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Post Hearing Information Pack of

WT GROUP HOLDINGS LIMITED
WT 集團控股有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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WT GROUP HOLDINGS LIMITED
WT 集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation and the [REDACTED])**
Number of [REDACTED] [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per [REDACTED] and expected to be not less than HK$[REDACTED] per [REDACTED] plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**[REDACTED]**

Sole Sponsor

Titan Financial Services Limited

[REDACTED] and [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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The [REDACTED] is expected to be fixed by the [REDACTED] to be entered into between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company on the [REDACTED], which is expected to be on [REDACTED] or such later date as the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company may agree. The [REDACTED] will not be more than HK$[REDACTED] per [REDACTED] and is expected to be not less than HK$[REDACTED] per [REDACTED]. The [REDACTED] (for themselves and on behalf of the [REDACTED]) may, with the consent of our Company, reduce the indicative [REDACTED] range stated in this document at any time prior to the [REDACTED]. If this occurs, notice of reduction of the indicative [REDACTED] range will be published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.wtgholdings.com**. If the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company are unable to reach an agreement on the [REDACTED] on or before the [REDACTED], the [REDACTED] will not become unconditional and will lapse immediately. In such event, a notice will be published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.wtgholdings.com**.

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

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

Prospective investors of the [REDACTED] should note that the Sole Sponsor and/or the [REDACTED] (for themselves and on behalf of the [REDACTED]) is entitled, in its/their sole and absolute discretion, to terminate the [REDACTED] with immediate effect by giving notice in writing to us if any of the events set forth under the paragraph headed "[REDACTED] — [REDACTED] Arrangements and Expenses — The [REDACTED] — Grounds for termination" of this document occurs at any time at or prior to 8:00 a.m. (Hong Kong time) on the [REDACTED] Date. Should the Sole Sponsor and/or the [REDACTED] (for themselves and on behalf of the [REDACTED]) terminate the [REDACTED] [REDACTED] Agreement, the [REDACTED] will not proceed and will lapse. Further details of these termination provisions are set out in the section headed "[REDACTED]" of this document. It is important that prospective investors refer to that section for further details.

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 website of the Stock Exchange at ***www.hkexnews.hk*** *in order to obtain up-to-date information on companies listed on GEM.*

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

This document is issued by our Company solely in connection with the [REDACTED] and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the [REDACTED] offered by this document pursuant to the [REDACTED]. This document 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 document to make your investment decision. Our Company, the Sole Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED], any of their respective directors, advisers, officers, employees, agents or representatives or any other person or party involved in the [REDACTED] have not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the [REDACTED].

Page

CHARACTERISTICS OF GEM i

EXPECTED TIMETABLE ii

CONTENTS v

SUMMARY AND HIGHLIGHTS 1

DEFINITIONS 11

GLOSSARY OF TECHNICAL TERMS 21

FORWARD-LOOKING STATEMENTS 23

RISK FACTORS 24

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED] 37

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED] 42

CORPORATE INFORMATION 46

INDUSTRY OVERVIEW 48

REGULATORY OVERVIEW 63

HISTORY AND DEVELOPMENT 80

CONTENTS

Page

BUSINESS 90

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS 152

DIRECTORS AND SENIOR MANAGEMENT 158

SUBSTANTIAL SHAREHOLDERS 175

SHARE CAPITAL 177

FINANCIAL INFORMATION 181

FUTURE PLANS AND USE OF PROCEEDS 217

[REDACTED] 234

STRUCTURE AND CONDITIONS OF THE [REDACTED] 244

HOW TO APPLY FOR [REDACTED] 251

APPENDIX I — ACCOUNTANT'S REPORT I-1

APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION II-1

APPENDIX III — SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW III-1

APPENDIX IV — STATUTORY AND GENERAL INFORMATION IV-1

APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION V-1

This summary aims to give you an overview of the information contained in this document and should be read in conjunction with the full text of this document. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the [REDACTED]. Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of Technical Terms" of this document.

OUR BUSINESS

We principally provide specialised works and general building works as a main contractor in Hong Kong, through Wai Tat, our key operating subsidiary. We undertake specialised works which include (i) foundation and site formation works; (ii) demolition works; and (iii) ground investigation field works. We also undertake general building works including superstructure building works, slope maintenance works, hoarding works, A&A works and other miscellaneous construction works.

During the Track Record Period, our Group recognised an overall revenue of approximately HK$120.0 million, with approximately (i) HK$74.8 million from 17 completed projects; and (ii) HK$45.2 million from 12 projects on hand. Subsequent to the Track Record Period and up to the Latest Practicable Date, we (i) were awarded two projects with aggregate awarded contract sum of approximately HK$0.8 million; and (ii) have completed four projects with aggregate awarded contract sum of approximately HK$2.2 million, of which approximately HK$1.6 million was recognised as revenue during the Track Record Period. Further details of our projects on hand are set out in the paragraph headed "Business — Our Business Model and Our Projects — Our project backlog — Projects on hand" of this document.

During the Track Record Period, the contract sum of our awarded projects ranged from approximately HK$67,300 to approximately HK$83.9 million, with an average contract sum of approximately HK$9.1 million.

We secure our projects either through tenders by invitation or quotations which are non-recurring in nature. Our pricing is determined based on a cost-plus pricing model in general with mark-up determined on a project-by-project basis.

Customers

During the Track Record Period, the majority of our revenue was derived from private sector projects, comprising mostly residential and commercial building projects commissioned by privately-owned property developers, construction companies, property management companies and other entities which required specialised works and general building works services, representing approximately 92.2% and 91.1% of our total revenue for FY2016 and FY2017, respectively. For FY2016 and FY2017, our five largest customers in aggregate accounted for approximately 97.2% and 81.7% of our total revenue, respectively, and our largest customer accounted for approximately 53.6% and 27.3% of our total revenue, respectively.

During the Track Record Period, a majority of our contracts were obtained through tenders by invitation. Our tender success rate were approximately 9.1% and 19.3% for FY2016 and FY2017, respectively. For details of our tendering strategy, please refer to the paragraph headed "Business — Operation Flow — Tender success rate" of this document.

Suppliers

During the Track Record Period, our suppliers mainly include: (i) suppliers of construction materials, such as structural steel, concrete and reinforcement steel; and (ii) subcontractors for the provision of services, including foundation works, such as ELS works and piling works, and demolition works. For FY2016 and FY2017, our total construction materials costs and subcontracting charges ("**total purchases**") attributable to our five largest suppliers combined amounted to approximately 82.1% and 51.3% of our total purchases respectively, with our largest suppliers amounted to approximately 23.8% and 18.4% of our total purchases for the respective years. We generally order the relevant construction materials and subcontracting services on a project-by-project basis and do not enter into any long-term supply agreements with our suppliers. Among our five largest suppliers for the Track Record Period, we have maintained business relationship with them for periods ranging from one year to 14 years. Please refer to the paragraph headed "Financial Information — Description of Selected Items for the Combined Statements of Comprehensive Income — Cost of sales" of this document for details.

COMPETITIVE LANDSCAPE AND MARKET POSITION

According to the Frost & Sullivan Report, the foundation and site formation works, and superstructure building works industries in Hong Kong are highly competitive. The top five contractors with capability of foundation and site formation works, and the top five contractors with capability of superstructure building works within the private sector accounted for approximately 18.6% and 6.3%, respectively, of the total market share in terms of their respective industry revenue within the private sector in 2016. Our Group held approximately 0.3% of the market share in foundation and site formation works industry within the private sector in 2016. For details, please refer to the paragraph headed "Industry Overview — Competitive Landscape of the Key Construction Segments in Hong Kong" of this document. Our Directors believe that our Group is well-positioned to capture more business opportunities for the foundation and site formation works, and superstructure building works industries in Hong Kong.

COMPETITIVE STRENGTHS

We believe the following competitive strengths, details of which are set out in the paragraph headed "Business — Competitive Strengths" of this document, contribute to our success and differentiate us from our competitors: (i) well established presence and proven track record in the specialised works and general building works in Hong Kong; (ii) experienced and professional management team; (iii) established business relationship with our major customers, suppliers, subcontractors and architect firms; and (iv) our commitment to maintaining high safety standard, quality control and environmental protection.

BUSINESS OBJECTIVES AND STRATEGIES

Our principal business objective is to further solidify our market position as an established main contractor focusing on foundation and site formation works, and superstructure building works. We intend to achieve our business objective by the following business strategies, details of which are set out in the paragraph headed "Business — Business Strategies" of this document: (i) expanding our market share and compete for more foundation and site formation projects, and superstructure building works projects; (ii) further strengthening our manpower; and (iii) adherence to prudent financial management to ensure sustainable growth and capital sufficiency.

SUMMARY OF FINANCIAL INFORMATION

The following table summarises the financial information of our Group during the Track Record Period, and should be read in conjunction with the financial information included in the Accountant's Report set out in Appendix I to this document.

Highlights of combined statements of comprehensive income

	FY2016 *HK$'000*	FY2017 *HK$'000*
Revenue	44,655	75,370
Cost of sales	(31,428)	(52,625)
Gross profit	13,227	22,745
Other income	122	558
Other gain	24	12
Administrative expenses	(3,192)	(10,831)
Operating profit	10,181	12,484
Finance costs	(45)	(33)
Profit before income tax	10,136	12,451
Income tax expense	(1,605)	(2,984)
Profit and total comprehensive income for the year and attributable to owners of our Company	8,531	9,467

We recorded a significant increase in administrative expenses from approximately HK$3.2 million for FY2016 to approximately HK$10.8 million for FY2017, which was primarily due to (i) the recognition of non-recurring [REDACTED] expenses of approximately HK$6.0 million for FY2017; and (ii) the increase in employee benefit expenses of approximately HK$0.9 million that resulted from the increase in directors' emoluments for FY2017.

The following table sets forth the breakdown of our revenue, gross profit and gross profit margin by type of works for the years indicated:

	FY2016				FY2017			
	Revenue *HK$'000*	 *%*	Gross profit *HK$'000*	Gross profit margin *%*	Revenue *HK$'000*	 *%*	Gross profit *HK$'000*	Gross profit margin *%*
Specialised works								
Foundation and site formation works	36,843	82.5	12,317	33.4	47,056	62.5	16,496	35.1
Demolition works	2,677	6.0	637	23.8	3,939	5.2	1,084	27.5
Ground investigation field works	929	2.1	104	11.2	1,834	2.4	312	17.0
Sub-total	40,449	90.6	13,058	32.3	52,829	70.1	17,892	33.9
General building works								
Superstructure building works	—	—	—	—	14,205	18.8	4,308	30.3
Others *(Note)*	4,206	9.4	169	4.0	8,336	11.1	545	6.5
Sub-total	4,206	9.4	169	4.0	22,541	29.9	4,853	21.5
Total	44,655	100.0	13,227	29.6	75,370	100.0	22,745	30.2

Note: Others include slope maintenance works, hoarding works, A&A works and other miscellaneous construction works which are ancillary in nature.

Our overall revenue increased from approximately HK$44.7 million for FY2016 to approximately HK$75.4 million for FY2017, primarily attributable to the increased number and scale of projects undertaken by us during FY2017. For FY2016 and FY2017, our overall gross profit was approximately HK$13.2 million and HK$22.7 million, respectively, and our gross profit margins were approximately 29.6% and 30.2% for the respective years. Approximately 18.8% of our revenue for FY2017 was derived from the only superstructure building works project awarded to us during the Track Record Period (i.e. in November 2016), with a contract sum of approximately HK$83.9 million and gross profit margin of approximately 30.3%. Please refer to the sub-paragraphs headed "Revenue" and "Gross profit and gross profit margin" under the paragraph headed "Financial Information — Year to Year Comparison of Results of Operation" of this document respectively for a detailed discussion of our Group's revenue, gross profit and gross profit margin during the Track Record Period.

The table below sets out a breakdown of our revenue, gross profit and gross profit margin by type of contracts awarded for the years indicated:

	FY2016				FY2017			
	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Design and build contracts	40,239	90.1	12,985	32.3	47,796	63.4	16,525	34.6
Build only contracts	930	2.1	104	11.1	23,645	31.4	6,075	25.7
Others *(Note)*	3,486	7.8	138	4.0	3,929	5.2	145	3.7
	44,655	100.0	13,227	29.6	75,370	100.0	22,745	30.2

Note: Others include project supervision, slope maintenance, etc.

Our "design and build" contracts normally involves preparation of a construction design and the carrying out of actual construction works. For "build only" contracts, we carry out construction works strictly according to construction design provided by our customer. For details, please refer to the paragraph headed "Business — Our Business Model and Our Projects — "Design and build" contracts and "build only" contracts" of this document.

The following table sets forth the breakdown of our revenue by public and private sector projects for the years indicated:

	FY2016		FY2017	
	HK$'000	*%*	*HK$'000*	*%*
Private sector	41,169	92.2	68,692	91.1
Public sector	3,486	7.8	6,678	8.9
Total	44,655	100.0	75,370	100.0

The following table sets out a breakdown of our revenue by type of buildings for the years indicated:

	FY2016		FY2017	
	HK$'000	*%*	*HK$'000*	*%*
Residential buildings	30,629	68.6	20,089	26.7
Commercial buildings	—	—	10,726	14.2
Others *(Note)*	14,026	31.4	44,555	59.1
Total	44,655	100.0	75,370	100.0

Note: Others include columbarium, retaining walls, slope maintenance works, school campus, etc.

We principally carry out our projects as a main contractor. The table below sets out a breakdown of our revenue according to our role as main contractor and subcontractor for the years indicated:

	FY2016		FY2017	
	HK$'000	*%*	*HK$'000*	*%*
Main contractor	40,449	90.6	71,012	94.2
Subcontractor	4,206	9.4	4,358	5.8
	44,655	100.0	75,370	100.0

Highlights of combined balance sheets

	As at 30 June 2016	As at 30 June 2017	As at 31 October 2017
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)
Non-current assets	580	1,745	1,366
Current assets	30,266	54,487	38,447
Current liabilities	9,434	20,746	4,870
Non-current liabilities	269	576	424
Net current assets	20,832	33,741	33,577
Net assets	21,143	34,910	34,519

As at 30 June 2016 and 30 June 2017, our Group recorded net current assets which amounted to approximately HK$20.8 million and HK$33.7 million, respectively. Such increase was primarily due to (i) the increase in trade and retention receivables of approximately HK$24.3 million resulting from the increased number and scale of the construction projects undertaken by us; (ii) the increase in the restricted cash of approximately HK$2.5 million; and (iii) the increase in deposits, prepayments and other receivables of approximately HK$2.1 million, which was partially offset by (i) the increase in amounts due to customers for contract works of approximately HK$4.4 million; (ii) the increase in trade and retention payables of approximately HK$4.2 million; (iii) the increase in accruals and other payables of approximately HK$3.3 million; (iv) the decrease in cash and cash equivalents of approximately HK$2.4 million; and (v) the decrease in amounts due from customers for contract works of approximately HK$2.2 million. As at 31 October 2017, our net current assets remained stable at approximately HK$33.6 million as compared with approximately HK$33.7 million as at 30 June 2017. For details, please refer to the paragraph headed "Financial Information — Net Current Assets" of this document.

Highlights of combined statements of cash flows

	FY2016 *HK$'000*	**FY2017** *HK$'000*
Operating cash flows before changes in working capital	10,449	12,825
Net cash generated from/(used in) operating activities	10,118	(4,964)
Net cash used in investing activities	(41)	(328)
Net cash (used in)/generated from financing activities	(8,698)	2,872
Net increase/(decrease) in cash and cash equivalents	1,379	(2,420)
Cash and cash equivalents at the beginning of the year	15,369	16,748
Cash and cash equivalents at the end of the year	16,748	14,328

Our cash flow for operating activities is primarily generated from the receipt of trade receivables and retention receivables for the provision of general buildings works and specialised works. Our cash flow used in operating activities are primarily related to the payments of subcontracting charges, construction material costs, staff costs and administrative expenses.

Our cash used in operating activities was approximately HK$5.0 million for FY2017, which was based on the profit before income tax of approximately HK$12.5 million for FY2017 adjusted for the changes in working capital resulted from the combined effects of (i) the increase in trade and retention receivables of approximately HK$24.3 million due to the increased number and scale of the construction projects undertaken by us; (ii) the increase in restricted cash of approximately HK$2.5 million; (iii) the increase in deposits, prepayments and other receivables of approximately HK$1.4 million; and (iv) the income tax paid of approximately HK$3.8 million, which was partially offset by (i) the increase in amounts due from/(to) customers of contract works (net) of approximately HK$6.7 million; (ii) the increase in trade and retention payables of approximately HK$4.2 million; and (iii) the increase in accruals and other payables of approximately HK$3.3 million.

Our cash used in financing activities amounted to approximately HK$8.7 million for FY2016 which was primarily consisted of (i) the dividends paid to our then Shareholders of approximately HK$8.4 million; and (ii) the repayments of finance lease liabilities of approximately HK$0.2 million.

Summary of financial ratios

	FY2016	**FY2017**
Profitability ratios		
Gross profit margin	29.6%	30.2%
Net profit margin	19.1%	12.6%
Return on equity	40.3%	27.1%
Return on total assets	27.7%	16.8%
	As at 30 June 2016	**As at 30 June 2017**
Liquidity ratio		
Current ratio	3.2	2.6
Capital sufficiency ratios		
Interest coverage	226.2	378.3
Gearing ratio	2.4%	2.6%
Debt to equity ratio	Net cash	Net cash

Our interest coverage was approximately 226.2 times and 378.3 times for FY2016 and FY2017, respectively. Such increase was mainly due to the larger effect of a lower level of finance costs incurred despite a higher level of profit before interest and tax recorded for FY2017.

Please refer to the paragraph headed "Financial Information — Key Financial Ratios" of this document for further analysis.

SHAREHOLDER INFORMATION

Immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the exercise of any options which may be granted under the Share Option Scheme), our ultimate Controlling Shareholders, namely, Mr. Kung, Mr. Yip and Mr. Kam, are acting in concert as a group and through Talent Gain (an investment holding company owned as to 34% by Mr. Kung, 33% by Mr. Yip and 33% by Mr. Kam) indirectly held in aggregate [REDACTED] interest in our Company. Please refer to the section headed "Relationship with our Controlling Shareholders" of this document for further details. Mr. Kung, Mr. Yip and Mr. Kam have entered into the Concert Party Deed on 18 July 2017, the details of which are set out in the paragraph headed "History and Development — Concert Party Deed" of this document.

[REDACTED]

On 9 June 2017, the [REDACTED] entered into the [REDACTED], pursuant to which the [REDACTED] subscribed for a total of 100 Shares in Vision Perfect for a total consideration of HK$10 million. Immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and any options which may granted under the Share Option Scheme), the entire issued share capital of our Company will be owned by the [REDACTED] as to [REDACTED]. Please refer to the paragraph headed "History and Development — [REDACTED]" of this document for details.

THE [REDACTED] AND THE [REDACTED]

The [REDACTED] comprises the [REDACTED] of [REDACTED] Shares initially offered in Hong Kong, and the [REDACTED] of [REDACTED] Shares (subject, in each case, to re-allocation and the [REDACTED] on the basis as described in the section headed "Structure and Conditions of the [REDACTED]" of this document).

	Based on the [REDACTED] of HK$[REDACTED] per [REDACTED]	**Based on the [REDACTED] of HK$[REDACTED] per [REDACTED]**
Market capitalisation *(Note 1)*	HK$[REDACTED]	HK$[REDACTED]
Unaudited pro forma adjusted net tangible assets per Share *(Note 2)*	HK$[REDACTED]	HK$[REDACTED]

Notes:

1. The calculation of the market capitalisation of the Shares is based on [REDACTED] Shares in issue and to be issued immediately after completion of the [REDACTED] but does not take into account of any Shares which may be allotted and issued upon the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.

2. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2017. In particular, the unaudited pro forma net adjusted tangible assets of the Group has not taken into account the cash dividend of approximately HK$3 million declared on 1 December 2017. The unaudited pro forma net tangible assets per Share would have been approximately HK$[REDACTED] and HK$[REDACTED] per Share based on the [REDACTED] of HK$[REDACTED] and HK$[REDACTED] per [REDACTED], respectively, after taking into account the declaration of dividend of HK$3 million. For the calculation of the unaudited pro forma adjusted combined net tangible asset value per Share attributable to the Shareholders, please refer to the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this document.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

We estimate that the aggregate net proceeds from the [REDACTED], after deducting related [REDACTED] fees and estimated expenses in connection with the [REDACTED], assuming the [REDACTED] is not exercised and assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per [REDACTED]), will be approximately HK$[REDACTED] million. Our Directors presently intend to apply the remaining net proceeds as follows:

Intended applications	Approximate amount of net proceeds	Utilised by year ending
Taking out surety bonds for Project A and Project B that we plan to secure	HK$[REDACTED] million or approximately [REDACTED]	30 June 2018
Financing the upfront costs and working capital requirements at the early stage of our projects	HK$[REDACTED] million or approximately [REDACTED] *(Note)*	30 June 2018
Further strengthening our manpower	HK$[REDACTED] million or approximately [REDACTED]	30 June 2019
General working capital	HK$[REDACTED] million or approximately [REDACTED]	N/A

Note: The upfront costs and working capital requirements for Project A, Project B and other projects are estimated to be approximately HK$[REDACTED] million, HK$[REDACTED] million and HK$[REDACTED] million, respectively.

We plan to use approximately [REDACTED]% of the net proceeds to support the relevant costs expected to be incurred for Project A and Project B. In July 2017, the potential customer has entered into a legally binding memorandum of agreement with us to engage our Group to carry out all necessary preparatory works and submissions to the Buildings Department for Project B. We have submitted all necessary submissions to the Buildings Department in September and October 2017 and such approvals are expected to be granted within 60 days after our submission under regulation 30 of the Building (Administration) Regulations (Chapter 123A of the Laws of Hong Kong). It is expected that we will be granted the letter of award for Project B, subject to all necessary approvals on building plans (including demolition works, site formation works, ELS works and foundation works) having been granted by the Buildings Department. Our Directors believe that barring any unforeseen circumstances, we expect to obtain all such necessary approvals given that we have already obtained approvals in respect of building plans of the foundation works, ELS works and site formation works from the Buildings Department. For Project A, we have been shortlisted for tender interview in August 2017 and were shortlisted for several rounds of post tender queries after such tender interview. It is expected that the tender results for both Project A and Project B will be available in or around December 2017 and the award of the Projects are therefore uncertain.

