date of this prospectus:

- (aa) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed or intended to be issued fully or partly paid either for cash or for a consideration other than cash;
- (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our 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 24 months immediately preceding the date of this prospectus;
- (iii) none of the parties named in the paragraph headed “E. Other information – 7. Qualifications of experts” in this appendix:
 - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or
 - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares.
- (iv) our Company and our 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) our Directors have been advised that, under Cayman Islands laws, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by the Company in conjunction with the English name does not contravene Cayman Islands laws;
- (vi) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (vii) there is no arrangement under which future dividends are waived or agreed to be waived;
- (viii) as at the date of this prospectus, there is no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong;
- (ix) our Group has no outstanding convertible debt securities;

- (x) the English text of this prospectus shall prevail over the Chinese text; and
- (xi) Save as disclosed in the paragraph headed “Underwriting – Underwriting arrangements and expenses – Total commission, fee and expenses” in this prospectus, and in the paragraph headed “3. Sole sponsor’s fee” in this appendix, none of the Directors or the experts named in the paragraph headed “E. Other Information – 7. Qualification of experts” in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

14. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the written consents referred in “Appendix IV – Statutory and General Information – E. Other information – 8. Consents of experts” to this Prospectus, and copies of the material contracts referred to in “Appendix IV – Statutory and General Information – B. Further Information about the Business of our Group – 1. Summary of material contracts” to this Prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for the inspection at the office of **CFN Lawyers in association with Board & Bright** at Room 4124, 41st Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants’ Report from HLB Hodgson Impey Cheng Limited in respect of the historical financial information for each of the three years ended 31 December 2014, 2015 and 2016, the text of which is set out in Appendix I to this Prospectus;
- (c) the report on the unaudited pro forma financial information of our Group from HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix II of this Prospectus;
- (d) the audited financial statements of our Group for each of the three years ended 31 December 2014, 2015 and 2016;
- (e) the Companies Law;
- (f) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this Prospectus;
- (g) the internal control review report prepared by Antonio & Clayton CPA Limited;
- (h) the Ipsos Report;
- (i) the report prepared by the Safety Adviser;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (j) the material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this Prospectus;
- (k) the written consents referred to in the paragraph headed “Consents of experts” in Appendix IV to this Prospectus;
- (l) the service agreements referred to in the paragraph headed “C. Further information about substantial shareholders, directors and experts – 2. Particulars of service agreements” in Appendix IV to this Prospectus;
- (m) the Share Option Scheme; and
- (n) the legal advices prepared by our Legal Counsel.