For details of our future plans and use of proceeds, please refer to the section headed "Future Plans and Use of Proceeds" of this document. Please also refer to the paragraph headed "Future Plans and Use of Proceeds — Reasons for the [REDACTED]" of this document for detailed reasons for our [REDACTED].

[REDACTED] EXPENSES

Our total [REDACTED] expenses, consisting of fees paid or payable to professional parties and [REDACTED] commission, are estimated to be approximately HK$[REDACTED] million, of which approximately (i) HK$6.0 million was charged to our combined statements of comprehensive income for FY2017; (ii) HK$[REDACTED] million will be further charged to our consolidated statements of comprehensive income for the year ending 30 June 2018; and (iii) HK$[REDACTED] million will be recognised as a deduction in equity directly.

In view of the above, our Directors are of the view that the one-off [REDACTED] expenses, which are non-recurring in nature, will have a material adverse effect on the financial results of our Group for the year ending 30 June 2018. We wish to emphasise that the aforesaid amount of [REDACTED] expenses is a current estimate for reference only and the final amount to be recognised in our combined statements of profit or loss for the year ending 30 June 2018 will be subject to adjustments based on audit and changes in variables and assumptions.

DIVIDENDS

For FY2016 and FY2017, Wai Tat declared dividends of approximately HK$8.4 million and HK$5.7 million to its then shareholders, respectively. Such dividends was fully settled in cash during the Track Record Period. On 1 December 2017, our Company declared a dividend of HK$3.0 million and such amount will be settled by cash prior to the [REDACTED]. After completion of the [REDACTED], while we currently have no plan to pay any dividend to our Shareholders in the foreseeable future, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial condition, working capital, capital requirements and other factors our Board may deem relevant. We currently do not have any dividend policy and there is no expected or predeterminded dividend ratio after the [REDACTED]. The dividends distribution records in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

PRINCIPAL RISK FACTORS

Our Group believes that there are certain risks and uncertainties involved in our operations, some of which are beyond our Group's control. Potential investors are advised to read the section headed "Risk Factors" of this document carefully before making any investment decision in the [REDACTED]. Some of our major risks include: (i) our revenue relies on successful tenders or quotations of specialised works and general building works projects which are non-recurring in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers; (ii) we make estimation of our project costs in our tenders and quotations and any failure to accurately estimate the costs involved and/or delay in completion of any project may lead to cost overruns or even result in losses; (iii) we rely on our subcontractors to perform a portion of the site works and unsatisfactory performance or unavailability of our subcontractors may adversely affect our operations and profitability; (iv) we are exposed to our customers' credit risks and our liquidity position may be adversely affected if our customers fail to make payment on time or in full; (v) our performance depends on trends and developments in the construction industry in Hong Kong; and (vi) our performance depends on market conditions and the general economic and political conditions in Hong Kong.

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking specialised works and general building works in Hong Kong. We have been awarded two new projects with a total awarded contract sum of approximately HK$0.8 million. As at the Latest Practicable Date, we had ten projects on hand with aggregate contract sum of approximately HK$165.5 million, of which (i) approximately HK$43.7 million was recognised as revenue during the Track Record Period; and (ii) approximately HK$100.8 million is expected to be recognised as revenue for the financial year ending 30 June 2018. 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. Furthermore, in July 2017, we have entered into a legally binding memorandum of agreement with a potential customer for Project B with a notional contract sum of approximately HK$61 million whereby we are engaged to carry out all necessary preparatory works and submissions to the Buildings Department. We expect that we will be granted the letter of award for Project B subject to all necessary approvals having been granted by the Buildings Department.

Our Directors consider that our Group is well-positioned to take on new foundation and site formation projects, and superstructure building works projects and believe that the increase in the investment made by property developers as well as the market conditions and trend in the construction industry in Hong Kong would favour the growth of our Group and the demand for our services.

As at the Latest Practicable Date, we have renewed our registrations of general building contractor and registered specialist contractor in foundation works category, site formation works category and ground investigation field works category. Meanwhile, we were informed by the Buildings Department on 14 August 2017 that our application for renewal of our registration of registered specialist contractor in demolition works category was refused. Further to our consultation with the Buildings Department, we submitted an application for renewal upon expiry of such registration in October 2017. As advised by our Legal Counsel, we have good chance of success in our re-application. Please refer to the paragraph headed "Business — Licences and Permits" of this document for further details.

MATERIAL ADVERSE CHANGE

The impact of the [REDACTED] expenses on the combined statements of comprehensive income has posed a material adverse change in the financial or trading position or prospect of our Group since 30 June 2017. Prospective investors should be aware of the impact of the [REDACTED] expenses on the financial performance of our Group for the year ending 30 June 2018.

Save as disclosed in the paragraph headed "[REDACTED] Expenses" in this section above, our Directors confirmed that since 30 June 2017 and up to the date of this document, (i) there had been no material adverse change in the market conditions or the industry and environment in which our Group operates that materially and adversely affect our financial and operating position; (ii) there was no material adverse change in the trading and financial position or prospect of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountant's Report as set out in Appendix I to this document.

LITIGATION AND REGULATORY COMPLIANCE

Our Directors confirmed that, to the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, (i) our Group was not subject to any ongoing employee's compensation claim or personal injury claim as at the Latest Practicable Date; and (ii) during the Track Record Period and up to the Latest Practicable Date, our Group recorded two workplace accidents whereby employees of our subcontractors sustained minor personal injuries, which may give rise to potential employees' compensation or personal injury claims. Please refer to the paragraph headed "Business — Litigation and Potential Claims" of this document for further details.

NON-COMPLIANCE

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident which constitute material 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.

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

"Accountant's Report"	the accountant's report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this document
"affiliate"	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
	[REDACTED]
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company conditionally adopted on 1 December 2017 with effect from the [REDACTED] Date and as amended from time to time, a summary of which is set out in Appendix III to this document
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Board" or "Board of Directors"	the board of Directors
"Building Authority"	the Building Authority of the Hong Kong Government
"Buildings Department"	the Buildings Department of the Hong Kong Government
"Buildings Ordinance"	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Business Day" or "business day"	any day (other than Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compounded annual growth rate as a method of assessing the average growth of a value over time
"[REDACTED]"	the issue of [REDACTED] Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed "A. Further Information about Our Group — 3. Written resolutions of our Shareholders passed on 1 December 2017" in Appendix IV to this document
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Census and Statistics Department"	the Census and Statistics Department of the Hong Kong Government
"close associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	WT Group Holdings Limited (WT集團控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 11 July 2017
"Compliance Adviser"	Titan Financial Services Limited, a licensed corporation to carry on type 1 (dealing with securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Concert Party Deed"	the deed of confirmation entered into by Mr. Kung, Mr. Yip and Mr. Kam on 18 July 2017, details of which are set out in the paragraph headed "History and Development — Concert Party Deed" of this document
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"connected transaction"	has the meaning ascribed to it under the GEM Listing Rules

"Construction Industry Council" or "CIC"	the Construction Industry Council, a statutory body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
"Construction Workers Registration Ordinance"	the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Controlling Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules and in the case of our Company, refer to Talent Gain, Mr. Kung, Mr. Yip and Mr. Kam, who together will control the exercise of 30% or more of the voting rights in general meeting of our Company immediately after the [REDACTED]
"core connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
	[REDACTED]
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules as amended, supplemented or otherwise modified from time to time
"Deed of Indemnity"	a deed of indemnity dated 1 December 2017 and executed by each of our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries), the particulars of which are set out in the paragraph headed "Statutory and General Information — E. Other Information — 1. Tax and other indemnities" in Appendix IV to this document
"Deed of Non-competition"	a non-competition deed dated 1 December 2017 and executed by each of our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries), in respect of certain non-competition undertakings given by our Controlling Shareholders in favour of us, the particulars of which are set out in the paragraph headed "Relationship with our Controlling Shareholders — Non-competition Undertaking" of this document
"Designated Workers for Designated Skills Provision"	Part 2 of the Construction Workers Registration Ordinance, as amended, supplemented or otherwise modified from time to time
"Director(s)"	the director(s) of our Company
"Employees' Compensation Ordinance"	the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Employment Ordinance"	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Environmental Impact Assessment Ordinance"	the Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Environmental Protection Department"	the Environmental Protection Department of the Hong Kong Government
"Factories and Industrial Undertakings Ordinance"	the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Frost & Sullivan"	Frost & Sullivan Limited, an independent market research agency
"Frost & Sullivan Report"	a market research report commissioned by us and prepared by Frost & Sullivan on the overview of the construction industries in which our Group operates
"FY2016"	the financial year ended 30 June 2016
"FY2017"	the financial year ended 30 June 2017
"GDP"	gross domestic product, the total market value of all the goods and services produced within the borders of a nation during a specified period of time
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange, as amended, modified and supplemented from time to time
"General Mandate"	a general unconditional mandate given to our Directors pursuant to the written resolutions of our Shareholders passed on 1 December 2017 regarding further allotment of Shares, details of which are set out in the paragraph headed "A. Further Information about Our Group — 3. Written resolutions of our Shareholders passed on 1 December 2017" in Appendix IV to this document
"Group", "our Group", "we", "us" or "our"	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries and the businesses operated by such subsidiaries

"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
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HKSAR" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
	[REDACTED]
"Hong Kong Government"	the government of Hong Kong
"independent third party(ies)"	an individual(s) or a company(ies) who or which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are independent of and not connected with (within the meaning of the GEM Listing Rules) our Company and its connected persons
"Inland Revenue Department" or "IRD"	the Inland Revenue Department of the Hong Kong Government
	[REDACTED]
"Labour Department"	the Labour Department of the Hong Kong Government
"Legal Counsel"	Mr. Chan Chung, barrister-at-law of Hong Kong
"Latest Practicable Date"	4 December 2017, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information in this document
	[REDACTED]
"Listing Committee"	the listing sub-committee of the directors of the Stock Exchange
	[REDACTED]
"Mandatory Provident Fund Schemes Ordinance" or "MPFSO"	Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company adopted on 1 December 2017 and as amended from time to time
"MPF scheme"	mandatory provident fund scheme
"Mr. Kam"	Mr. Kam Kin Bun (甘健斌先生), our executive Director and one of our Controlling Shareholders
"Mr. Kung"	Mr. Kung Cheung Fai Patrick (孔祥輝先生), our executive Director and one of our Controlling Shareholders
"Mr. Yip"	Mr. Yip Shiu Ching (葉韶青先生), our chairman, executive Director and one of our Controlling Shareholders
"Occupational Safety and Health Ordinance"	Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
	[REDACTED]
	[REDACTED]
	[REDACTED]
	[REDACTED]

	[REDACTED]
	[REDACTED]
	[REDACTED]
"PRC"	the People's Republic of China excluding, for the purpose of this document, Hong Kong, Macau and Taiwan
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
	[REDACTED]
	[REDACTED]
	[REDACTED]
	[REDACTED]
	[REDACTED]

"Project A"	a project involving demolition works, foundation works and superstructure building works relating to construction of columbarium in Tuen Mun with a notional contract sum of approximately HK$25 million
"Project B"	a project involving redevelopment of school campus in Tai Po Road involving demolition works, A&A works, hoarding works, foundation and site formation works with a notional contract sum of approximately HK$61 million
"Projects"	Project A and Project B [REDACTED] [REDACTED] [REDACTED] [REDACTED]
"Reorganisation"	the corporate reorganisation arrangement implemented by our Group in preparation for the [REDACTED], particulars of which are summarised in the paragraph headed "History and Development — Reorganisation" of this document
"Repurchase Mandate"	a general unconditional mandate given to our Directors pursuant to the written resolutions of our Shareholders passed on 1 December 2017 regarding the repurchase of Shares, details of which are set out in the paragraph headed "A. Further Information about Our Group — 6. Repurchase of our Shares by our Company" in Appendix IV to this document

"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of our Company, which are to be traded in Hong Kong dollars and listed on GEM
	[REDACTED]
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 1 December 2017, the principal terms of which are summarised in the paragraph headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this document
"Shareholder(s)"	holder(s) of the Share(s)
"Sole Sponsor"	Titan Financial
"SRS"	Subcontractor Registration Scheme administered by the CIC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under GEM Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong, as amended, modified and supplemented from time to time
"Talent Gain"	Talent Gain Ventures Limited (得穎創投有限公司), a company incorporated in the BVI on 1 June 2017 with limited liability beneficially owned as to 34% by Mr. Kung, 33% by Mr. Yip and 33% by Mr. Kam and is one of our Controlling Shareholders, details of which are set out in the paragraph headed "History and Development — Reorganisation" of this document
"Titan Financial"	Titan Financial Services Limited, a licensed corporation for carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, acting as the sponsor of the [REDACTED], one of the [REDACTED] and the [REDACTED] of the [REDACTED] and an independent third party

"Track Record Period"	comprises FY2016 and FY2017
	[REDACTED]
	[REDACTED]
"U.S." or "United States"	United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"US$" or "USD"	United States dollars, the lawful currency of the United States
"Vision Perfect"	Vision Perfect Ventures Limited, a company incorporated in the BVI on 22 May 2017 with limited liability, and our direct wholly-owned subsidiary
"Wai Tat"	Wai Tat Foundation & Engineering Limited (維達地基工程有限公司), a company incorporated in Hong Kong on 25 January 2002 with limited liability and our indirect wholly-owned subsidiary
	[REDACTED]
	[REDACTED]
"mm"	millimetre
"sq. ft."	square foot
"%"	per cent.

Unless otherwise specified, all references to any shareholding in our Company in this document assume no Shares are allotted and issued upon the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme.

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

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

GLOSSARY OF TECHNICAL TERMS

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

"A&A works"	refers to alteration and addition works to an existing building
"Authorised Signatory(ies)"	the appointed person(s) to act for a registered contractor for the purpose of the Buildings Ordinance
"BEAM" or "BEAM Plus"	an acronym for Building Environmental Assessment Method which is a green building assessment system to measure, improve, certify and label the environmental sustainability of buildings
"driven H-pile"	a type of friction pile deriving the load bearing capacity from the friction between the pile and earth
"ELS"	excavation and lateral support
"large-diameter bored pile"	a type of pile which is greater than 750mm in diameter and is usually installed by machine boring to the required level with concrete filling the bored hole subsequently
"main contractor"	in respect of a construction project, a contractor appointed by the project employer who generally oversees the progress of the entire construction project and delegates different work tasks of the construction to other contractors
"mini-pile"	a type of pile which consists of one or more steel bars encased by grout inside a borehole, which in general does not exceed 400mm in diameter
"pile cap"	a concrete structure built on the head of a pile or a group of piles for transmission of loads from the structure above to the pile or group of piles
"piling"	any work in connection with or for the sinking or forming of a pile in the ground by hammering, jacking, screwing, augering, boring, jetting, vibrating, casting or any other means and also means the driving or sinking of any casing or tube into the ground to form a well or shaft for foundation purposes, whether or not the casing or tube is later extracted
"pipe pile"	a type of pile designed to use circular steel tubes or pipes to provide intermittent vertical support and are installed before excavation commences

GLOSSARY OF TECHNICAL TERMS

"private sector projects"	works contracts that are not public sector projects
"public sector projects"	works contracts that originate from the Hong Kong Government
"socketed H-pile"	a type of pile in which a steel H-section is installed within a pre-bored hole formed into the bedrock and then grouted with cement grout
"sheet pile"	a type of pile of thin interlocking steel sheet which is commonly used as retaining wall or cofferdam to enable subsequent temporary or permanent works, such as excavation for basement or pile cap construction
"specialised works"	including, among others, foundation works, site formation works, demolition works and ground investigation field works, which are carried out by specialist contractors registered with the Buildings Department
"subcontractor"	in respect of a construction project, a contractor who is appointed by the main contractor or by another subcontractor involved in the construction and who generally carries out specific work tasks of the construction
"superstructure"	refers the upper portion of the structure, usually located above the ground level and serves the purpose of the intended use of the structure such as educational, residential and commercial, etc.
"Technical Director(s)"	in respect of any registered contractor which is a corporate entity, a director authorised by the board of directors of such contractor to ensure the works are carried out in accordance with the Buildings Ordinance
"variation order"	an order placed by customer during the course of project execution concerning variation to part of the works that is necessary for the completion of the project, which may include (i) additions, omissions, substitutions, alterations, and/or changes in the quality, form, character, kind, position, dimension or other aspect of the works; and (ii) changes to any sequence, method or timing of construction specified in the main contract

FORWARD-LOOKING STATEMENTS

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

- our Group's business and operating strategies and plans of operation;
- the amount and nature of, and potential for, future development of our Group's business;
- our future debt levels and capital needs;
- our financial conditions and performances;
- our Company's dividend distribution plans;
- the regulatory environment as well as the general industry outlook for the industry in which our Group operates;
- future developments in the industry in which our Group operates; and
- the trend of the economy of Hong Kong in general.

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

Our Group's future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group's future performance may be affected by various factors including, without limitation, those discussed in the sections headed "Risk Factors", "Business", "Financial Information" and "Future Plans and Use of Proceeds" of this document.

Subject to the requirements of the applicable laws, rules and regulations, our Company does not have any obligation to update or otherwise revise the forward-looking statements in this document, 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 document might not occur in the way our Company expects, or at all. Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions to prove incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements as set out in this section.

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

You should carefully consider all of the information in this document including the risks and uncertainties described below before making an investment in the [REDACTED]. The business, financial condition or results of operations of our Group could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our revenue relies on successful tenders or quotations of specialised works and general building works projects which are non-recurring in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers

During the Track Record Period and up to the Latest Practicable Date, our revenue was derived from the provision of specialised works and general building works in Hong Kong which were awarded to us through competitive tenders or quotations submitted. Our future growth and success will depend on our ability to continue to secure tender and award of contracts. In addition, our business is contract-based and on a non-recurring basis. We do not have long-term commitment with our customers and our customers may vary from year to year. There is no guarantee that our current customers will in the future continue to invite us for tendering or award us with new contracts, or that we will be able to seek new customers.

As at the Latest Practicable Date, we had ten projects on hand with a total awarded contract sum of approximately HK$165.5 million, of which approximately HK$43.7 million was recognised as revenue during the Track Record Period. Upon completion of our projects on hand, our financial performance may be adversely affected if our Group is unable to secure new tenders or obtain new contract awards with comparable contract sums or at all. Accordingly, our historical financial results during the Track Record Period should not be taken as an indication of our future performance. Prospective investors should be aware of the risk of our Group failing to secure new contracts when considering our Group's future prospects. Besides, if any of our major customers experiences any liquidity problem, it may result in delay or default in settling progress payments to us, which in turn will have an adverse impact on our cashflow and financial conditions. We cannot guarantee that we will be able to diversify our customer base by obtaining significant number of new projects from our existing and potential customers.

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

Our ability to submit tender proposal and quotations at a competitive price with adequate profit margin and maintain our profitability depends on various factors. We determine the tender price based on our estimated project costs taking into account factors, including but not limited to, scope and complexity of the project, site conditions, project time frame, estimated construction material costs and labour cost plus a mark-up margin at the time when we submit our tender proposal to our potential customer. In the event that we fail to accurately estimate the project costs or if there is any unforeseen factor leading to any increase in cost, we may be subject to cost overruns, which will in turn result in

lower profit margin or even a loss for a project. For details, please refer to the paragraph headed "Business — Operation Flow — Implementation phase — Monitoring and control of project costs and progress" of this document.

Furthermore, to prepare for certain unforeseen circumstances which are beyond the control of our Group, our contracts may include a clause providing for an "extension of time", which enables us to extend the completion date subject to the assessment by project consultants appointed by our customers. Our Group may be subject to liquidated damages due to delay in completing the project if extension of time is not granted by our customers, which are calculated on the basis of a fixed sum per day or according to certain damages calculating mechanism as stipulated under the contract for the period which the works remain incomplete.

There is no assurance that we will not encounter cost overruns or delays on our current and future projects and our customers may not agree to extend the completion date. If such cost overruns or delays occur, we may experience increase in costs exceeding our budget or be required to pay liquidated damages, hence reducing or diminishing profits that may be generated from our contracts, and may result in material adverse impact on our operation and financial performance.

We rely on our subcontractors to perform a portion of the site works and unsatisfactory performance or unavailability of our subcontractors may adversely affect our operations and profitability

In line with the usual practice of the construction industry in Hong Kong, we engage third party subcontractors to perform a portion of the site works under our contracts. For FY2016 and FY2017, our total actual subcontracting charges accounted for approximately 61.7% and 65.0% of our total actual costs, respectively.

Other than any significant increase in the subcontracting charges that may impact on our profitability, we may also be exposed to other legal liabilities if we are not able to monitor the performance of our subcontractors, or if our subcontractors violate any laws, rules or regulations in relation to health and safety matters. We are also exposed to risks associated with any non-performance, delayed performance or sub-standard performance by our subcontractors or their respective employees. Further, in the event that additional stringent requirements for subcontractor registration under the SRS are imposed by the CIC in the future, the pool of available and suitable subcontractors would predictably diminish, and thus our Group may face difficulties in sourcing suitable subcontractors when required. For details, please refer to the paragraph headed "Regulatory Overview — Laws and Regulations in relation to Construction Labour, Health and Safety — Subcontractor Registration Scheme" of this document. We may also incur additional costs or be subject to liability due to delay in schedule or defect in the works of our subcontractors or if there is any accident causing personal injuries or death of our subcontractors' employees. These events may result in adverse impact on our profitability, financial performance and reputation, as well as result in litigation or damage claims.

If we are appointed by our customer to act as a registered general building contractor or a registered specialist contractor in a project and we fail to properly supervise the carrying out of the site works pursuant to the requirements of the Buildings Ordinance, we and our Directors may be subject to prosecution or disciplinary action which may materially and adversely affect our reputation, business operations and financial position. Please refer to the paragraph headed "Regulatory Overview — Laws and Regulations in relation to the Contractor Licensing Regime — General building contractor/specialist

contractor" of this document for further details. During the Track Record Period and up to the Latest Practicable Date, we had two workplace accidents that were related to employees of our subcontractors which may give rise to potential employees' compensations claims or personal injury claims. For details, please refer to the paragraph headed "Business — Litigation and Potential Claims — Litigation in relation to employees' compensation claims and common law personal injury claims against our Group as at the Latest Practicable Date" of this document.

In addition, pursuant to the Employment Ordinance, a principal contractor and every superior subcontractor is/are jointly and severally liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, if such wages are not paid within the period specified in the Employment Ordinance. Our operations and hence our financial position may be adversely affected if any of our subcontractors violates its obligations to pay its employees. Please refer to the paragraph headed "Regulatory Overview — Laws and Regulations in relation to Construction Labour, Health and Safety — Employment Ordinance (Chapter 57 of the Laws of Hong Kong)" of this document for further details.

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

Our Group's works contracts normally require our customers to make progress payments on a monthly basis. Once our Group has submitted a monthly payment application, the architects appointed by our customer will certify the amount of work done. In general, our customer settles the bill, net of any agreed retention monies, within 30 days to 180 days after the issue of progress certificate certified by the architects appointed by our customers. Our trade receivables were approximately HK$6.0 million and HK$28.2 million as at 30 June 2016 and 30 June 2017, respectively. Our trade receivables and trade payables turnover days were approximately 56 days and 36 days for FY2016, and approximately 83 days and 37 days for FY2017, respectively. During the Track Record Period, we did not experience material difficulty in collecting our trade receivables and did not make any provision for doubtful debt. The retention monies will only be released to us after the expiry of the defects liability period, depending on the terms of the individual contracts. As at 30 June 2016 and 30 June 2017, our retention receivables were approximately HK$3.4 million and HK$5.5 million, respectively. We rely on cash inflow from our customers to meet our payment obligations to our suppliers and subcontractors which provide us with construction materials and subcontracting services to complete our construction works. However, there is no guarantee that the progress payments from our customers will always be paid to us in a timely manner and in full. We are exposed to liquidity risk when there is a significant timing difference between making payments to our suppliers and subcontractors and receiving payments from our customers. The retention monies or any future retention monies may not be paid by our customers to us in a timely manner or in full due to the examination process of completed works, which may give rise to disputes and may result in delays in payments. Any failure by our customers to make payment in a timely manner or in full may have an adverse effect on our future liquidity position. If we are not able to maintain a sufficient amount of working capital and cash flow to meet these cost requirements, our capacity to undertake new projects may be limited and, accordingly, our financial performance and results of operations may be adversely affected.

In addition, net cash outflows are normally recorded at the early stage of works when we are required to pay certain initial set-up costs for most of our construction projects, including, among others, the purchase of surety bonds and insurances. Accordingly, we have to commit a certain amount of cash

and other resources prior to receiving any payments and, thus, we typically incur a higher level of costs and expenses associated with a project during its commencement. Progress payments will be paid after our construction works have started and will be certified by the architects appointed by our customers. Accordingly, the cash flows for a particular project will turn into cumulative net inflows gradually as the construction works progress. In the event that we successfully secure the tendered contracts and start a number of projects at the same time which require substantial initial set-up costs when we have significantly lower cash inflows from other projects at any particular time period, our cash flow position may be adversely affected. There is no assurance that the financial position of our customers will remain healthy in the future. We also cannot assure that we will be able to the collect receivables from our customers on a timely basis or that there will not be any future dispute in terms of collection of receivables from our customers which may result in significant delay in receivables collection.

Our cash flows may deteriorate due to net operating cash outflow

For FY2017, we recorded net cash used in operating activities of approximately HK$5.0 million, which was primarily due to (i) the increase in trade and retention receivables of approximately HK$24.3 million due to the increased number and scale of the construction projects undertaken by us; and (ii) the increase in restricted cash of approximately HK$2.5 million.

We rely on cash inflow from our customers to meet our payment obligations to our suppliers and subcontractors. Our cash inflow depends on prompt settlement by our customers. Nevertheless, even if our customers settle such payments on time and in full, there is no assurance that we would not experience any significant cash flow mismatch or cash outflow. If there is any significant and substantial cash flow mismatch or significant cash outflow, our cash flow position may be adversely affected and we might have to raise funds by resorting to internal resources and/or banking facilities in order to meet our payment obligations in full and on time.

We need to maintain qualifications and registrations for the operation of our business and any change in relevant rules and regulations, licensing regime and standards of compliance may adversely affect our operation and financial conditions

We are required to maintain operating qualifications and registrations to conduct our business. Please refer to the paragraph headed "Business — Licences and Permits" of this document for further details. To maintain such qualifications and registrations, we must comply with the relevant rules and regulations imposed by various Hong Kong Government departments. For instance, contractors registered with the Buildings Department are subject to a regulatory regime which is put in place to ensure contractors' standards of financial capability, expertise, management and safety. Please refer to the section headed "Regulatory Overview" of this document for additional information.

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

By a letter dated 14 August 2017 issued by the Buildings Department, we were informed by the Buildings Department that our application for renewal of our registration of registered specialist contractor in demolition works category was refused since the Buildings Department was not satisfied with the abilities and competence of Mr. Kung as the Authorised Signatory due to issues arising from records of non-performance. For details, please refer to the paragraph headed "Business — Licences and Permits" of this document.

We rely on our executive Directors in our operations and the services of our Authorised Signatory(ies) and Technical Director(s) for our registrations maintained with the Buildings Department

Our success and growth depend on our executive Directors as well as the ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Please refer to the section headed "Directors and Senior Management" of this document for their biographical details. If any of these executive Directors cease to be involved in the management of our Group in the future and our Group is unable to find suitable replacements in a timely manner, there could be an adverse impact on the business, results of operation and profitability of our Group.

Our Directors also believe that a competitive design for a project is an important aspect of the tendering process because it directly affects tender price and the likelihood of being awarded the contract. Our in-house design team, which is led by Mr. Kung who is mainly assisted by our project manager, Mr. Lau Chi Kwan, is responsible for preparing more cost-efficient and technically capable foundation designs suited for the conditions and limitations of different sites and requirements from our customers. Our Directors believe that our capability in foundation design enhances our tender success rate to win more tenders for "design and build" projects which command a higher profit margin when compared with "build only" projects. Please refer to the paragraph headed "Business — Our Business Model and Our Projects — "Design and build" contracts and "build only" contracts" of this document for details. If Mr. Kung ceases to be involved in our design function and if our Group is unable to find suitable replacement, our design capability may be adversely affected, which in turn could adversely affect the business, results of operation and profitability of our Group.

Further, in order for Wai Tat to apply for and maintain the registrations as a registered general building contractor and registered specialist contractor in the site formation, foundation works, demolition works, and ground investigation field works categories, we must have at least one Authorised Signatory to act for us and one Technical Director to carry out certain duties, including, among others, providing technical support for the execution of works and ensuring that the works are carried out in accordance with the Buildings Ordinance. For details of the registration requirements, please refer to the paragraph headed "Regulatory Overview — Laws and Regulations in relation to the Contractor Licensing Regime — General building contractor/specialist contractor" of this document.

The Building Authority imposes certain requirements on the qualifications and experience of such Authorised Signatory and Technical Director. For details of our Group's major qualifications and licences, please refer to the paragraph headed "Business — Licences and Permits" of this document.

Departure or disqualification of the Authorised Signatory(ies) or Technical Director(s) may result in suspension of our Group's registrations maintained with the Buildings Department if no replacement is identified and applied for. In the event that any of the Authorised Signatories or Technical Directors

leaves our Group, our Group may not be able to identify and recruit staff with adequate qualifications and experience eligible to become Authorised Signatory or Technical Director in a timely manner, thereby potentially resulting in suspension of our Group's registrations maintained with the Buildings Department and may materially and adversely affect our operations and financial conditions of our Group.

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

Structural steel, concrete and reinforcement steel are our major construction materials. For FY2016 and FY2017, our actual purchase costs of construction materials amounted to approximately HK$4.5 million and HK$8.0 million, respectively, representing approximately 14.1% and 17.5% of our total actual costs for the respective years.

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

We may be unable to secure the Projects

We have submitted tenders for (i) Project A i.e. a project with a contract period of approximately 12 months involving demolition works, foundation works and superstructure building works relating to construction of columbarium in Tuen Mun with a notional contract sum of approximately HK$25 million; and (ii) Project B i.e. a project with a contract period of approximately 20 months involving redevelopment of school campus in Tai Po Road involving demolition works, A&A works, hoarding works, foundation and site formation works with a notional contract sum of approximately HK$61 million, both of which we plan to secure. Please refer to the section headed "Future Plans and Use of Proceeds" of this document for further details of the Projects. There is no assurance that we will be awarded either or both of the Projects. If we fail to secure the Projects, our business prospect, financial position and results of operations may be adversely affected.

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

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

We are exposed to certain inherent risks relating to foundation and site formation works

Underground works

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

Accidental damage caused to adjacent buildings

Due to the nature of our foundation works, the foundation and structure of any buildings adjacent to our construction sites may be affected or damaged during our works. In this case, we will incur additional cost and time in carrying out remedial works, which may cause material delay preventing our Group from completing our obligation under a contract in accordance with its terms and schedule. Where extension of time is not granted by the relevant customer, our Group may face claims for losses and liquidated damages. Further, we may be involved in claims and disputes from third parties arising from accidental damage caused to the adjacent building, which may lead to legal and other proceedings and expose our Group to reputational risk, in particular where such incidents or claims attract negative publicity.

Our performance may be adversely affected by such construction disputes and litigation

We may be in disputes with our customers, subcontractors, suppliers, workers and other parties in connection with our projects for various reasons. Such disputes may be in connection with late completion of works, delivery of substandard works, personal injuries or labour compensation in relation to the works. Please refer to the paragraph headed "Business — Litigation and Potential Claims" of this document for further information on material disputes or litigation we encountered during the Track Record Period. Handling of legal proceedings and disputes can be both costly and time-consuming, and may significantly divert the efforts and resources of our management. Should any claims against us fall outside the scope and/or limit of our insurance coverage or monies retained from subcontractors, our financial position may be adversely affected.

Further, in the course of project implementation, our customers may give "variation orders" to us and request us to alter the scope of works or perform additional works on top of the scope of the original construction contracts. The terms of these "variation orders" are agreed between our Group and the architect authorised by our customers in accordance with, among other things, any additional work carried out which is the same as or similar in character to (and executed under the same or similar conditions and circumstances to) any item of works priced in the original contract. If our Group disagrees on the rates fixed by such architect, contractual disputes with our customers may arise, and our results of operation, liquidity and financial position may be adversely affected.

We rely on our major customers

We generate a significant portion of our revenue from a limited number of customers during the Track Record Period. For FY2016 and FY2017, our five largest customers in aggregate accounted for approximately 97.2% and 81.7% of our total revenue, respectively, with our largest customer amounted to approximately 53.6% and 27.3% of our total revenue for the respective years.

In addition, our business is contract-based and on a non-recurring basis. We do not have any long-term commitment with our customers and our customers may vary from year to year. There is no assurance that our major customers will maintain the current business relationship with us and engage us in the future. Any deterioration in the business relationship or termination of the business relationship with our major customers may adversely affect our financial position if we fail to find other customers or diversify our customer base.

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

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

For FY2016 and FY2017, our revenue amounted to approximately HK$44.7 million and HK$75.4 million, respectively; our gross profit amounted to approximately HK$13.2 million and HK$22.7 million, respectively (representing gross profit margin of approximately 29.6% and 30.2% for the respective years); while our profit and total comprehensive income amounted to approximately HK$8.5 million and HK$9.5 million, respectively (representing net profit margin of approximately 19.1% and 12.6% for the respective years).

However, such trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future which will depend on our capability to secure new business opportunities and to control our costs. Our profit margins may fluctuate from project to project due to factors such as scope and complexity of projects, site conditions, project time frame, estimated construction material costs and labour cost. There is no assurance that our profit margins in the future will remain at a level comparable to those recorded during the Track Record Period. Our financial condition may be adversely affected by any decrease in our profit margins.

Reduction in our awarded "design and build" contracts may materially and adversely affect our gross profit margin

Our gross profit margin of each individual project depends on a number of factors, including but not limited to the scope and complexity of the project, site conditions, project time frame, estimated construction material costs and labour cost plus a mark-up margin at the time when we submit our tender proposal to our potential customer, and therefore varies from project to project. ''Design and build'' contracts generally command a higher profit margin when compared with ''build only'' contracts, with the gross profit margin of our ''design and build'' contracts being approximately 32.3% and 34.6% while the gross profit margin of our ''build only'' contracts were approximately 11.1% and 25.7% for FY2016 and FY2017, respectively. For detailed analysis regarding the fluctuations of our Group's gross profit margin for the Track Record Period, please refer the paragraph headed ''Financial Information — Description of Selected Items for the Combined Statements of Comprehensive Income — Gross profit and gross profit margin'' of this document.

For FY2016 and FY2017, approximately 90.1% and 63.4% of our revenue were derived from ''design and build'' contracts, respectively. We cannot assure that we will be able to secure new ''design and build'' contracts in the future. In the event that we are unable to secure new ''design and build'' contracts from our new customers or existing customers, our revenue and gross profit margin may be adversely affected.

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

There is no assurance that all potential losses and expenses incurred from damages or liabilities in relation to our business can be fully covered by insurance we took out. For details of our insurance, please refer to the paragraph headed ''Business — Insurance'' of this document. In the event that we suffer from any losses, damages or liabilities in the course of our business operations which our insurance does not cover, we may not have sufficient funds to cover such losses, damages or liabilities. The resulting payment to cover such losses, damages or liabilities may have a material adverse effect on our business, results of operations and financial position.

We may be unable to implement our business strategies effectively

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

RISKS RELATING TO OUR INDUSTRY

Our performance depends on trends and developments in the construction industry in Hong Kong

Our operations are principally located in Hong Kong during the Track Record Period. The future growth and level of profitability of the construction industry in Hong Kong depend on the market conditions, the general conditions and prospects of Hong Kong's economy. If there is any recurrence of recession in Hong Kong, our operations and profitability could be adversely affected. In addition, any change in the existing political environment in Hong Kong may bring about instability of its economy, thereby adversely affects the construction industry in which we operate.

Further, the future growth and level of profitability of the specialised works, superstructure building works, and other general building works industry in Hong Kong depend primarily upon the continued availability of construction projects, which is determined by the interplay of a variety of factors. These factors include the Hong Kong Government's spending patterns on the construction industry in Hong Kong and its land supply and public housing policy, the approval of the relevant budgets and plans on construction projects by the Hong Kong Legislative Council, as well as the investment of property developers. If there is any adverse change in Hong Kong's land supply and public housing policy, the demand for specialised works, superstructure building works and other general building works in Hong Kong may deteriorate and our operations and profitability could be adversely affected.

We operate in a highly competitive market

The specialised works, superstructure building works and other general building works industries in Hong Kong have many participants and is competitive. As at 30 June 2017, there were 726 registered general building contractors, 150 registered contractors as the Specialist Contractors (Sub-register of Foundation Works Category), 190 registered contractors as the Specialist Contractors (Sub-register of Site Formation Works Category), 108 registered contractors as the Specialist Contractors (Sub-register of Demolition Works Category) and 49 registered contractors as the Specialist Contractors (Sub-register of Ground Investigation Field Works Category) under the Buildings Department. Some of the major market players may have significantly more resources and are better positioned than our Group, including but not limited to having a longer operating history, better financing capabilities and well better-developed technical expertise. New participants may wish to enter the industry provided that they have the appropriate skills, industry experience, necessary machinery, capital and they are granted the requisite licenses or approvals by the relevant regulatory bodies. Increased competition may result in lower operating margins and loss of market share, which may adversely affect our profitability and operating results.

Shortage of labour may affect our projects and our performance

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

Industrial actions or strikes may affect our business

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

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

Our business operations are mostly conducted outdoors and are vulnerable to adverse weather conditions. If adverse weather conditions persist or natural disaster occurs, we may be prevented from performing works at our sites, and thereby fail to meet specified time schedule. If we have to halt operations during inclement weather or natural disaster, we may continue to incur operating expenses even though we experience reduced revenues and profitability.

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

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

Investors will experience immediate dilution

As the [REDACTED] of our Shares is higher than the net tangible book value per Share immediately prior to the [REDACTED], purchasers of our Shares in the [REDACTED] will experience an immediate dilution in the unaudited pro forma adjusted net tangible assets value to approximately HK$[REDACTED] per [REDACTED] and HK$[REDACTED] per [REDACTED] based on [REDACTED] of HK$[REDACTED] per [REDACTED] and HK$[REDACTED] per [REDACTED], respectively.

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

Prior to the [REDACTED], there is no public market for our Shares. The listing of and the permission to deal with our Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the [REDACTED]. Factors such as variations in our Group's revenue, earnings and cash flows, strategic alliances or acquisitions made by our Group or its competitors, industrial or environmental accidents happened to our Group, loss of key personnel, litigation, fluctuations in the market prices for the products or the raw materials of our Group, the liquidity of the market for our Shares, the general market sentiment regarding the foundation and site formation works and superstructure building works industries could cause the market price and

trading volume of our Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the [REDACTED].

Investors may experience dilution if our Group issues additional Shares in the future

Our Group may issue additional Shares upon exercise of options to be granted under our Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of our Shareholders and may result in a dilution in the earnings per Share and net asset value per Share. In addition, our Group may need to raise additional funds in the future to finance business expansion, new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to our existing Shareholders, the shareholding of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the [REDACTED].

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

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

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

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

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

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

RISKS RELATING TO THIS DOCUMENT

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

Certain facts, statistics, and data presented in the section headed "Industry Overview" of this document and elsewhere in this document relating to the industry in which we operate have been derived, in part, from various publications and industry-related sources prepared by government officials or independent third parties. In addition, our Directors believe that the sources of information are appropriate sources for such information and our Directors have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sole Sponsor, their respective affiliates or advisers, nor any parties involved in the [REDACTED] have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources are prepared on a comparable basis or that such information and statistics are stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

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

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

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Yip Shiu Ching (葉韶青先生) *(Chairman)*	Flat A, 1/F, Block 9, The Woodsville 18 Hung Shun Road, Hung Shui Kiu Yuen Long, New Territories Hong Kong	Chinese
Mr. Kung Cheung Fai Patrick (孔祥輝先生)	Flat A, 2/F, Bauhinia Court Worldwide Gardens Tai Wai, New Territories Hong Kong	Chinese
Mr. Kam Kin Bun (甘健斌先生)	Flat 16, 10/F, Block E Kornhill, Quarry Bay Hong Kong	Chinese
Independent non-executive Directors		
Mr. Leung Chi Hung (梁志雄先生)	Flat C, G/F, Block 10 Parc Oasis Parc Oasis Road Yau Yat Chuen, Kowloon Hong Kong	Chinese
Ms. Wong Lai Na (黃麗娜女士)	Flat C, 30/F, Block 2 The Sparkle 500 Tung Chau Street Cheung Sha Wan, Kowloon Hong Kong	Chinese
Ms. Hung Siu Woon Pauline (洪小媛女士)	Flat 1, 13/F, Block B Pearl Court 13 Belcher Street Kennedy Town Hong Kong	Chinese

For further information on the biographies of our Directors, please refer to the section headed "Directors and Senior Management" of this document.

PARTIES INVOLVED

Sole Sponsor	**Titan Financial Services Limited** Suites 3201–02, 32/F, COSCO Tower Grand Millennium Plaza 183 Queen's Road Central Central, Hong Kong *(A licensed corporation carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)*
[REDACTED] and [REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal advisers to our Company	*As to Hong Kong law* **D. S. Cheung & Co.** 29/F, Bank of East Asia Harbour View Centre 56 Gloucester Road, Wanchai Hong Kong *As to Hong Kong law* **Mr. Chan Chung** *Barrister-at-law of Hong Kong* 10/F, Grand Building 15–18 Connaught Road Central Hong Kong *As to Cayman Islands law* **Conyers Dill & Pearman** Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisers to the Sole Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED]	*As to Hong Kong law* **Stevenson, Wong & Co.** **in association with AllBright Law Offices** 39/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Reporting accountant	**PricewaterhouseCoopers** Certified Public Accountants 22/F, Prince's Building Central, Hong Kong
Industry consultant	**Frost & Sullivan Limited** Suite 1706 One Exchange Square 8 Connaught Place Central Hong Kong

Compliance adviser	**Titan Financial Services Limited** Suites 3201–02, 32/F, COSCO Tower Grand Millennium Plaza 183 Queen's Road Central Hong Kong *(A licensed corporation carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)*
Receiving bank	[REDACTED]

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Flat A, 6/F, Evernew Commercial Centre 33 Pine Street, Tai Kok Tsui Kowloon, Hong Kong
Company's website	**www.wtgholdings.com** *(Information contained in this website does not form part of this document)*
Authorised representatives	Mr. Yip Shiu Ching (葉韶青) Flat A, 1/F, Block 9 The Woodsville 18 Hung Shun Road Hung Shui Kiu, Yuen Long New Territories Hong Kong Mr. Lei Wai Hoi (李偉海) Flat F, 18/F, Block 10 Ocean Shores, O King Road Tseung Kwan O, New Territories Hong Kong
Company secretary	Mr. Lei Wai Hoi (李偉海) *(CPA)* Flat F, 18/F, Block 10 Ocean Shores, O King Road Tseung Kwan O, New Territories Hong Kong
Compliance officer	Mr. Yip Shiu Ching (葉韶青)
Audit committee	Mr. Leung Chi Hung (梁志雄) *(Chairman)* Ms. Wong Lai Na (黃麗娜) Ms. Hung Siu Woon Pauline (洪小媛)
Remuneration committee	Ms. Wong Lai Na (黃麗娜) *(Chairman)* Mr. Leung Chi Hung (梁志雄) Ms. Hung Siu Woon Pauline (洪小媛)
Nomination committee	Ms. Hung Siu Woon Pauline (洪小媛) *(Chairman)* Mr. Leung Chi Hung (梁志雄) Ms. Wong Lai Na (黃麗娜)

Principal share registrar and transfer office in the Cayman Islands	[REDACTED]
Hong Kong branch share registrar and transfer office	[REDACTED]
Principal banker	DBS Bank (Hong Kong) Limited 16/F, The Center 99 Queen's Road Central Central Hong Kong

This section contains information which is derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that such information is false or misleading or that any material parts have been omitted that would render the information false or misleading. The information prepared by Frost & Sullivan and set out in this section has not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], or any of their affiliates or advisers and no representation is given as to its accuracy, completeness or fairness of such information and the information should not be relied upon in making, or refraining from making, any investment decision.

SOURCES OF INFORMATION

We commissioned Frost & Sullivan, an independent market research consulting firm, to prepare a report on the construction industry (including foundation, site formation and superstructure building) in Hong Kong for the period from 2012 to 2021. Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. Frost & Sullivan charged us a total fee of HK$500,000 for the research and preparation of the Frost & Sullivan Report.

RESEARCH METHODOLOGY

The methodology used by Frost & Sullivan in gathering the relevant market data in compiling the Frost & Sullivan Report included secondary research and primary research. Secondary research involves information integration of data and publication from publicly available resources, including official data and announcements from Hong Kong Government departments, and primary research on industry and enterprise player information. Interviews were conducted with industry participants across the industry chain and relevant institutions to obtain objective and factual data and prospective predictions. Industry data was built on the results of primary and secondary research.

Basis and assumptions

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) the social, economic and political environment in Hong Kong is likely to remain stable in the forecast period; and (ii) the key industry drivers, such as governmental policy and generated demand are likely to continue to drive the growth of the construction in Hong Kong in the forecast period from 2017 to 2021. The projection of data is based on the aforementioned assumptions.

NO ADVERSE CHANGE IN MARKET INFORMATION

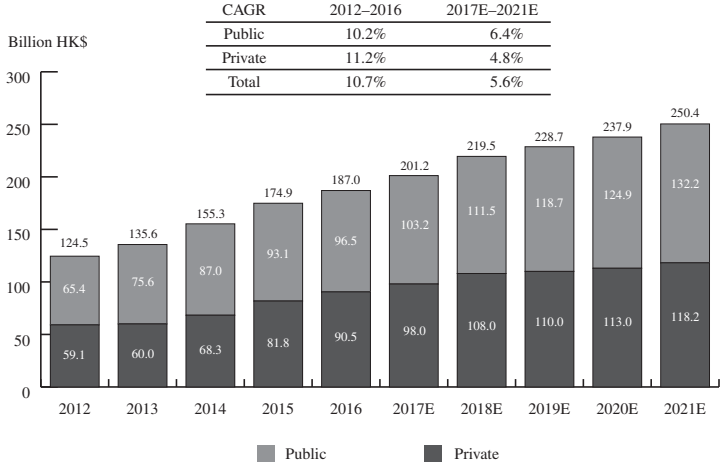
Our Directors confirm that, to the best of their knowledge, after taking reasonable care, as at the Latest Practicable Date, there was no material adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF THE CONSTRUCTION MARKET IN HONG KONG

The construction industry comprises 6% to 9% of the GDP in Hong Kong since 2000s. Gross value of construction works refers to value of construction works performed by main contractors and sub-contractors. The gross value of construction works increased steadily from HK$124.5 billion in 2012 to HK$187.0 billion in 2016, at a CAGR of 10.7%. It is anticipated that the market size will rise from HK$201.2 billion in 2017 to HK$250.4 billion in 2021, at a CAGR of 5.6%. Such increase is mainly attributed by the increasing real estate development, investment in infrastructure and expediting of urban renewal in Hong Kong.

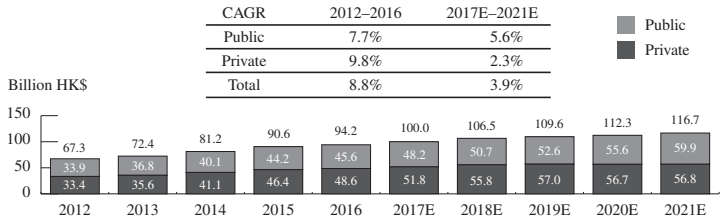
The gross value of construction works in Hong Kong can be divided into public sector (i.e. projects commissioned by Hong Kong Government, statutory bodies or public organisation) and private sector (i.e. projects commissioned by privately-owned companies and non-government authorities). It is estimated that the value of construction works in public sector and private sector will increase from HK$96.5 billion and HK$90.5 billion in 2016 to HK$132.2 billion and HK$118.2 billion in 2021 respectively. Investment in public infrastructure is expected to continue. However, in recent years, filibustering in the Hong Kong Legislative Council has, to a certain extent, led to the failure or delay in the funding approval for certain Hong Kong Government projects by the committees of the Hong Kong Legislative Council, which may in turn slow down the public investment in infrastructure as well as the growth of the construction industry in Hong Kong. Nevertheless, as the Hong Kong Government is expected to continue its investment on infrastructure and public housing in the long run, the construction industry in Hong Kong is likely to grow moderately. It is estimated that with the development of Hong Kong Government's continuous support regarding commercial land development, impact of urban renewal and private residential property development, investment in construction projects in private sector will be further enhanced. Meanwhile, the gross margin of private sector projects is relatively higher than that of public sector projects primarily due to the stricter budget control of public sector projects.

Gross Output Value of Construction Works in Hong Kong, 2012–2021E

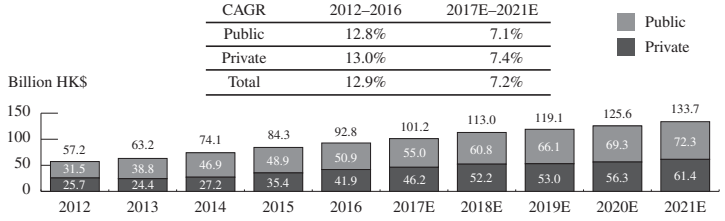


Source: Frost & Sullivan Research and Analysis and the Hong Kong Census and Statistics Department

Hong Kong General Building Works Market Size, 2012–2021E



Hong Kong Specialised Building Works Market Size, 2012–2021E

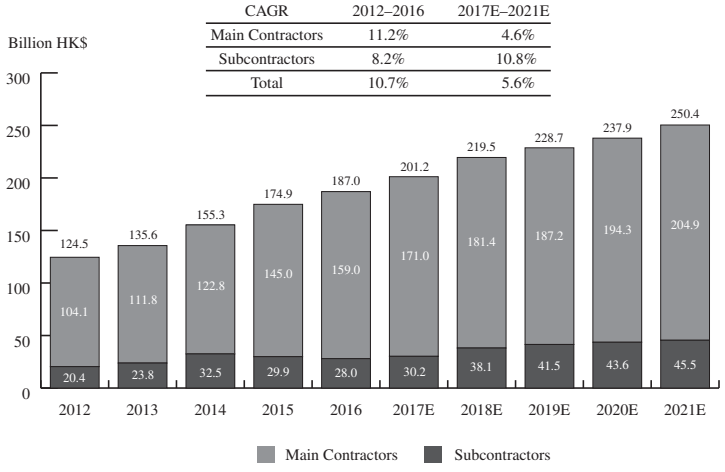


Source: Frost & Sullivan Research and Analysis and the Hong Kong Census and Statistics Department

The gross value of construction works in Hong Kong increased steadily from HK$124.5 billion in 2012 to HK$187.0 billion in 2016, at a CAGR of 10.7%. It is estimated that the value of construction works contributed by main contractors and subcontractors will increase from HK$171.0 billion and HK$30.2 billion in 2017 to HK$204.9 billion and HK$45.5 billion in 2021 respectively, demonstrating a CAGR of 4.6% and 10.8% respectively.

Such increase for main contractors is mainly attributed to the overall development of construction market in Hong Kong, while such increase for subcontractors is mainly because more and more main contractors tend to outsource the construction projects partially to subcontractors in order to control the costs of labour, machinery and equipment, which is a common practice in the construction market in Hong Kong. The increasing trend of the outsourcing of projects resulted in a continuous increase of subcontractors' value.

Gross Value of Construction Works in Hong Kong, 2012–2021E

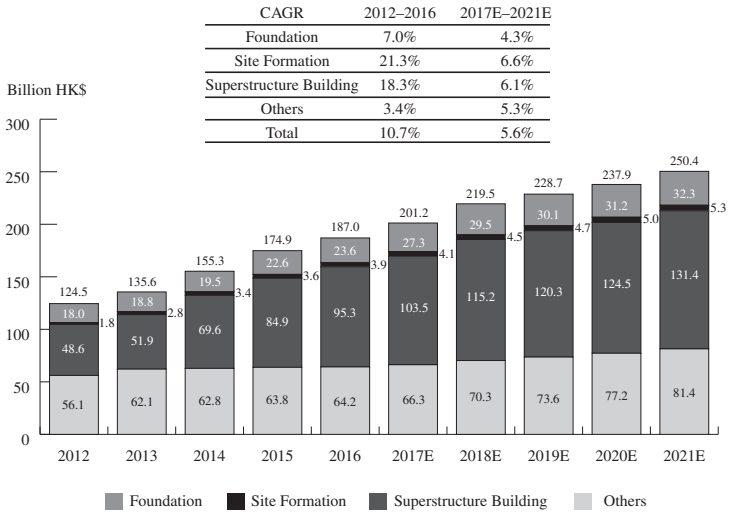


Source: Frost & Sullivan Research and Analysis and the Hong Kong Census and Statistics Department

In Hong Kong, the construction works can be principally divided into (i) specialised works; and (ii) general building works. Under the specialised works, there are five categories of works, including (i) demolition works; (ii) foundation works; (iii) ground investigation field works; (iv) site formation works; and (v) ventilation works which can only be carried out by registered specialist contractors (RSC) in their corresponding categories. On the other hand, general building works mainly refer to (i) superstructure building works; and (ii) others including slope maintenance works, alteration and addition works and fitting-out works, which are required to be carried out by registered general building contractors (RGBC).

Under the construction market in Hong Kong, the key segments are foundation, site formation and superstructure building, which in aggregate constituted over 50% of the overall construction industry in Hong Kong for the period from 2012 to 2016, demonstrating an increasing trend from 54.9% to 65.7%. It is anticipated that the gross value of foundation, site formation and superstructure building works are expected to demonstrate a promising increase with a CAGR of 4.3%, 6.6% and 6.1% from 2017 to 2021, respectively, with an average CAGR of 5.8% outperforming the overall increase of gross value of construction works in the entire construction market of 5.6% from 2017 to 2021.

Gross Value of Construction Works in Hong Kong, 2012–2021E



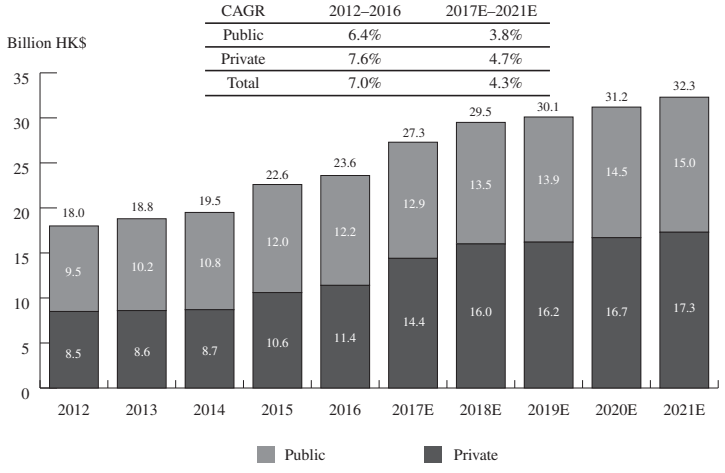
Source: Frost & Sullivan Research and Analysis and the Hong Kong Census and Statistics Department

MARKET OVERVIEW OF THE KEY CONSTRUCTION SEGMENTS IN HONG KONG

Foundation industry

The gross value of foundation works increased steadily from HK$18.0 billion in 2012 to HK$23.6 billion in 2016, at a CAGR of 7.0%. It is anticipated that the market size will expand from HK$27.3 billion in 2017 to HK$32.3 billion in 2021, at a CAGR of 4.3%. Such increase is mainly attributed by the increase of residential and commercial real estate development and investment in infrastructure in Hong Kong. In particular, it is estimated that the value of public sector and private sector of foundation industry will increase from HK$12.9 billion and HK$14.4 billion in 2017 to HK$15.0 billion and HK$17.3 billion in 2021, demonstrating a CAGR of 3.8% and 4.7% respectively. The growth of gross value of foundation works for the private sector is higher than that for the public sector due to the stricter budget control of public sector projects, hence a gentler increase in the project fees in the public sector compared with that in private sector.

Hong Kong Foundation Market Size and Gross Value of Foundation Works, 2012–2021E

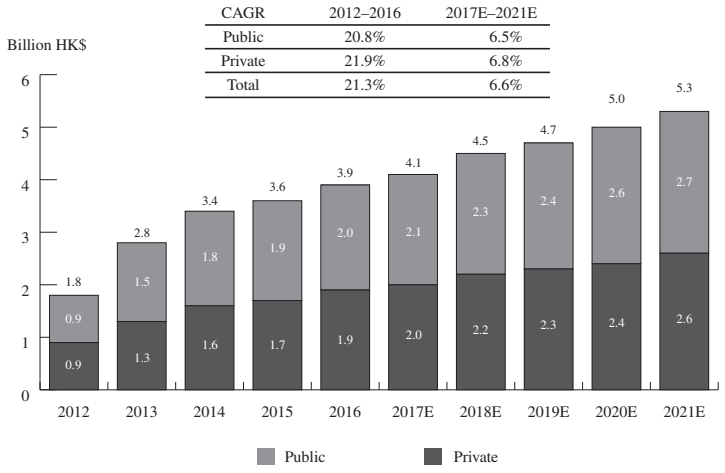


Source: Frost & Sullivan Research and Analysis and the Hong Kong Census and Statistics Department

Site formation industry

The gross value of site formation works increased steadily from HK$1.8 billion in 2012 to HK$3.9 billion in 2016, at a CAGR of 21.3%. It is anticipated that the market size will rise from HK$4.1 billion in 2017 to HK$5.3 billion in 2021, at a CAGR of 6.6%. Such increase is mainly attributed by the increase residential and commercial of real estate development and investment in infrastructure in Hong Kong. In particular, it is estimated that the gross value of site formation works in public sector and private sector will increase from HK$2.1 billion and HK$2.0 billion in 2017 to HK$2.7 billion and HK$2.6 billion in 2021, demonstrating a CAGR of 6.5% and 6.8% respectively.

Hong Kong Site Formation Market Size and Gross Value of Site Foundation Works, 2012–2021E

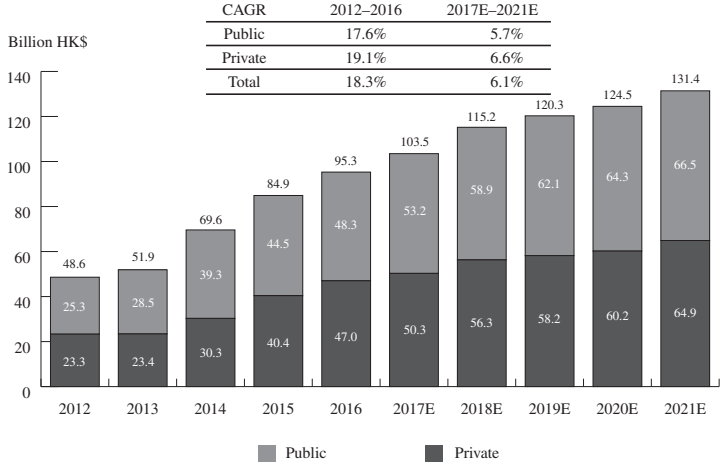


Source: Frost & Sullivan Research and Analysis & Hong Kong Census and Statistics Department

Superstructure building industry

The gross value of superstructure building works increased steadily from HK$48.6 billion in 2012 to HK$95.3 billion in 2016, at a CAGR of 18.3%. It is anticipated that the market size will expand from HK$103.5 billion in 2017 to HK$131.4 billion in 2021, at a CAGR of 6.1%. Such increase is mainly attributed to the increasing commercial and residential real estate development and investment in infrastructure in Hong Kong. In particular, it is estimated that the gross value of superstructure building works in public sector and private sector will increase from HK$53.2 billion and HK$50.3 billion in 2017 to HK$66.5 billion and HK$64.9 billion in 2021, demonstrating a CAGR of 5.7% and 6.6% respectively. The growth of gross value of superstructure building works in private sector is higher than that in public sector due to the stricter budget control of public sector projects, hence a gentler increase in the project fees in the public sector compared with that in private sector.

Hong Kong Superstructure Market Size and Gross Value of Superstructure Works, 2012–2021E



Source: Frost & Sullivan Research and Analysis and the Hong Kong Census and Statistics Department

Average cost of construction market

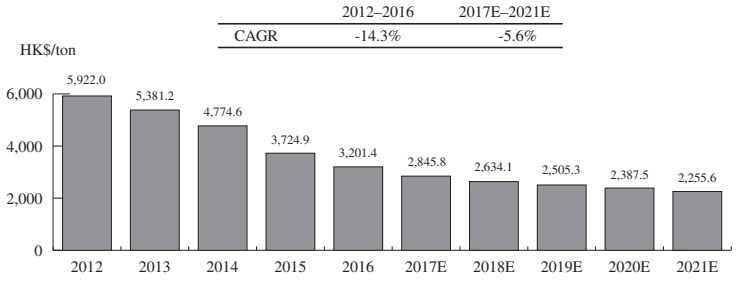
Cost of raw material

The main raw material of construction includes steel reinforcement, diesel and Portland cement. The average cost of steel reinforcement decreased from HK$5,922.0 per ton in 2012 to HK$3,201.4 per ton in 2016 with a CAGR of -14.3%. Such decrease was mainly caused by the oversupply of steel and the decrease of steel demand from real estate industry and automotive industry following the slowdown of economic growth in these two sectors. It is estimated that the cost of steel reinforcement will continue to decrease but the rate of decline will slow down in the future, demonstrating a CAGR of -5.6% from 2017 to 2021.

The average cost of diesel is reflected by the international crude price. The average crude cost decreased from USD105.0 per barrel in 2012 to USD41.0 per barrel in 2016, at a CAGR of -21.0%. Such decrease was mainly caused by the crude extraction overcapacity and the decrease in demand from crude consumption countries including China following the slowdown in economic growth. It is estimated that the cost of crude will recover slightly in the future, demonstrating a CAGR of 5.7% from 2017 to 2021.

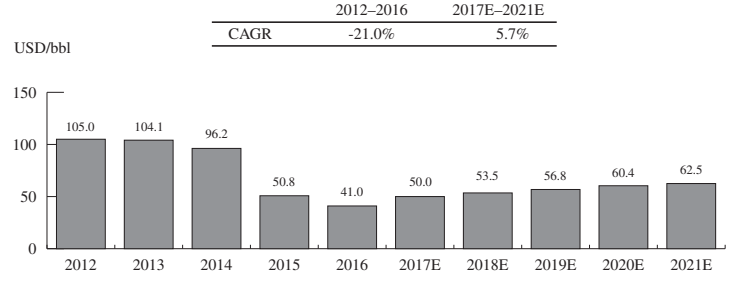
The average cost of Portland cement increased from HK$690.3 per ton in 2012 to HK$761.2 per ton in 2016 with a CAGR of 2.5%. Such increase was mainly caused by inflation in Hong Kong. It is estimated that the cost of Portland cement will increase steadily in the future, demonstrating a CAGR of 3.4% from 2017 to 2021.

Raw Material (Steel Reinforcement) Cost, 2012–2021E



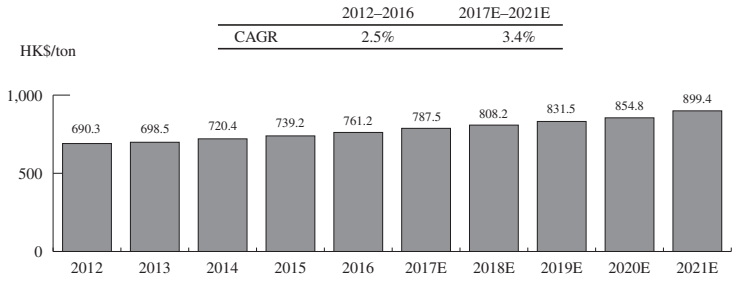
Source: Frost & Sullivan Research and Analysis

Raw Material (Crude) Cost, 2012–2021E



Source: Frost & Sullivan Research and Analysis

Raw Material (Portland Cement) Cost, 2012–2021E

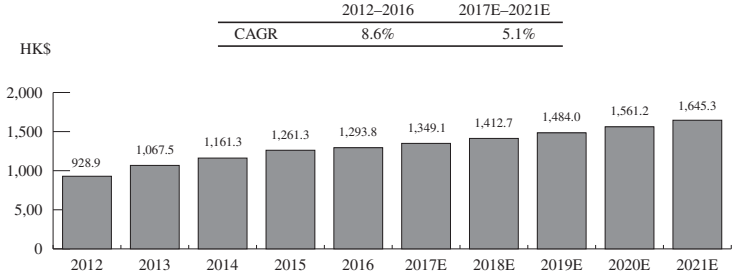


Source: Frost & Sullivan Research and Analysis

Labour costs

The average worker's wage in construction market demonstrated a rapid increase from HK$928.9 per day in 2012 to HK$1,293.8 per day in 2016 with a CAGR of 8.6% and is estimated to continuously increase at a CAGR of 5.1% from 2017 to 2021. Such drastic increase is mainly caused by labour shortage resulted from increasing number of retirement of aged and skilled workers and the attractive remuneration offered by construction companies in the PRC and Macau.

Average Wage Trend for workers in Construction Industry in Hong Kong, 2012–2021E



Source: Frost & Sullivan Research and Analysis and the Hong Kong Census and Statistics Department

Market drivers

- *Needs for residential and commercial spaces* — The construction market in Hong Kong is strongly driven by the development of construction projects. The needs for residential and commercial spaces are propelling the Hong Kong Government to increase land supply. According to the 2017–18 Budget, the private sector will, on average, produce about 20,300 private residential units each year until 2022, providing abundant opportunities to contractors engaging in the private sector of the construction industry in Hong Kong. 28 residential sites and 3 commercial sites will be available during 2017 to 2018.

- *Hong Kong Government land development* — In the 2017 Policy Address, the Hong Kong Government has proposed a medium and long term plan with respect to urban renewal in the New Territories and on Lantau Island and land reclamation in Shatin and Tuen Mun which may lead to the development of local real estate, both of which may bring into new demand of construction services for public and private sector. Aside from land development, the Hong Kong Government is also exploring opportunities to relocate sewage treatment plant and reservoirs into rock caverns and develop underground spaces in highly populated areas. All these development plans will stimulate construction works in Hong Kong, benefitting the development of the entire construction industry in the long term.

Threats

- *Labour shortage* — The Hong Kong construction market in general has been facing the problems of labour shortage and ageing workforce. According to the CIC, as of 31 December 2016, about 42% of the registered workers were over the age of 50. Meanwhile, increasingly competitive package outside Hong Kong resulted from high demand of construction workers in the PRC and Macau has attracted local construction workers to leave the Hong Kong construction industry.

- *Increasing operation cost* — The main costs of construction industry are labour and material. With the shortage of labour and ageing workforce in Hong Kong, the construction companies are offering higher wages in order to hire and retain construction workers. Besides labour cost, construction material costs also influence the construction industry. Although the price of steel reinforcement decreased by a CAGR of 14.3% from 2012 to 2016 and is estimated to continue to decrease by a CAGR of 5.6% from 2017 to 2021, the price of Portland cement continued to increase steadily at a CAGR of 2.5% from 2012 to 2016 and is estimated to increase by a CAGR of 3.4% from 2017 to 2021, while the price of crude will also increase steadily at a CAGR of 5.7% from 2017 to 2021. Such increase in operation costs has been adversely affecting the profit margin of construction projects.

- *Fierce competition* — Increasing competitors and competitors with sufficient working capital and strong track record as listed companies in Hong Kong are driving the competition fiercer. Contractors are anticipated to have intense competition in new project tendering with budgets for projects may be proposed at more competitive prices which are estimated to lower the resulting gross profit margin of the projects. Recently, funding for certain public projects has been approved by the Hong Kong Legislative Council. It is anticipated that there will be a more intense competition among the sizeable contractors in Hong Kong to tender for and focus on the public sector projects in the near future. As the contracts of public projects are generally awarded to the more reputable and established contractors and require a higher level of working capital from the contractors which tie up the resources of the contractors, it is estimated that the competition for the contractors in the private sector projects will be comparatively less intense.

Market trends

- *More advanced technical and eco-friendly approach* — The construction industry is exploring eco-friendly method and improving work efficiency in order to meet the tight timeline for future projects. More and more contractors use pre-cast pillars in new projects as these materials reduce time and pollution. Contractors also strive to reduce noise and vibration when carrying out piling works to avoid excessive noise and vibration which may result in penalties and suspension notice imposed to the subcontractors by the authorities, and thus delay of projects. Besides, in light of the increasing demand yet limited supply of land in Hong Kong, it is estimated that the needs for special designs, skills and techniques for small-scale projects will increase.

- *Providing on-site training to workers* — Skilled workers are necessary to construction projects. The labour shortage has further worsened the problem of insufficient skilled workers in Hong Kong. Therefore, contractors have begun to hire younger construction workers with little experience. In order to solve the challenge with the lack of skilled workers, contractors tend to provide onsite job trainings to new workers.

- *Increasing cost of construction projects* — In recent years, there has been an increasing trend recorded for the costs of labour and construction materials in the construction industry in Hong Kong which eventually diminish the overall gross profit margin of the construction projects. In order to stay competitive in the market, it is likely that more contractors tending to focus on the design components and bid for "design and build" contracts so as to secure a higher level of gross profit margin. On the other hand, in order to meet the needs for high working capital requirements and upfront costs required for projects, more and more contractors have sought to get listed on the Stock Exchange to raise capital.

- *More stringent requirements for subcontractors* — The restriction for subcontractors' registration shall be tightened in the future. Subcontractors in Hong Kong may voluntarily register under the SRS. Several established organisations have been supporting the SRS, including Hong Kong Airport Authority, Hong Kong Housing Authority and MTR Corporation. It is estimated that tenders for construction projects are more likely to be awarded to subcontractors that have been registered under the SRS. Therefore, more subcontractors are anticipated to be registered under the SRS in order to win work tenders. However, while every subcontractor carrying on business in Hong Kong can register under the SRS currently because the CIC wants to attract more subcontractors to be registered at this time, the CIC has recently expressed that the criteria to register under the SRS shall become more stringent in the future, the screening and approving for registration or grading of individual capacity could be introduced in the future, implying that subcontractors of a smaller scale may not be able to register under the SRS and compete with other more sizable peers.

Entry barriers

- *Track record and expertise* — New entrants are required to obtain certifications and licences from the Hong Kong Government to become eligible to take up construction projects in Hong Kong. Most contractors and subcontractors take years to establish relationship and qualifications. New entrants will require additional time to develop their reputation and track record through participating in less significant projects to demonstrate their technical ability in order to take up projects of a larger scale. Tenders are usually awarded based on the track record and experience of the contractors to assess their ability to meet technical, safety and other requirements. Under this circumstance, specialty and experience are essential to contractors, which are considered a potential barrier to new entrants. Many local companies are reputable and adopt specialised construction techniques e.g. reclamation, design and build methods. Meanwhile, possession of specialised foundation works machinery is required to engage in specialised and complex project and enhances flexibility in allocating resources so as to keep a stable track record with high quality.

- *Necessity of high working capital required* — High working capital requirement is also considered a barrier of the industry. Depending on the scale and nature of projects, normally 15–25% of the total project costs are paid upfront by contractors at the early stage of the projects, resulting in net cash stage outflow of the contractors due to the mismatch of the timing difference between receiving payments from customers and making payments to suppliers and subcontractors. Such costs include costs for the purchase of surety bonds (which are generally 10% of the total contract sum), retention monies (which are generally 5% of the total contract sum), settlement of subcontractors' costs before payment is made by customers to the main contractors as well as the purchase costs for construction materials.

COMPETITIVE LANDSCAPE OF THE KEY CONSTRUCTION SEGMENTS IN HONG KONG

Competitors

As at 30 June 2017, there were 400 contractors for earthwork, 327 contractors for foundation works, and 1,281 contractors for general building works registered with the CIC. The private key construction market in Hong Kong including foundation, site formation and superstructure building was highly fragmented, consisting of over 1,000 contractors, with most of these players focusing on one to two construction activities. Among these contractors, around 100 of them possess the capability to carry out all these three construction works. In 2016, the top five contractors shared a total market share of 5.7%, with our Company representing 0.1% of the total market share. By the end of 2016, about sixty construction companies in Hong Kong have been listed on the Stock Exchange. Among our competitors which possess the qualifications and experience to compete for foundation, site formation and superstructure building contracts, over 10 of them have achieved a listing status.

Top five contractors that engaged in the foundation and site formation segment in private sector of Hong Kong in 2016

In 2016, the top five contractors with revenue attributable to foundation and site formation segment shared a total market share of 18.6% within the private sector, with our Company representing 0.3% of the total market share.

Rank	Company	Listed	Revenue *(HK$ in million)*	Market share	Key business scope
1	Hong Kong International Construction Investment Management Group Co., Limited (Formerly known as Tysan Holdings Limited)	Yes — Main Board	1,258.2	9.5%	Provision of foundation works, site formation works, etc.
2	CHerish Holdings Limited	Yes — Main Board	338.5	2.5%	Provision of foundation works, site formation works, etc.
3	Build King Holdings Limited	Yes–Main Board	328.8	2.5%	Provision of foundation works, site formation works, superstructure building works, general civil works, structural steel works, marine works, etc.
4	Hsin Chong Group Holdings Limited	Yes — Main Board	289.8	2.2%	Provision of foundation works, site formation works, superstructure building works, general civil works, structural steel works, marine works, etc.
5	K.H. Group Holdings Limited	Yes — Main Board	246.5	1.9%	Provision of foundation works, site formation works, etc.
	Our Company		36.8	0.3%	
	Others		10,801.4	81.1%	
	Total		**13,300.0**	**100.0%**	

Note: While the financial year of the Company ends on 30 June, some of the above contractors have different financial year-end dates. The market share as stated above is therefore based on the research and analysis of Frost & Sullivan.

Top five contractors that engaged in the superstructure building segment in private sector of Hong Kong in 2016

In 2016, the top five contractors with revenue attributable to superstructure building segment shared a total market share of 6.3% within the private sector.

Rank	Company	Listed	Revenue *(HK$ in million)*	Market share	Key business scope
1	Build King Holdings Limited	Yes — Main Board	1,232.2	2.6%	Provision of foundation works, site formation works, superstructure building works, general civil works, structural steel works, marine works, etc.
2	Hsin Chong Group Holdings Limited	Yes — Main Board	1,024.0	2.2%	Provision of foundation works, site formation works, superstructure building works, general civil works, structural steel works, marine works, etc.
3	Ching Lee Holdings Limited	Yes — GEM	365.0	0.8%	Provision of superstructure building works, etc.
4	Super Strong Holdings Limited	Yes — GEM	197.6	0.4%	Provision of foundation works, site formation works, superstructure building works, demolition works, electrical and mechanical engineering works, etc.
5	Luen Wong Group Holdings Limited	Yes — GEM	157.8	0.3%	Provision of site formation works, superstructure building works, general civil works, etc.
	Our Company		—	—	
	Others		44,023.4	93.7%	
	Total		**47,000.0**	**100.0%**	

Note: While the financial year of the Company ends on 30 June, some of the above contractors have different financial year-end dates. The market share as stated above is therefore based on the research and analysis of Frost & Sullivan.

Top five contractors that engaged in the key construction segment in private sector of Hong Kong in 2016

The key construction segment in private sector of Hong Kong is fragmented with the top five contractors with revenue attributable to key construction segment shared a total market share of 5.7% within the private sector in 2016.

Rank	Company	Listed	Revenue *(HK$ in million)*	Market share	Key business scope
1	Build King Holdings Limited	Yes — Main Board	1,561.0	2.6%	Provision of foundation works, site formation works, superstructure building works, general civil works, structural steel works, marine works, etc.
2	Hsin Chong Group Holdings Limited	Yes — Main Board	1,313.8	2.2%	Provision of foundation works, site formation works, superstructure building works, general civil works, etc.
3	Super Strong Holdings Limited	Yes — GEM	255.6	0.4%	Provision of foundation works, site formation works, superstructure building works, demolition works, electrical and mechanical engineering works, etc.
4	In Construction Holdings Limited	Yes — Main Board	173.0	0.3%	Provision of foundation works, site formation works, superstructure building works, demolition works, ground investigation field works etc.
5	Yee Hop Holdings Limited	Yes — Main Board	123.6	0.2%	Provision of foundation works, site formation works, superstructure building works, general civil works, etc.
	Our Company		36.8	0.1%	
	Others		56,836.2	94.2%	
	Total		**60,300.0**	**100.0%**	

Note: While the financial year of the Company ends on 30 June, some of the above contractors have different financial year-end dates. The market share as stated above is therefore based on the research and analysis of Frost & Sullivan.

Factors of Competition

- *Reputation and relationship with customers, subcontractors and suppliers* — The construction industry in Hong Kong is highly competitive and contractors have to earn reputation and maintain their competitiveness by delivering good track record. To this end, contractors must keep a better safety record which entails lower chance for lawsuits, work injuries and casualties. Contractors that have developed good relationships with clients, subcontractors, architects, project management companies and suppliers would also possess technical expertise and experience, manage project efficiently and deliver qualified works to clients. These well connected relationships does not only increase the chance of the contractors in winning tenders from customers but also help them secure a more stable supply of resources and thus smooth execution of works. Moreover, if any unforeseeable circumstances arise during the course of the construction project, such as bad weather causing delays in project completion and the needs for extra raw materials, those contractors with well established relationships with other working parties would be more likely to provide prompt solutions to solve the issues through compromise, negotiation and coordination with the relevant parties without undue delay.

- *Flexibility to meet timeline and requirement* — Contractors are expected to improve work efficiency in order to meet the tight timeline and requirement of all kinds of projects and win the projects with higher chance. Meanwhile, technical capability and skilled labour are also essential to contractors to compete with others in the market.

- *Competitive price* — With the increasing number of registered contractors in different construction works categories in Hong Kong, contractors are expected to offer high quality of works with competitive price in order to secure more projects in the competition.

This section sets out a summary of the material laws and regulations applicable to our Group's business in Hong Kong.

LAWS AND REGULATIONS IN RELATION TO THE CONTRACTOR LICENSING REGIME

General building contractor/specialist contractor

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

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

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

(a) if it is a corporation, the adequacy of its management structure;

(b) the appropriate experience and qualifications of its personnel;

(c) its ability to have access to plant and resources; and

(d) the ability of the person appointed by the applicant 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 for registration as registered general building contractor or registered specialist contractor, the Building Authority is to have regard to the qualifications, competence and experience of the following key personnel of the applicant:

(a) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance, that is the "**Authorised Signatory(ies)**";

(b) for a corporation — a minimum of one director from the board of directors of the applicant, that is the "**Technical Director(s)**" who is authorised by the board to:

  (i) have access to plant and resources;

(ii) provide technical and financial support for the execution of building works and street works; and

(iii) make decisions for 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'' authorised by the board of directors to assist the Technical Director.

In addition, the applicant is also required to demonstrate that it has employed appropriate qualified staff 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 should also demonstrate that it has access to engaging qualified persons to carry out the relevant specialised duties, e.g. competent person (logging) for ground investigation field works.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, Wai Tat had met the criteria and requirements to remain as the general building contractor and the registered specialist contractors for its relevant categories that are applicable to our Group (save as our registration of registered specialist contractor in demolition works category). For details, please refer to the paragraph headed ''Business — Licences and Permits'' of this document.

Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)

Under section 14(1) of the Buildings Ordinance, no person shall commence or carry out any building works without having obtained approval and consent from the Building Authority.

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

(a) an authorised person as the co-ordinator of such building works or street works;

(b) a registered structural engineer for the structural elements of such building works or street works if so required under the Buildings Ordinance; and

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

The authorised person, and, where necessary, the registered structural engineer, should prepare and submit plans for the approval of the Building Authority under the Buildings Ordinance. The Building Authority may require that all such building works shall be carried out in such a way that the building will comply with the standards of the Buildings Ordinance.

Private sector foundation and site formation projects

Private sector projects cover projects launched by private developers as well as any other entities not being the Hong Kong Government departments, statutory bodies and public organisations, including but not limited to utility companies, charity organisations, and private educational institutions.

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

For any foundation and site formation works where an entity is involved as a subcontractor, if there is a registered specialist contractor who is registered with the Buildings Department under the appropriate category to supervise the works and liaise with the Buildings Authority, the entity itself is not required to be such registered specialist contractor or to obtain any requisite licenses, permits and approval for its operation and business except the business registration.

The registration requirements mentioned above are the basic requirements for undertaking private sector projects. Other additional requirements on the contractors or subcontractors may be imposed by the developers, main contractors, or other entities, as the case may be.

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

Subcontractor Registration Scheme

Subcontractors may apply for registration under the SRS in one or more of 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services. The 52 trades further branch into 94 specialties, including sheet piles, driven piles, earthwork, geotechnical works, and ground investigation etc. At present, subcontractors in Hong Kong may voluntarily register under the SRS, which however has expressed that the restriction for subcontractors' registration shall be tightened in the future. It is anticipated that main contractors for private construction projects would, in order to win tenders from customers, prefer selecting and awarding tenders to subcontractors that have been registered under the SRS.

Where a contractor subcontracts or sublets part of the public works involving trades available under the Primary Register (a list of companies registered in accordance with the Rules and Procedures for the Primary Register of the SRS) of the SRS, it shall engage all subcontractors (whether nominated, specialist or domestic) who are registered under the relevant trades in the Primary Register of the SRS. Should the subcontractors (irrespective of any tier) further subcontract any part of the part of the public works subcontracted to them involving trades available under the Primary Register of the SRS, the contractor shall ensure that all subcontractors are registered under the relevant trades in the Primary Register of the SRS.

Under the SRS, an applicant for registration as a registered subcontractor is subject to entry requirements such as, for example, (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; or (ii) 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 CIC.

A registered subcontractor under the SRS shall apply for renewal within three months before the expiry date of its registration by submitting an application for renewal to the CIC and providing information and supporting documents to show compliance with the aforesaid entry requirements, which shall be subject to the approval by the management committee of the CIC. An approved renewal of registration shall be valid for three years or five 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 SRS). Failing to comply with the Codes of Conduct may result in regulatory actions taken by the management committee of the CIC.

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

Construction Workers Registration Ordinance requires construction workers to be registered for carrying out construction work on a construction site.

Under the Construction Workers Registration Ordinance, "construction work" means, among other things, any building operation involved in preparing for any operation such as the addition, renewal, alteration, repair, dismantling or demolition of any specified structure that involves the structure of the specified structure or any other specified structure. "Construction site" means (subject to certain exceptions) a place where construction work is, or is to be, carried out. Under section 40 of the Construction Workers Registration Ordinance, no person shall be registered as a registered construction worker unless the Registrar of Constructions Workers is satisfied, among other things, that the person has attended the relevant construction work-related safety training course. Further, under section 44 of the Construction Workers Registration Ordinance, the Registrar of Construction Workers shall not renew the registration of a person unless the Registrar of Construction Workers is satisfied that, among other things, (i) the person has attended the relevant construction work-related safety training course; and (ii) if the registration will, on the date of expiry, have been in effect for not less than two years, the person has attended and completed, during the period of one year immediately before the date of application for renewal of the registration, such development courses applicable to his registration as the Construction Industry Council may specify.

Under the Construction Workers Registration Ordinance, a principal contractor or controller of a construction site is required to:

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

(b) furnish the Registrar of Construction Workers in such manner as directed by the Registrar of Construction Workers with a copy of the record:

(i) for the period of seven days after any construction work begins on the site; and

(ii) for each successive period of seven days,

within two business days following the last day of the period concerned, or within such further time as the Registrar of Construction Workers may in any case allow.

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 workers" will include workers who carry out construction, re-construction, addition, alteration and building services works, has been 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 in relation to those trade divisions independently.

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

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in the industrial sector. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor of an industrial undertaking to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by it at the industrial undertaking. The duties of a proprietor include:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- providing all necessary information, instructions, training and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and

- providing and maintaining a safe and healthy working environment.

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

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

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

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

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

(a) providing and maintaining plant and systems of work that are safe and without risks to health;

(b) making of arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;

(c) providing all necessary information, instructions, training and supervision for ensuring safety and health;

(d) as regards any workplace under the employer's control:

  (i) maintaining the workplace in a condition that is safe and without risks to health; and

  (ii) providing and maintaining means of access to and egress from the workplace that are safe and without any such risks; and

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

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

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

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

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

Under the Employees' Compensation Ordinance, an employer shall report work injuries of its employee which results in the total or partial incapacity of the employee to the Commissioner of Labour not later than 14 days after the accident. For accidents that involve death or fatal injury to an employee, the accident has to be notified to the Labour Department within seven days after the accident.

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.

Under 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 subcontractors. The principal contractor is, nonetheless, entitled to be indemnified by the subcontractors 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). Generally, no employer shall employ any employee in any employment unless there is in force in relation to such employee a policy of insurance issued by an insurer for an amount not less than HK$100 million per event (where the number of employees does not exceed 200) or HK$200 million (where the number of employees exceeds 200). However, where a principal contractor has undertaken to perform any construction work, it may, instead, take out an insurance policy for an amount no 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.

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

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

A principal contractor is subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. Under section 43C of the Employment Ordinance, a principal contractor or a principal contractor and every superior subcontractor is/are jointly and severally liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, 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) is limited (a) 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 (b) to the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due).

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 (currently at HK$50,000).

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 set-off the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has subcontracted.

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

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

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

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

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

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

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK$34.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by this Ordinance is void.

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

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

For both employees and employers, it is mandatory to make regular contributions into a MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK$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$1,500 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 to the maximum level of income (HK$30,000 per month on or after 1 June 2014).

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:

- foundation and associated works;
- civil engineering and associated works;
- demolition and structural alteration works;
- refurbishment and maintenance works;

- general building construction works;
- fire services, mechanical, electrical and associated works;
- gas, plumbing, drainage and associated works; and
- interior fitting-out works.

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

LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

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

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

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including without limitation the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong). Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

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

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

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

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

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

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

Any person who sells or leases a regulated machine for use in Hong Kong, or uses a regulated machine in specified activities or locations without (i) exemption or the Environmental Protection Department's approval is liable to a fine of up to HK$200,000 and imprisonment for up to six months; and (ii) a proper label is liable to a fine at level 5 (currently at HK$50,000) and imprisonment for up to three months.

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

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

Under the Noise Control Ordinance, construction works that produce noises and the use of powered mechanical equipment (other than percussive piling) in populated areas are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Director of Environmental Protection through the construction noise permit system. The use of certain equipment is also subject to restrictions. Under the Noise Control (Hand Held Percussive Breakers) Regulations (Chapter 400D of the Laws of Hong Kong) and the Noise Control (Air Compressors)

Regulations (Chapter 400C of the Laws of Hong Kong), hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Director of Environmental Protection. Percussive pile driving is allowed on weekdays only with prior approval, in the form of a construction noise permit from the Director of Environmental Protection.

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

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

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

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

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

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

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including without limitation the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong). Regarding the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, please refer to the paragraph headed "Laws and Regulations in relation to Levies" in this section.

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

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

Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong)

The purpose of the Environmental Impact Assessment Ordinance is to avoid, minimise and control the adverse environmental impacts from designated projects as specified in the Environmental Impact Assessment Ordinance (for example, public utility facilities, certain large-scale industrial activities, community facilities, etc.) through the application of the environmental impact assessment process and the environmental permit system prior to their construction and operation (and decommissioning, if applicable), unless otherwise exempted.

Under the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project as listed in Part I of Schedule 2 of the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, dredging operation, residential and other developments, etc.) or decommissions a designated project listed in Part II of Schedule 2 to the Ordinance without an environmental permit for the project; or contrary to the conditions, if any, set out in the permit. The offender is 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 two years; (iii) on a first summary conviction to a fine at level 6 (currently at HK$100,000) and to imprisonment for six months; (iv) on a second or subsequent summary conviction to a fine of HK$1,000,000 and to imprisonment for one year, and in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK$10,000 for each day on which he is satisfied the offence continued.

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

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

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

Any accumulation of water on any premises found to contain mosquito larvae or pupae is actionable under the Public Health and Municipal Services Ordinance. The maximum penalty is a fine at level 4 (currently at 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. The maximum penalty is a fine at level 3 (currently at HK$10,000) upon conviction and a daily fine of HK$200.

Any premises in such a state as to a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. The maximum penalty is a fine at level 3 (currently at HK$10,000) upon conviction and a daily fine of HK$200.

LAWS AND REGULATIONS IN RELATION TO LEVIES

Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong)

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, construction waste can only be disposed at designated prescribed facilities and a main contractor who undertakes construction work with a value of HK$1,000,000 or above will be required to, within 21 days after being awarded the contract, establish a billing account in respect of that particular contract with the Director of Environmental Protection to pay any disposal charges for the construction waste generated from the construction work under that contract.

Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong), Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Chapter 360 of the Laws of Hong Kong) and Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong)

Generally, under the Construction Industry Council Ordinance, the Pneumoconiosis and Mesothelioma (Compensation) Ordinance (and the Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations) and the Construction Workers Registration Ordinance, for any construction operation which (i) is carried out under a term contract; or (ii) is of a total value which is reasonably estimated to exceed HK$1,000,000:

(a) its respective contractor and authorised person shall inform the Construction Industry Council and the Pneumoconiosis Compensation Fund Board in specified forms in respect of the construction operations within 14 days after the commencement of the construction operation;

(b) the contractor shall give notices of payment in specified forms to the Construction Industry Council and the Pneumoconiosis Compensation Fund Board within 14 days (i) (if the construction operation is not carried out under a term contract) after the contractor receives a payment in respect of the construction operation; or (ii) (if the construction operation is carried out under a term contract) after the last day of the month in which the payment was made; and

(c) the contractor and the authorised person shall give notices of completion in specified forms to the Construction Industry Council and the Pneumoconiosis Compensation Fund Board within 14 days after the completion of the construction operation.

Levies under the said ordinances are payable by the contractor for any construction operation with a total value which exceeds HK$1,000,000 only upon receiving notices of assessment from the Construction Industry Council and/or the Pneumoconiosis Compensation Fund Board. Upon receiving

the said notices, the contractor shall, within 28 days, pay in full the levies specified therein to the Construction Industry Council (for the levies payable under the Construction Industry Council Ordinance and the Construction Workers Registration Ordinance) and/or the Pneumoconiosis Compensation Fund Board (for the levy payable under the Pneumoconiosis and Mesothelioma (Compensation) Ordinance). Currently, the levies chargeable under the Construction Industry Council Ordinance, the Pneumoconiosis and Mesothelioma (Compensation) Ordinance and the Construction Workers Registration Ordinance are 0.5%, 0.15% and 0.03% of the total value of the construction operation, respectively.

OTHERS

Security of Payment Legislation ("SOPL") for the Construction Industry

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

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

The new legislation will:

- prohibit "pay when paid" and similar clauses in contracts. "Pay when paid" refers to provisions in contracts that (i) make payment contingent or conditional on the operation of other contract or agreement; and (ii) make payment conditional on the payer receiving payment from a third party. Payers will not be able to rely on such clauses in dispute resolution forums;

- prohibit payment periods of more than 60 calendar days for interim payments or 120 calendar days for final payments;

- enable amounts due for construction work or materials or plant supplies to be claimed as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and either party has a statutory right to refer the matter to adjudication for decision (typically a 60 day process); and

- give parties who have not been paid amounts admitted as due the right to suspend works until payment is made.

It is probable that some of our contracts will be caught by the new SOPL legislation and where such contracts are subject to SOPL, we will have to ensure that their terms comply with the legislation in this regard. SOPL is designed to assist contractors throughout the contractual change to ensure cash-flow and access to a swift dispute resolution process and therefore it is generally considered that where SOPL applies, this will have a positive impact on ensuring that we get paid in a timely manner. On the other hand, since (i) our subcontracting agreement does not contain "pay when paid"provision; and (ii) we generally pay our subcontractors within 30 days upon receipt of their invoices, our Directors consider that our payment pattern does not deviate from the requirements stipulated in the SOPL, and our payment practice, cash management and liquidity will not be affected by the SOPL if it becomes effective.

As at the Latest Practicable Date, the implementation date of the new SOPL legislation had not been announced.

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

The Competition Ordinance prohibits and deters undertakings in all sectors from adopting anti-competitive conduct which has the object or effect of preventing, restricting or distorting competition in Hong Kong. It provides for general prohibitions in three major areas of anti-competitive conduct described as the first conduct rule, the second conduct rule and the merger rule.

The first conduct rule prohibits undertakings from making or giving effect to agreements or decisions or engaging in concerted practices that have as their object or effect the prevention, restriction or distortion of competition in Hong Kong. The second conduct rule prohibits undertakings that have a substantial degree of market power in a market from engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. The merger rule prohibits mergers that have or are likely to have the effect of substantially lessening competition in Hong Kong. The scope of application of the merger rule is limited to carrier licences issued under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong).

Pursuant to section 82 of the Competition Ordinance, if the Competition Commission has reasonable cause to believe that (i) a contravention of the first conduct rule has occurred; and (ii) the contravention does not involve serious anti-competitive conduct, it must, before bringing proceedings in the Competition Tribunal against the undertaking whose conduct is alleged to constitute the contravention, issue a notice (a "**warning notice**") to the undertaking.

However, under section 67 of the Competition Ordinance, where a contravention of the first conduct rule has occurred and the contravention involves serious anti-competitive conduct or a contravention of the second conduct rule has occurred, the Competition Commission may, instead of bringing proceedings in the Tribunal in the first instance, issue a notice (an "**infringement notice**") to the person against whom it proposes to bring proceedings, offering not to bring those proceedings on condition that the person makes a commitment to comply with requirements of the infringement notice. "Serious anti-competitive conduct" means any conduct that consists of any of the following or any combination of the following — (i) fixing, maintaining, increasing or controlling the price for the supply of goods or services; (ii) allocating sales, territories, customers or markets for the production or supply of goods or services; (iii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; (iv) bid-rigging.

In the event of the breaches of the Competition Ordinance, the Competition Tribunal may make orders including: imposing a pecuniary penalty if satisfied that an entity has contravened a competition rule; disqualifying a person from acting as a director of a company or taking part in the management of a company; prohibiting an entity from making or giving effect to an agreement; modifying or terminating an agreement; and requiring the payment of damages to a person who has suffered loss or damage.

Compliance with the relevant laws and regulations

Our Directors confirmed that, so far as the Hong Kong laws are concerned, our Group had obtained all relevant permits, registrations and licenses for its existing operations in Hong Kong and complied with all relevant laws and regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

INTRODUCTION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 July 2017. Our Company completed the Reorganisation on 24 November 2017 in preparation for the [REDACTED] pursuant to which our Company became the holding company of our Group. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in this section below.

Commencement and early development of our business

The history of our Group can be traced back to January 2002 when our principal operating subsidiary, Wai Tat, was incorporated in Hong Kong and owned as to 34% by Mr. Kung and 33% by Mr. Yip, both our executive Directors and Controlling Shareholders, and 33% by an independent third party. Wai Tat has been principally engaged in foundation works in Hong Kong since 2002.

In January 2004, Mr. Kam joined Wai Tat as a director. In December 2005, Mr. Kam acquired 33% interests in Wai Tat from the said independent third party, and became one of the controlling shareholders of Wai Tat. Since then, Wai Tat was owned as to 34% by Mr. Kung, 33% by Mr. Yip and 33% by Mr. Kam. Mr. Kung, Mr. Yip and Mr. Kam have been our core management team and instrumental to the development of our Group. For background and relevant industry experience of Mr. Kung, Mr. Yip and Mr. Kam, please refer to the section headed "Directors and Senior Management" of this document.

Further, Mr. Kung, Mr. Yip and Mr. Kam had previously co-founded Wah Tat Foundation & Engineering Limited ("**Wah Tat**"), a construction company in Hong Kong, with an independent third party in August 1998. At all material times, Wah Tat was majority-controlled by the independent third party, whereas Mr. Kung, Mr. Yip and Mr. Kam were minority shareholders together holding not more than 49% interests in Wah Tat, and they had ceased to have any interest in Wah Tat altogether since December 2005. Mr. Kung, Mr. Yip and Mr. Kam were also not in a position to control the composition of the board of Wah Tat at all material times. Wah Tat is therefore not considered part of our Group.

Since our inception, with the growth in the construction industry in Hong Kong which led to an increase in demand for foundation and other construction works, we have continuously strengthened our capability to capture the said business opportunities through expanding our project portfolio and building up our professional qualifications by obtaining various registrations and certifications from relevant Hong Kong Government departments, details of which are set out in the paragraph headed "Business — Licences and Permits" of this document. Throughout our operating history, we have positioned ourselves as a construction contractor capable of providing a full range of specialised works services, including foundation, site formation, demolition and ground investigation, and general building works covering superstructure building works and other general building works. Leveraging on our expertise and proven track record in the construction industry, we believe we are well-positioned to capture further business opportunities focusing on the foundation and site formation works and superstructure building works projects in Hong Kong.

BUSINESS MILESTONES

The key milestones in our Group's development to date are set out below:

2002	• Wai Tat was incorporated in Hong Kong and commenced its foundation business.
	• Wai Tat was registered with the Buildings Department as (i) Registered General Building Contractor; (ii) Registered Specialist Contractor in the Foundation Works category; (iii) Registered Specialist Contractor in the Site Formation Works category; (iv) Registered Specialist Contractor in the Ground Investigation Field Works category; and (v) Registered Specialist Contractor in the Demolition Works category.
2005	• We were awarded our first foundation project involving the use of large-diameter bored pile works with a contract sum of over HK$18 million.
2006	• We were awarded our first design-and-build foundation project involving the use of friction mini piles works for a high-rise building.
2008	• We were awarded a foundation project relating to mini pile foundation project involving the use of helicopter at the hill-top television transposer station of Ling Kok Shan, Lamma Island.
2012	• We were awarded our first design-and-build foundation project which fulfilled the "platinum grade" under the BEAM Plus assessment with a contract sum of over HK$27 million.
2016	• We were awarded a superstructure building works project relating to construction of columbarium in Tuen Mun with a contract sum of over HK$80 million.

CORPORATE HISTORY

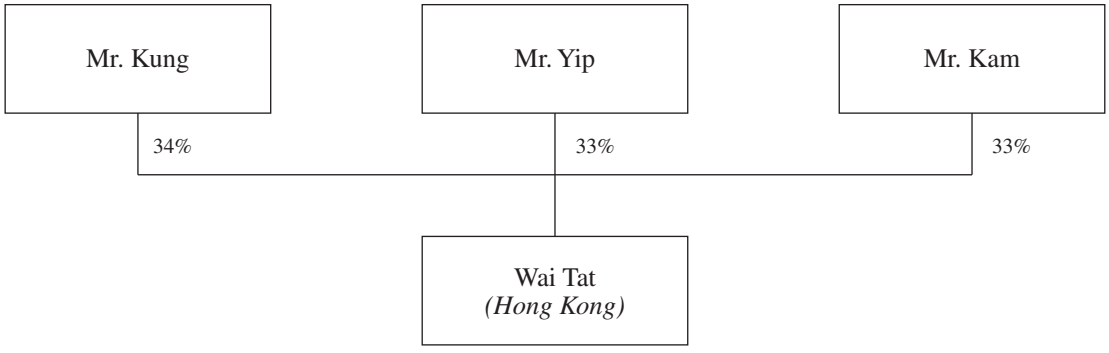
Wai Tat

Wai Tat is our principal operating subsidiary and was incorporated in Hong Kong on 25 January 2002 as a private company with an issued share capital of HK$100,000.00 divided into 100,000 ordinary shares of HK$1.00 each. On the date of incorporation, Wai Tat allotted and issued 34,000 shares, 33,000 shares and 33,000 shares to Mr. Kung, Mr. Yip and an independent third party, respectively, in each case at the then par value of HK$1.00 per share. After the allotments, Wai Tat was owned as to 34% by Mr. Kung, 33% by Mr. Yip and 33% by the independent third party.

On 30 December 2005, the independent third party transferred 33,000 shares to Mr. Kam at a consideration of HK$33,000, which was determined with reference to the then par value of the shares of Wai Tat, and was fully settled. Following the said share transfer and immediately before the Reorganisation, Wai Tat was owned as to 34% by Mr. Kung, 33% by Mr. Yip and 33% by Mr. Kam.

REORGANISATION

The following chart sets forth the corporate and shareholding structure of our Group immediately prior to the Reorganisation:



In preparation for the [REDACTED], our Group underwent the Reorganisation to rationalise the corporate structure of our Group. On 24 November 2017, our Company completed the Reorganisation and became the holding company of our Group. The Reorganisation involved the following major steps:

(a) Incorporation of Talent Gain and Vision Perfect

(i) Talent Gain was incorporated in the BVI on 1 June 2017 and is authorised to issue a maximum of 50,000 shares with a par value of US$1.00 each. 100 fully paid shares of Talent Gain, representing the entire issued shares of Talent Gain, were allotted and issued to Mr. Kung as to 34 shares, Mr. Yip as to 33 shares and Mr. Kam as to 33 shares on 11 July 2017.

(ii) Vision Perfect is the intermediate holding company of Wai Tat. Vision Perfect was incorporated in the BVI on 22 May 2017 and is authorised to issue a maximum of 50,000 shares with a par value of US$1.00 each. 100 fully paid shares of Vision Perfect, representing the then entire issued shares of Vision Perfect, were allotted and issued as to 34 shares to Mr. Kung, as to 33 shares to Mr. Yip and as to 33 shares to Mr. Kam on 6 June 2017.

(b) Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 July 2017. The authorised share capital on the date of incorporation of our Company was HK$380,000.00 consisting of 38,000,000 Shares with a par value of HK$0.01 each. On the date of incorporation, one Share fully paid at par was allotted and issued to the initial subscriber to the memorandum and articles of association of our Company, which was transferred to Talent Gain on the same day.

(c) Acquisition of Wai Tat by Vision Perfect

On 6 June 2017, Vision Perfect acquired 34,000 shares, 33,000 shares and 33,000 shares in Wai Tat from Mr. Kung, Mr. Yip and Mr. Kam, respectively, and as consideration for such share transfers, Vision Perfect allotted and issued an aggregate of 800 shares, credited as fully paid, to Mr. Kung as to 272 shares, Mr. Yip as to 264 shares and Mr. Kam as to 264 shares. After the aforesaid acquisition of Wai Tat, Wai Tat became a wholly-owned subsidiary of Vision Perfect, which was owned as to 34% by Mr. Kung, 33% by Mr. Yip and 33% by Mr. Kam.

(d) [REDACTED]

On 9 June 2017, pursuant to the [REDACTED], details of which are set out in the paragraph headed "[REDACTED]" in this section, Vision Perfect allotted and issued, and the [REDACTED] subscribed for, 100 new shares in Vision Perfect, all credited as fully paid, at a consideration of HK$10,000,000. Upon completion of the subscription, Vision Perfect was owned as to 30.6% by Mr. Kung, 29.7% by Mr. Yip, 29.7% by Mr. Kam and [REDACTED]% by the [REDACTED].

(e) Acquisition of Vision Perfect by our Company

Pursuant to a share purchase agreement entered into between our Company, Mr. Kung, Mr. Yip, Mr. Kam and Talent Gain on 24 November 2017, our Company acquired 306 shares, 297 shares and 297 shares in Vision Perfect from Mr. Kung, Mr. Yip and Mr. Kam, respectively, and, in consideration of such share transfers, our Company allotted and issued an aggregate of 899 Shares, credited as fully paid, to Talent Gain (at the direction of each of Mr. Kung, Mr. Yip and Mr. Kam). On the same day, our Company acquired 100 shares in Vision Perfect from the [REDACTED], and in consideration of such share transfer, our Company allotted and issued 100 Shares, credited as fully paid, to the [REDACTED]. After the aforesaid acquisition, Vision Perfect became a direct wholly-owned subsidiary of our Company, which was owned as to [REDACTED]% by Talent Gain and as to [REDACTED]% by the [REDACTED].

(f) [REDACTED] and [REDACTED]

On 1 December 2017, the authorised share capital of our Company was increased from HK$380,000 dividend into 38,000,000 Shares of HK$0.01 each to HK$50,000,000 divided into 5,000,000,000 Shares of HK$0.01 each by creation of additional 4,962,000,000 Shares.

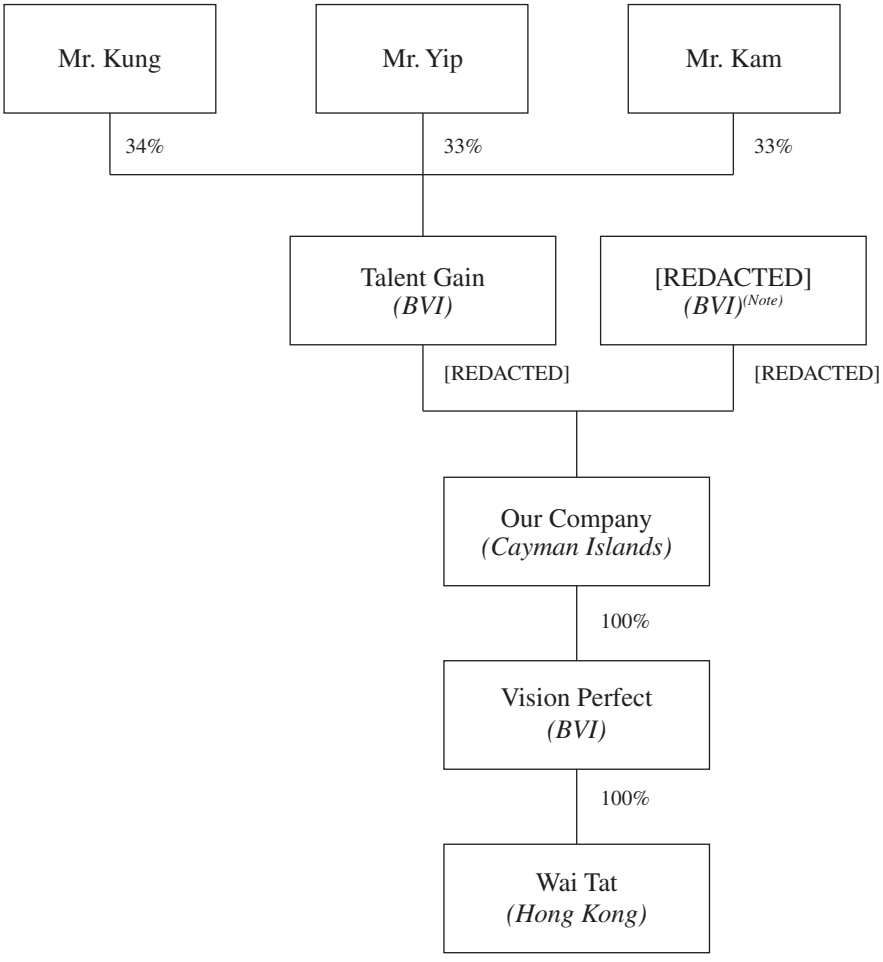
Conditional on the [REDACTED] having been approved by the Board and the Stock Exchange, our Company intends to offer [REDACTED] [REDACTED] [REDACTED] (subject to reallocation), representing [REDACTED]% of the total number of [REDACTED] initially available under the [REDACTED]; and [REDACTED] [REDACTED] (subject to reallocation and the [REDACTED]), representing [REDACTED]% of the total number of [REDACTED] initially available under the [REDACTED].

Conditional on the share premium account of our Company being credited with the proceeds of the [REDACTED], HK$[REDACTED] will be capitalised from the share premium account and applied in paying up in full at par [REDACTED] new Shares for the allotment and issuance to the existing shareholders of our Company, namely, Talent Gain and the [REDACTED], on a pro-rata basis immediately prior to the [REDACTED], so that the number of Shares so allotted and issued,

when aggregated with the number of Shares already owned by them, will constitute not more than 75% of the enlarged issued share capital of our Company immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued upon exercise of the [REDACTED] and any options that may be granted under the Share Option Scheme).

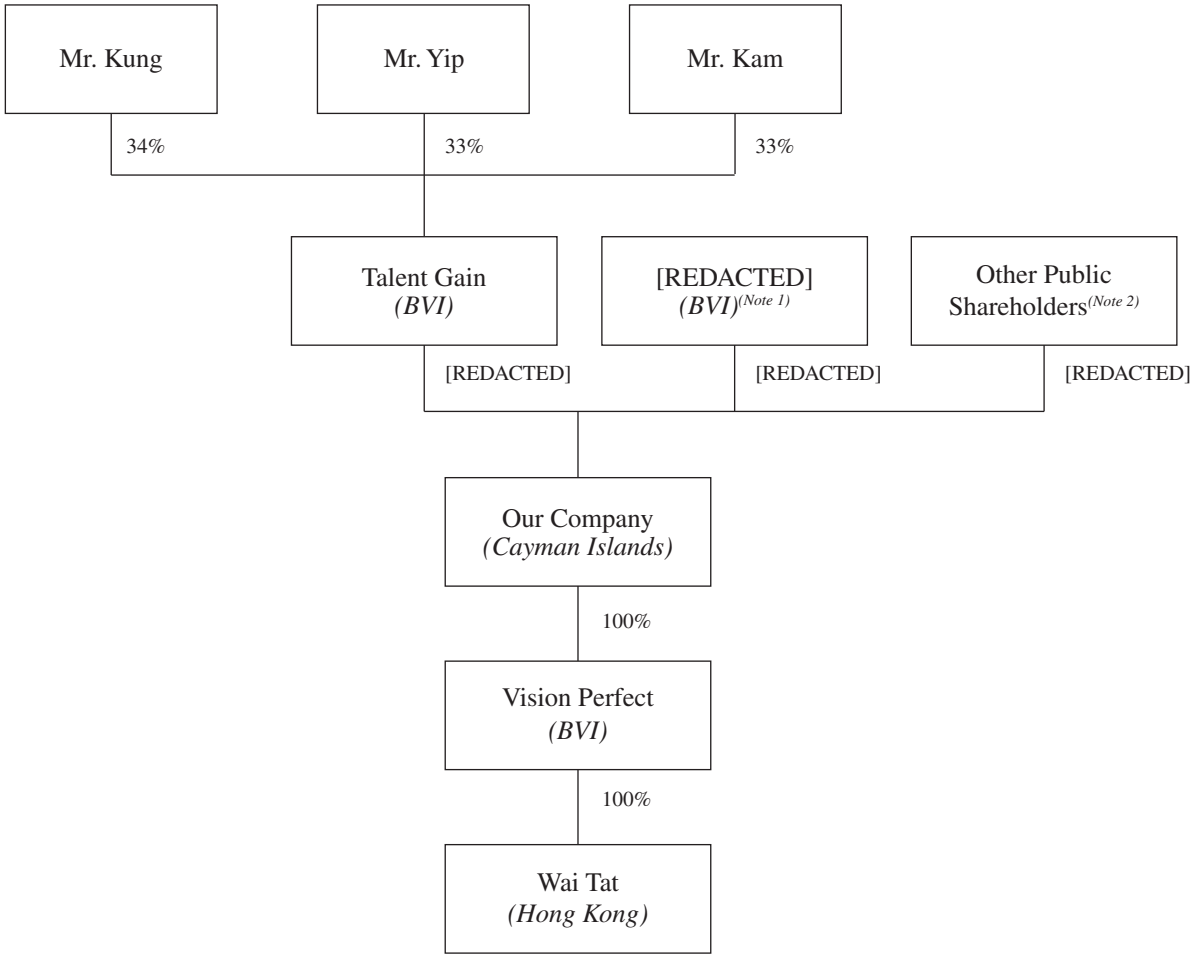
CORPORATE STRUCTURE OF OUR GROUP

The following chart sets forth our corporate and shareholding structure immediately after completion of the Reorganisation but before completion of the [REDACTED] and the [REDACTED]:



Note: The [REDACTED] is beneficially owned as to 100% by Mr. Ho Kwan Chuen, an independent third party, details of which are set out in the paragraph headed "[REDACTED]" in this section below.

The following chart sets forth our corporate and shareholding structure immediately after completion of the [REDACTED] and the [REDACTED] (without taking account of any Shares which may be issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme):



Notes:

1. The [REDACTED] is beneficially owned as to 100% by Mr. Ho Kwan Chuen, an independent third party, details of which are set out in the paragraph headed "[REDACTED]" below in this section.

2. The shareholding held by Mr. Ho Kwan Chuen and the [REDACTED] will form part of the public float under Rule 11.23(7) of the GEM Listing Rules upon [REDACTED].

CONCERT PARTY DEED

Pursuant to the Concert Party Deed dated 18 July 2017, Mr. Kung, Mr. Yip and Mr. Kam have agreed, confirmed and ratified that, since they became interested in and possessed voting rights in Wai Tat and up to the date of the Deed, they, whether by themselves or via any corporate vehicles, have been cooperating and acting in concert (for purpose of the Takeovers Code) with one another in respect of all material management matters, voting decision and/or business decision relating to Wai Tat required to be approved by shareholders under the articles of association of Wai Tat (including but not limited to financial and operation policy, declaration of dividends, annual budget, execution of material contracts and investment and appointment of Directors, senior management and employees relating to our Group), and they had first communicated, discussed and come to a unanimous decision in all shareholders' meetings and had reached the unanimous decision and resolution in accordance with the consensus achieved among them.

Each of Mr. Kung, Mr. Yip and Mr. Kam has further undertaken with each other that following the date of the Deed, among other things, (i) when exercising their respective voting rights at the shareholders' meetings of Wai Tat and, if applicable, through our Company, they shall vote, or procure any entities which were entitled to vote at the shareholders' meetings to vote, as the case may be, unanimously in accordance with the consensus achieved among themselves; and (ii) prior to voting on any resolutions in shareholders' meeting and board meeting of Wai Tat and, if applicable, through our Company, they shall discuss the relevant matters with the other with a view to reaching consensus and a unanimous vote.

In view of the concert party arrangement above, Mr. Kung, Mr. Yip and Mr. Kam are a group of Controlling Shareholders within the meaning of the GEM Listing Rules.

[REDACTED]

Overview

On 9 June 2017, the [REDACTED] entered into the [REDACTED] with Vision Perfect as issuer in respect of the subscription of new shares in Vision Perfect by the [REDACTED].

Information on the [REDACTED]

The [REDACTED] was incorporated in the BVI on 8 May 2017. 1,000 fully paid shares of the [REDACTED], representing the entire issued shares of the [REDACTED], were allotted and issued to Mr. Ho Kwan Chuen ("**Mr. Ho**") on 8 June 2017. Since then, the entire shareholding of the [REDACTED] is beneficially owned by Mr. Ho, who is also the sole director of the [REDACTED]. To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, the [REDACTED] is an investment vehicle with the sole purpose of investing in our Company. For further details, please refer to the section headed "Substantial Shareholders" of this document.

Mr. Ho has been admitted as a solicitor of Hong Kong since July 1992, and is currently a partner of Ho & Partners, a solicitors' firm in Hong Kong. Mr. Ho was introduced to Mr. Yip by a mutual friend of theirs. Since early 2017, as we have secured more sizeable projects and planned to tender for more potential projects at that time, our Directors considered it necessary and expedient to raise funds so as to

meet our additional working capital requirements for our business operation and expansion. At the same time, Mr. Ho was interested in investing in our Company having considered our Group's business development direction and growth potential. Mr. Ho confirmed that he invested in our Company through his own financial resources.

To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, the [REDACTED] and its ultimate beneficial owner, Mr. Ho, are independent third parties and have no past or present relationships with our Group and/or any connected persons of our Company save for the [REDACTED].

Details of the [REDACTED]

The following table sets forth the details of the [REDACTED]:

Name of the [REDACTED]	:	Excel Jumbo Limited (思寶有限公司)
Date of the [REDACTED]	:	9 June 2017
Consideration paid *(Note 1)*	:	HK$10,000,000
Basis of determination of consideration	:	Based on arm's length negotiation with the [REDACTED] with reference to (i) the price-to-earnings ratio agreed between us and the [REDACTED]; and (ii) the expected net profit after tax of Wai Tat for FY2017.
Date of completion	:	9 June 2017
Date of settlement of full payment	:	15 June 2017
Cost per Share paid under the [REDACTED] *(Note 2)*	:	[REDACTED]
Discount to the [REDACTED]	:	Approximately [REDACTED]% to the [REDACTED] of HK$[REDACTED] (being the mid-point of the [REDACTED] range stated in this document).
Use of proceeds from the [REDACTED]	:	The aggregate proceeds from the [REDACTED] of HK$10,000,000 will be used as our Group's general working capital of our Group in connection with the [REDACTED]. As at the Latest Practicable Date, all of the proceeds from the [REDACTED] had been utilised as our general working capital.

Strategic benefits of the [REDACTED]	:	Our Directors are of the view that (i) the [REDACTED] serves as a source of additional working capital to our Group and provides immediate funding available for our Group's business operation and expansion; and (ii) we can benefit from the [REDACTED]'s commitment to our Company as its investment demonstrates its confidence in the operations of our Group and serves as an endorsement of our Company's performance, strength and prospects.
Shareholding in our Group upon the completion of the [REDACTED]	:	[REDACTED]%
Approximate shareholding in our Group immediately following completion of the [REDACTED] and the [REDACTED]	:	[REDACTED]% of the enlarged share capital of our Company (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] and any option as may be granted under the Share Option Scheme).
Lock-up period *(Note 3)*	:	Nil
Public float	:	Given that (i) the shareholding of the [REDACTED] in our Company upon [REDACTED] is less than 10%; (ii) the [REDACTED] is solely a passive investor in our Group; and (iii) it is an independent third party, the Shares held by the [REDACTED] will be counted as part of the public float of our Company upon completion of the [REDACTED].

Notes:

1. On 19 May 2017, a deposit of HK$1,000,000 was received from the [REDACTED] for the subscription of 100 shares of Vision Perfect as contemplated under the [REDACTED]. On 15 June 2017, the [REDACTED] paid a further HK$9,000,000 in full settlement of the consideration for the said subscription.

2. This is derived based on the [REDACTED] Shares to be held by the [REDACTED] upon completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued upon exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme).

3. The terms of the [REDACTED] did not impose any lock-up obligations over the Shares held by the [REDACTED], except where requested by the Stock Exchange, if applicable.

Special obligations of the [REDACTED]

In view of the [REDACTED], the [REDACTED] has irrevocably and unconditionally undertaken to Vision Perfect that, after completion of the [REDACTED], the [REDACTED] shall (i) use its best endeavour to facilitate and complete the Reorganisation as requested by our Group from time to time; (ii) not transfer any of the shares of Vision Perfect (or the Shares held by the [REDACTED] after the Reorganisation) prior to [REDACTED] unless agreed in writing with Vision Perfect and in compliance with all the requirements under the Stock Exchange's guidance letter titled "Guidance on Pre-IPO Investments" (HKEx-GL43-12) or any other applicable rules or guidance in relation to pre-IPO investments as revised and implemented from time to time; (iii) not do or cause to do any act resulting in delay of the first submission of the first listing [REDACTED] of the [REDACTED] or delay of trading of the Shares on GEM; and (iv) use its best endeavour to comply with all necessary disclosure requirements as required by any applicable rules and/or laws in connection with the [REDACTED].

Subject to the paragraph below, in the event that the [REDACTED] fails to perform its obligations under the paragraph above after the completion of the [REDACTED] but prior to the [REDACTED], Vision Perfect shall be entitled to, but is not obliged to, demand for the buy-back of the shares of Vision Perfect subscribed by the [REDACTED] or the Shares held by the [REDACTED] at the buy-back consideration equivalent to the consideration paid by the [REDACTED] under the [REDACTED], and the [REDACTED] shall execute all the necessary documents to effect the transfer of all, but not in part, the said shares back to Vision Perfect within five Business Days from the day Vision Perfect gives the written demand to the [REDACTED] or one Business Day before the date of first filing of the application for [REDACTED], whichever is earlier. Against the [REDACTED]'s performance under this paragraph, Vision Perfect shall repay all the sums received for payment of the said consideration by the [REDACTED] without interest accrued thereon to the [REDACTED]. The [REDACTED] irrevocably and unconditionally appoints Vision Perfect as the [REDACTED]'s lawful attorney to act on behalf of the [REDACTED] in Vision Perfect's sole and absolute discretion to sign all documents, instruments and deeds and to take all actions (including filing to any government authority) in connection with the transfer of the said shares back to Vision Perfect as aforesaid.

For the avoidance of doubt, Vision Perfect's call option as described above has already ceased to have effect on the Business Day immediately preceding the date of first filing of the application for [REDACTED].

Sponsor's confirmation

Since the [REDACTED] was unconditionally completed and the consideration for the [REDACTED] was fully settled more than 28 clear days before the date of our Company's submission of the [REDACTED] [REDACTED] to the Stock Exchange, the Sole Sponsor is of the view that the [REDACTED] is in compliance with the Guidance Letters titled "Interim Guidance on Pre-IPO Investments" (HKEx-GL29-12) issued by the Stock Exchange in January 2012 and updated in March 2017 and "Guidance on Pre-IPO Investments" (HKEx-GL43-12) issued by the Stock Exchange in October 2012 and updated in March 2017.

OVERVIEW

We principally provide specialised works and general building works services as a main contractor in Hong Kong. We are registered as a specialist contractor in the categories of foundation works, site formation works and ground investigation field works with the Buildings Department. We are also registered as a general building contractor with the Buildings Department.

We have over 15 years of experience in undertaking specialised works and general building works since 2002. Our projects are principally undertaken by Wai Tat, our operating subsidiary. We undertake specialised works, comprising (i) foundation and site formation works such as piling works, ELS works, construction of footings and pile caps; (ii) demolition works; and (iii) ground investigation field works. Leveraging on our licences, qualifications and our years of experience and expertise in construction industry, we, as a registered general building contractor, have also undertaken general building works including superstructure building works, which refer to building works in relation to the parts of the structure above the ground level. We also provide other general building works including slope maintenance works, hoarding works, A&A works and other miscellaneous construction works which are ancillary in nature. The following table sets forth the breakdown of our revenue by type of works for the years indicated:

	FY2016		**FY2017**	
	HK$'000	*%*	*HK$'000*	*%*
Specialised works				
Foundation and site formation works	36,843	82.5	47,056	62.5
Demolition works	2,677	6.0	3,939	5.2
Ground investigation field works	929	2.1	1,834	2.4
Sub-total	40,449	90.6	52,829	70.1
General building works				
Superstructure building works	—	—	14,205	18.8
Others *(Note)*	4,206	9.4	8,336	11.1
Sub-total	4,206	9.4	22,541	29.9
Total	44,655	100.0	75,370	100.0

Note: Others include slope maintenance works, hoarding works, A&A works and other miscellaneous construction works which are ancillary in nature.

We principally carry out our projects as a main contractor. The table below sets out a breakdown of our revenue according to our role as main contractor and subcontractor for the years indicated:

	FY2016		FY2017	
	HK$'000	*%*	*HK$'000*	*%*
Main contractor	40,449	90.6	71,012	94.2
Subcontractor	4,206	9.4	4,358	5.8
	44,655	100.0	75,370	100.0

During the Track Record Period, our Group recognised an overall revenue of approximately HK$120.0 million, with approximately (i) HK$74.8 million from 17 completed projects; and (ii) HK$45.2 million from 12 projects on hand. Subsequent to the Track Record Period and up to the Latest Practicable Date, we (i) were awarded two projects with aggregate awarded contract sum of approximately HK$0.8 million; and (ii) have completed four projects with aggregate awarded contract sum of approximately HK$2.2 million, of which revenue of approximately HK$1.6 million was recognised during the Track Record Period. As at the Latest Practicable Date, we had ten projects on hand with a total awarded contract sum of approximately HK$165.5 million, of which approximately HK$43.7 million was recognised as revenue during the Track Record Period. 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. Further details of our projects on hand are set out in the paragraph headed "Our Business Model and Our Projects — Our project backlog — Projects on hand" in this section below.

During the Track Record Period, we undertook both (i) private sector projects, comprising mostly residential and commercial building projects commissioned by privately-owned property developers, construction companies and property management companies, and (ii) public sector projects, which include projects commissioned by the Hong Kong Government. We generally secure contracts from our customers through a competitive tendering process whereby we are invited to submit tenders by invitation. Our projects are therefore non-recurring in nature.

For FY2016 and FY2017, revenue derived from our five largest customers amounted to approximately 97.2% and 81.7%, respectively, of our total revenue. In particular, approximately 53.6% and 27.3% of our revenue were attributable to our largest customer for the respective years. For further information regarding our customers, please refer to the paragraph headed "Customers" in this section below.

We believe that the demand for foundation and site formation works and superstructure building works services will continue to grow due to the expected increase in demand for residential and commercial buildings as well as the Hong Kong Government's plan to increase land supply and their urban renewal plan. As such, our Directors believe that there will be more opportunities for foundation and site formation works and superstructure building works in Hong Kong. Riding on our operational resources, experience, licences and qualifications, our Directors believe that we are well-positioned to capture the growing demand for foundation and site formation works, superstructure building works and other construction works services in Hong Kong. For details on the market drivers relating to our Group, please refer to the paragraph headed "Industry Overview — Market Overview of the Key Construction Segments in Hong Kong — Market drivers" of this document.

COMPETITIVE STRENGTHS

Our success can be attributed to the following competitive strengths which differentiate us from our competitors:

Well established presence and proven track record in the specialised works and general building works in Hong Kong

We are registered as a specialist contractor in the categories of foundation works, site formation works and ground investigation field works with the Buildings Department. With over 15 years of our operating history, we have established good reputation and well-established presence in providing specialised works focusing on foundation works and site formation works.

During the Track Record Period, our Group recognised an overall revenue of approximately HK$120.0 million, with approximately (i) HK$74.8 million from 17 completed projects; and (ii) HK$45.2 million from 12 projects on hand. For FY2017, approximately 18.8% of our revenue was derived from one superstructure building works (which was awarded to us in November 2016 and was the only superstructure building works project awarded to us during the Track Record Period) with contract sum of approximately HK$83.9 million and gross profit margin of approximately 30.3%. Subsequent to the Track Record Period and up to the Latest Practicable Date, we (i) were awarded two projects with aggregate awarded contract sum of approximately HK$0.8 million; and (ii) have completed four projects with aggregate awarded contract sum of approximately HK$2.2 million, of which revenue of approximately HK$1.6 million was recognised during the Track Record Period. As at the Latest Practicable Date, we had ten projects on hand with a total awarded contract sum of approximately HK$165.5 million, of which revenue of approximately HK$43.7 million was recognised as revenue during the Track Record Period. Details of which are set out in the paragraph headed "Our Business Model and Our Projects — Our project backlog — Projects on hand" in this section below. In addition, we have continuously strengthened our capability to capture business opportunities and expanding our project portfolio. As a registered general building contractor and leveraging on our licences, qualifications and our years of experience and expertise in construction industry, we have undertaken superstructure building works and other general building works include slope maintenance works, hoarding works, A&A works and other miscellaneous construction works which are ancillary in nature. Over the years, we have established ourselves as a dedicated contractor in the construction industry consistently achieving customer satisfaction, quality of work and cost control which in turn enables our Group to gain confidence from our customers.

Experienced and professional management team

Each of Mr. Kung, Mr. Yip and Mr. Kam, our executive Directors and our Controlling Shareholders, has an average of over 35 years of experience, industry knowledge and project exposure in the construction industry in Hong Kong. For details of the qualification and experience of our Directors, please refer to the section headed "Directors and Senior Management" of this document. Their qualifications and experience facilitate the formulation of competitive tenders, which are essential in securing new business opportunities, and in carrying out efficient and timely execution and management of our projects. Our in-house design team led by Mr. Kung, our technical director, who is mainly assisted by our project manager, Mr. Lau Chi Kwan, is responsible for preparing more cost-efficient and technically capable foundation designs suited for the conditions and limitations of different sites and requirements from our customers. For details of

the qualification and experience of Mr. Kung and Mr. Lau Chi Kwan, please refer to the section headed "Directors and Senior Management" of this document. Mr. Yip and Mr. Kam, our executive Directors, were also involved in reviewing the practicality of the project design from works execution perspective. Supported by our experienced in-house design team, our Directors believe that our capability in formulating cost-effective design proposals by adopting appropriate adjustments to the preliminary engineering designs provided by our customers which satisfy the specific requirements of the customer, allows us to win more tenders for "design and build" projects which command a higher profit margin when compared with "build only" projects. For details, please refer to the paragraph headed "Business — Our Business Model and Our Projects — "Design and build" contracts and "build only" contracts" of this document. Our strong design expertise is also demonstrated by the tender invitations for "design and build" projects received from our existing customers and new customers during the Track Record Period. We believe our solid track record in undertaking "design and build" projects and years of experience and strong expertise of our in-house design team will facilitate formulation of more cost-effective design, which are essential in serving more "design and build" projects. Our Directors believe this will allow us to further strengthen our current market position and undertake more "design and build" projects, which involve both foundation works and superstructure building works in future. For further details on the preparation and submission of tender documents for "design and build" and "build only" contracts, please refer to the paragraph headed "Operation Flow" in this section below. Our Directors believe that the combination of our management team's expertise, industry knowledge and design capability have been and will continue to be our Group's valuable assets and strive our Group towards greater success.

Established business relationship with our major customers, suppliers, subcontractors and architect firms

We have established a solid customer base in the private sector. Our customers include private property developers, construction companies and property management companies. We believe that the established working relationships with our major customers have enhanced our market recognition and enabled us to attract more business opportunities. In particular, we pride ourselves on our ability to provide quality service and complete our projects on time which translate into customer satisfaction and further business opportunities as evidenced by more tender invitations from repeated customers.

Moreover, we have maintained four years to 14 years of relationship with the majority of our five largest suppliers and subcontractors during the Track Record Period. Our close relationship with our major suppliers enables our Group to negotiate for more competitive prices for the supply of materials required for our projects. Meanwhile, the performance of subcontractors and their quality of works subcontracted by our Group can be assured by our stable relationship with our major subcontractors which are able to meet our quality standards.

We also maintain good relationship with architect firms and project consultants which are often engaged by our end customers to manage and supervise the construction projects. In doing so, we use our endeavours to carry out our works professionally, such as replying to queries promptly and co-operating with the architect firms and project consultants in their desired work programme. We believe the accumulation of successful experience with them has gained their trust, allowed us to build our reputation and to broaden our customer base, and warranted their subsequent referral of business opportunities to us which the Group would proceed by way of tender or quotation submission thereafter.

Our commitment to maintaining high safety standard, quality control and environmental protection

We place considerable emphasis to maintain safety standard and quality control as they can directly affect our reputation, our service quality and our profitability. They are also among our customers' key assessment criteria in selecting contractors. Our Directors believe that our good compliance track record would help reduce our exposure to any safety and environmental claims and improve our overall service quality and profitability.

Our Directors believe that our strong commitment to work's quality, safety, occupational health and environmental management are crucial to us in delivering quality works to our customers on a timely basis. In 2015, we achieved zero personal injury accident rates. In 2016, the accident rate in respect of the employees of our Group and our subcontractors was approximately 7.0 per 1,000 workers. Our Directors believe that the comparatively low accident rate was attributed to our commitment to occupational safety. Further details of our quality control measures are set out in the paragraph headed "Quality Control" in this section below. In light of the above, our Directors believe that we are capable of completing the construction works undertaken by us in high quality standards and achieve sustainable growth in our business in the construction industry.

BUSINESS STRATEGIES

Our principal business objective is to further solidify our market position as an established main contractor focusing on foundation and site formation works and superstructure building works. We intend to achieve our business objective by pursuing the following key business strategies:

Expanding our market share and compete for more foundation and site formation projects and superstructure building works projects

It is not uncommon for customers to require contractors to take out surety bonds by a bank or an authorised insurer in the amount of certain percentage (usually up to 10%) of the contract sum to their customers to ensure a contractor's due performance and observance of a contract. Therefore, the aggregate number and size of projects that we are able to undertake in our business is directly linked to, among others, the amount of our available working capital. The surety bond requirement may result in the lock-up of a portion of our capital during the term of the surety bond and therefore affects our liquidity position. Our Directors believe that the net proceeds from the [REDACTED] will strengthen our available financial resources, thereby allowing us to undertake more projects by applying a portion of the proceeds for satisfying the surety bonds requirements of our customers and potential customers. Furthermore, we normally incur net cash outflows at any early stage of carrying out a project to cover a variety of upfront costs and expenses including insurance expenses, cost of construction materials, subcontracting charges, staff costs and other site set-up costs. Such costs and expenses will further be increased if we undertake more projects in future. As such, we plan to utilise approximately HK$[REDACTED] million or [REDACTED]% from the net proceeds of the [REDACTED] to meet the surety bonds requirements (which form one of the tender conditions as set out in the tender invitations) of Project A and Project B we tendered. We also plan to utilise approximately HK$[REDACTED] million or [REDACTED]% from the net proceeds of the [REDACTED] to finance the upfront costs and capital requirements associated when undertaking the Projects and other potential projects we intend to secure. In this connection, we plan to use, in aggregate, approximately [REDACTED]% of the net proceeds to

support such relevant costs expected to be incurred for the Projects. In July 2017, the potential customer has entered into a legally binding memorandum of agreement with us to engage our Group to carry out all necessary preparatory works and submissions to the Buildings Department for Project B. We will be granted the letter of award for Project B, subject to all necessary approvals having been granted by the Buildings Department. It is expected that the tender results for both Project A and Project B will be available in or around December 2017 and the award of the Projects are therefore uncertain. Please refer to the section headed "Future Plans and Use of Proceeds" of this document for further details.

Further strengthening our manpower

We consider that a team of strong workforce equipped with appropriate knowledge and experience in management and execution of foundation, site formation and superstructure building works of different scale is crucial to our continuing success. To cater for our projects on hand, newly awarded contracts and projects for which we plan to tender, we plan to recruit one project manager, two assistant project managers and one site foreman to strengthen our project implementation capabilities and one accounting assistant to support our accounting functions. In addition, we also intend to provide more training to our existing and newly recruited staff on occupational health and safety. Such training courses would include internal training as well as courses organised by external parties and training institutions.

As such, we plan to utilise approximately HK$[REDACTED] million or [REDACTED]% of the net proceeds from the [REDACTED] for strengthening our manpower. Please refer to the section headed "Future Plans and Use of Proceeds" of this document for further details.

Adherence to prudent financial management to ensure sustainable growth and capital sufficiency

We will continue to maintain a prudent financial management strategy in our business operations. Our Directors believe that a prudent financial management in capital commitment would provide reasonable return for Shareholders steadily while ensuring our continued growth in the long term. We will continue to adopt a prudent treasury management policy to (i) ensure that our funds are properly and efficiently collected and deployed such that there is no material shortfall in cash which may interrupt our Group's daily business obligations; (ii) maintain sufficient level of funds to settle our liabilities when they fall due; (iii) maintain adequate liquidity to cover our operation cash flow, project expenditures and administrative expenses; and (iv) streamline our operational processes to achieve savings in construction-related costs, maintenance and other operating costs. For details of our cost control measures adopted during our project implementation phase, please refer to the paragraph headed "Operation Flow — Implementation phase" in this section below.

Our Directors believe that by expanding our scale of operation as mentioned above, we will be able to (i) efficiently manage our projects on hand and newly awarded projects; (ii) participate in foundation, site formation and superstructure building projects of larger scale; (iii) maintain adequate liquidity to cover our operating cash flow, project expenditures and administrative expenses; and (iv) through improvement of our corporate governance practices and internal control policies, streamline our operational processes to improve our operating efficiency, achieve economies of scale and costs savings, which is of utmost importance to our Group's

competitiveness and ongoing business development. Leveraging on our proven track record, our reputation, solid experience in foundation and site formation works and superstructure building works over the Track Record Period and our prudent financial management, our Directors are of the view that we are well positioned to capture the emerging business opportunities for such building projects in the future.

As at the Latest Practicable Date, we did not have any expansion plan through acquisition and no acquisition target was identified.

DESCRIPTION OF OUR WORKS

During the Track Record Period, we undertook (i) foundation and site formation works which include piling works, ELS works, construction of footings and pile caps; (ii) demolition works; (iii) ground investigation field works; (iv) superstructure building works; and (v) other general building works including slope maintenance works, hoarding works, A&A works and other miscellaneous construction works, details of which are set at below:

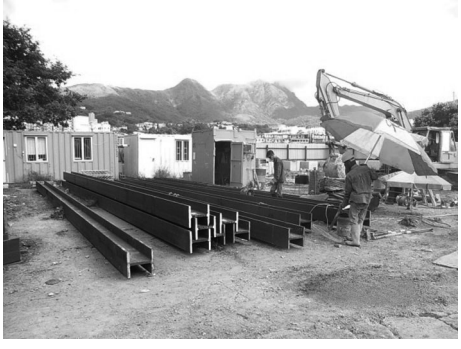
Specialised works

Foundation works

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

Piling construction

Our piling construction business is our major line of business. During the Track Record Period, our piling construction involves large-diameter bored piles, driven H-piles, socketed H-piles, mini piles, soldier piles, pipe piles and king posts etc. Piles are columnar elements, which are used to support a structure by transferring the load of a structure to the strong ground below, such as rock or stronger subsoil. When determining the most appropriate pile type, a number of factors such as ground conditions, nature of loading, effects on surrounding structures and environment, site constraints, safety, cost and programme etc. are considered.



ELS works

ELS works begin by installing steel sheet pile wall/soldier pile wall/pipe pile wall into the soil for the required level. The steel pile wall is generally used to reduce groundwater inflow and prevent soil from falling into the excavated area. Grouting may be conducted outside and/or underneath the steel pile wall for control of underground water seepage into the excavation area.

Pile cap construction

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

Site formation works

The purpose of site formation works is to form the site to the required levels or topography for subsequent foundation works, superstructure building works and other works such as road and drainage works. Site formation works include clearance of site, forming platform by cutting and filling, site levelling, demolition of existing structures, stabilisation of existing slopes, formation of new slopes, construction of retaining walls and formation of access roads and drainage system.

Demolition works

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

Ground investigation field works

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

General building works

Superstructure building works

Superstructure building works refer to building works in relation to the parts of the structure above the ground level.

During the Track Record Period, we mainly provide superstructure building works service as a main contractor for construction of columbarium.

The principal types of superstructure building works we provide include but are not limited to, structural concrete construction for superstructure on typical floor, both internal and external finishing works undertaken during the structural concrete construction, roofing works after structural concrete works, and installation of building services works.

Other general building works

As our ancillary services, we provide other general building works services such as slope maintenance works, hoarding works and A&A works services, which are ancillary in nature, to our customers as a subcontractor.

OUR BUSINESS MODEL AND OUR PROJECTS

We have over 15 years of experience in undertaking specialised works and general building works since 2002. Our projects are principally undertaken by Wai Tat, our operating subsidiary. We undertake specialised works comprising (i) foundation and site formation works such as piling works, ELS works, construction of footings and pile caps; (ii) demolition works; and (iii) ground investigation field works. As a registered general building contractor, leveraging on our licences, qualifications and our years of experience and expertise in construction industry, we have also undertaken superstructure building works which refer to building works in relation to the parts of the structure above the ground level. We also provide other general building works including slope maintenance works, hoarding works, A&A works and other miscellaneous construction works which are ancillary in nature.

Our business is principally carried out by Wai Tat, our operating subsidiary. The following table sets forth the breakdown of our revenue by type of works for the years indicated:

	FY2016		**FY2017**	
	HK$'000	*%*	*HK$'000*	*%*
Specialised works				
Foundation and site formation works	36,843	82.5	47,056	62.5
Demolition works	2,677	6.0	3,939	5.2
Ground investigation field works	929	2.1	1,834	2.4
Sub-total	40,449	90.6	52,829	70.1
General building works				
Superstructure building works	—	—	14,205	18.8
Others *(Note)*	4,206	9.4	8,336	11.1
Sub-total	4,206	9.4	22,541	29.9
Total	44,655	100.0	75,370	100.0

Note: Others include slope maintenance works, hoarding works, A&A works and other miscellaneous construction works which are ancillary in nature.

The following table sets forth the breakdown of our revenue by type of buildings for the years indicated:

	FY2016		FY2017	
	HK$'000	*%*	*HK$'000*	*%*
Residential buildings	30,629	68.6	20,089	26.7
Commercial buildings	—	—	10,726	14.2
Others *(Note)*	14,026	31.4	44,555	59.1
	44,655	100.0	75,370	100.0

Note: Others include columbarium, retaining walls, slope maintenance, school campus, etc.

"Design and build" contracts and "build only" contracts

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

The table below sets out a breakdown of our revenue by type of contracts awarded for the years indicated:

	FY2016		FY2017	
	HK'000	*%*	*HK'000*	*%*
Design and build contracts				
Specialised works	39,519	88.5	47,055	62.4
General building works	720	1.6	741	1.0
Sub-total	40,239	90.1	47,796	63.4
Build only contracts				
Specialised works	930	2.1	5,673	7.5
General building works	—	—	17,972	23.8
Sub-total	930	2.1	23,645	31.4
Others *(Note)*	3,486	7.8	3,929	5.2
Total	44,655	100.0	75,370	100.0

Note: Others include project supervision, slope maintenance, etc.

Our Directors believe that a competitive design for a project is an important aspect of the tendering process because it directly affects tender price and the likelihood of being awarded the contract. For FY2016 and FY2017, 90.1% and 63.4% of our revenue were derived from "design and build" contracts, respectively. Our in-house design team, which is led by Mr. Kung who is mainly assisted by our project manager, Mr. Lau Chi Kwan, is responsible for preparing more cost-efficient and technically capable foundation designs suited for the conditions and limitations of different sites and requirements from our customers. Mr. Yip and Mr. Kam, our executive Directors, were also involved in reviewing the practicality of the project design from works execution perspective. Our Directors believe that our capability in foundation design enhances our tender success rate to win more tenders for "design and build" projects which command a higher profit margin when compared with "build only" projects. For certain "design and build" contracts, we may engage external designers for preparation of the design, if (i) the relevant project involves technical specifications or customers' requirements that require professional input from external designers or (ii) our in-house design team is occupied with existing "design and build" contracts and may not have spare capacity to handle new projects. For FY2016 and FY2017, we recorded approximately HK$0.6 million and HK$0.7 million for engaging such external designers, respectively. For further details on the preparation and submission of tender documents for "design and build" and "build only" contracts, please refer to the paragraph headed "Operation Flow" in this section below. Our Directors believe that our capability in foundation design is one of the key factors contributing to our success.

Contracts as main contractor and as subcontractor

We principally carry out our projects as a main contractor. The table below sets out a breakdown of our revenue according to our role as main contractor and subcontractor for the years indicated:

	FY2016		**FY2017**	
	HK$'000	*%*	*HK$'000*	*%*
Main contractor	40,449	90.6	71,012	94.2
Subcontractor	4,206	9.4	4,358	5.8
Total	44,655	100.0	75,370	100.0

Projects of private sector and public sector

During the Track Record Period, we undertook both (i) private sector projects as main contractor or subcontractor, comprising mostly residential and commercial building projects commissioned by privately-owned property developers, construction companies and property management companies; and (ii) public sector projects as subcontractor, which include projects commissioned by the Hong Kong Government.

Our projects

The following table sets out the number of projects that have been awarded to our Group for the periods indicated and the corresponding aggregate amount of contract sum:

	FY2016	FY2017	From 1 July 2017 to the Latest Practicable Date
Number of projects awarded[Note 1]			
— with contract sum of HK$1 million or less[Note 3]	4	8	2
— with contract sum more than HK$1 million and less than or equal to HK$10 million	2	5	—
— with contract sum more than HK$10 million[Note 3]	2	3	—
Total number of contracts awarded	8	16	2
	HK$'000	*HK$'000*	*HK$'000*
Corresponding aggregate amount of original contract sum in respect of such projects [Note 2]	61,820	157,194	827

Notes:

1. Number of projects awarded for each period indicated includes all projects with respect to which our engagement was confirmed during the period indicated, regardless of whether or not our tender was submitted or quotation was requested during the same period indicated.

2. The contract sum is based on the contract(s) between our customer and us (including any supplemental contracts, contingency and/or provisional contract amount) but may not include addition and/or modifications due to subsequent variation orders, as such final revenue recognised from a contract may differ from the contract sum.

3. During the Track Record Period, the contract sum of our awarded projects ranged from approximately HK$67,300 to approximately HK$83.9 million, with an average contract sum of approximately HK$9.1 million.

Our project backlog

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

	FY2016	FY2017	From 1 July 2017 up to the Latest Practicable Date
Opening number of projects *(Note 1)*	5	6	12
Number of new projects *(Note 2)*	8	16	2
Number of completed projects *(Note 3)*	7	10	4
Ending number of projects *(Note 4)*	6	12	10

Notes:

1. Opening number of projects means the number of awarded projects which were not completed as of the beginning of the relevant year or period indicated.

2. Number of new projects means the number of new projects awarded to us during the relevant year or period indicated, including those projects tendered in the preceding year which were then awarded in the relevant year or period.

3. Number of completed projects means the number of projects which are considered practically completed when the last invoice or last payment certificate was issued.

4. Ending number of projects equals to the opening number of projects plus number of new projects minus number of completed projects during the relevant year or period indicated.

The following table sets out the movement of backlog of our projects during the Track Record Period and from 1 July 2017 up to the Latest Practicable Date:

	FY2016	FY2017	From 1 July 2017 up to the Latest Practicable Date
	HK$'000	*HK$'000*	*HK$'000*
Opening value of backlog (A)*(Note 1)*	25,988	39,857	121,560
Awarded contract sum of new projects (B)*(Note 2)*	61,820	157,194	827
Value of the completed projects (C=A+B–D)*(Note 3)*	47,951	75,491	602
Ending value of backlog (D)*(Note 1)*	39,857	121,560	121,785

Notes:

1. Such value represented the total outstanding awarded original contract sum (including any supplemental contracts, contingency and/or provisional contract amount), but may not include additions and/or modifications due to subsequent variation orders of our ongoing projects, which had not been fully completed or were subject to agreement on final amount with our customers as at the beginning/ending of the financial year or the period indicated.

2. The contract sum is based on contract(s) between our customer and us (including any supplemental contracts, contingency and/or provisional contract amount), but may not include additions and/or modifications due to subsequent variation orders, such that final revenue recognised from a contract may differ from the contract sum.

3. The value of the completed projects is calculated with reference to the total awarded original contract sum. As such, the difference in value of the completed projects and the revenue recognised for the respective financial year is mainly due to the contingency and/or provisional contract amount included in the awarded original contract sum, the additions, modifications and/or other changes in scope of works, if any, placed by our customers from time to time during the course of project execution, arising from the ongoing projects.

Completed projects

During the Track Record Period and up to the Latest Practicable Date, we have completed 21 projects, with (i) approximately HK$76.3 million were recognised during the Track Record Period; and (ii) approximately HK$0.6 million is expected to be recognised for the financial year ending 30 June 2018.

Projects completed during the Track Record Period:

Project code	Particulars and location of the projects	Role	Sector (Private/ public)	Type of works	Types of contracts (Design and build/build only/others)	Date of commencement of works	Date of completion of works *(Note 2)*	Contract sum *(Note 1)* *HK$'000*	Revenue recognised during FY2016 *HK$'000*	Revenue recognised during FY2017 *HK$'000*
C176	Residential project in Sai Kung	Main contractor	Private	Foundation and site formation	Design and build	November 2011	November 2016	17,018	—	1,801
C211	Residential project in Stanley	Main contractor	Private	Foundation and site formation	Design and build	August 2014	September 2015	12,251	3,318	—
C215	Columbarium in Tuen Mun	Main contractor	Private	Foundation and hoarding	Design and build	February 2015	January 2017	17,363	9,595	6,390
C217	Slope in Tsing Ma Control Area	Subcontractor	Public	Slope preventive maintenance	Others	June 2015	January 2016	3,542	3,486	—
C219	Residential project in To Kwa Wan	Main contractor	Private	Demolition	Design and build	August 2015	June 2016	2,767	2,677	—
C221	Residential project in Kwai Chung	Main contractor	Private	Foundation and site formation	Design and build	October 2015	May 2017	37,995	23,930	12,065
C226	Hotel redevelopment in Hung Hom	Main contractor	Private	Demolition and hoarding works	Build only	April 2016	January 2017	1,480	—	1,480
C230	Slopes in North West Tsing Yi Interchange	Subcontractor	Public	Slope preventive maintenance	Others	October 2016	March 2017	3,902	—	3,829
C237	Landfill in South East New Territories	Subcontractor	Public	Others	Build only	January 2017	May 2017	2,864	—	2,849
				Eight completed projects each with the amount of revenue recognised of less than HK$1.0 million				3,494	1,649	1,704
							Sub-total	102,676	44,655	30,118

Projects completed after the Track Record Period and up to the Latest Practicable Date:

Project code	Particulars and location of the projects	Role	Sector (Private/ public)	Type of works	Types of contracts (Design and build/build only/others)	Date of commencement of works	Date of completion of works (Note 2)	Contract sum (Note 1) *HK$'000*	Revenue recognised during FY2016 *HK$'000*	Revenue recognised during FY2017 *HK$'000*
C238	Residential project in Tuen Mun	Main contractor	Private	Ground investigation	Build only	January 2017	August 2017	1,501	—	1,463
				Three completed projects each with the amount of revenue recognised of less than HK$1.0 million				664	—	100
							Total	104,841	44,655	31,681

Notes:

1. The contract sum is based on the contract(s) between our customer and us (including any supplemental contracts, contingency and/or provisional contract amount), but may not include additions and modifications due to subsequent variation orders, such that the final revenue recognised from a contract may differ from the contract sum.

2. Date of completion means the date in which the last invoice or last payment certificate of a project was issued.

Projects on hand

As at the Latest Practicable Date, we had ten projects on hand (including projects in progress and projects that have been awarded to us but not yet commenced) with a total contract sum of approximately HK$165.5 million, of which (a) approximately HK$43.7 million was recognised as revenue during the Track Record Period; and (b) approximately HK$100.8 million is expected to be recognised as revenue for the financial year ending 30 June 2018. The following table sets out a list of our projects on hand as at the Latest Practicable Date:

Projects awarded during the Track Record Period:

Project code	Particulars and location of the projects	Sector (Private/ public)	Type of works	Types of contracts (Design and build/ build only/others)	Project commencement date	Expected project completion date[Note 1]	Contract sum[Note 2]	Revenue recognised during FY2016	Revenue recognised during FY2017	Revenue to be recognised for the financial year ending 30 June 2018[Note 3]	Revenue to be recognised for the financial year ending 30 June 2019[Note 3]
							HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
C225	Columbarium in Tuen Mun	Private	Foundation and site formation	Design and build	November 2016	June 2018	23,200	—	15,994	7,206	—
C227	Commercial project in Central	Private	Foundation and site formation	Design and build	June 2016	January 2018	17,923	—	8,578	7,345	—
C228	Lot 524 in Fanling	Private	Others	Build only	September 2016	August 2018	7,750	—	447	4,200	3,103
C231	Residential project in Repulse Bay	Private	Demolition	Build Only	October 2016	December 2017	2,300	—	2,161	39	—
C232	Residential Project in Pok Fu Lam	Private	Ground investigation	Build only	October 2016	December 2017	119	—	75	44	—
C234	Columbarium in Tuen Mun	Private	Superstructure	Build only	November 2016	September 2018	83,878	—	14,205	54,849	8,926
C235	Retaining wall upgrading in Tsuen Wan	Private	Foundation and site formation	Build only	June 2017	December 2017	838	—	—	838	—

Project code	Particulars and location of the projects	Sector (Private/ public)	Type of works	Types of contracts (Design and build/ build only/others)	Project commencement date	Expected project completion date[Note 1]	Contract sum[Note 2]	Revenue recognised during FY2016	Revenue recognised during FY2017	Revenue to be recognised for the financial year ending 30 June 2018[Note 3]	Revenue to be recognised for the financial year ending 30 June 2019[Note 3]
							HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
C239	Residential project in Repulse Bay	Private	Foundation and site formation	Design and build	February 2017	May 2018	28,600	—	2,228	25,372	—
C242	Industrial project in Quarry Bay	Private	Demolition	Build only	July 2017	December 2017	465	—	—	465	—
						Sub-total	165,073	—	43,688	100,358	12,029
Project awarded after the Track Record Period and up to the Latest Practicable Date:											
C247	Hospital project in Wong Tai sin	Public	Ground investigation	Build only	October 2017	December 2017	400	—	—	400	—
						Total	165,473	—	43,688	100,758	12,029

Notes:

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

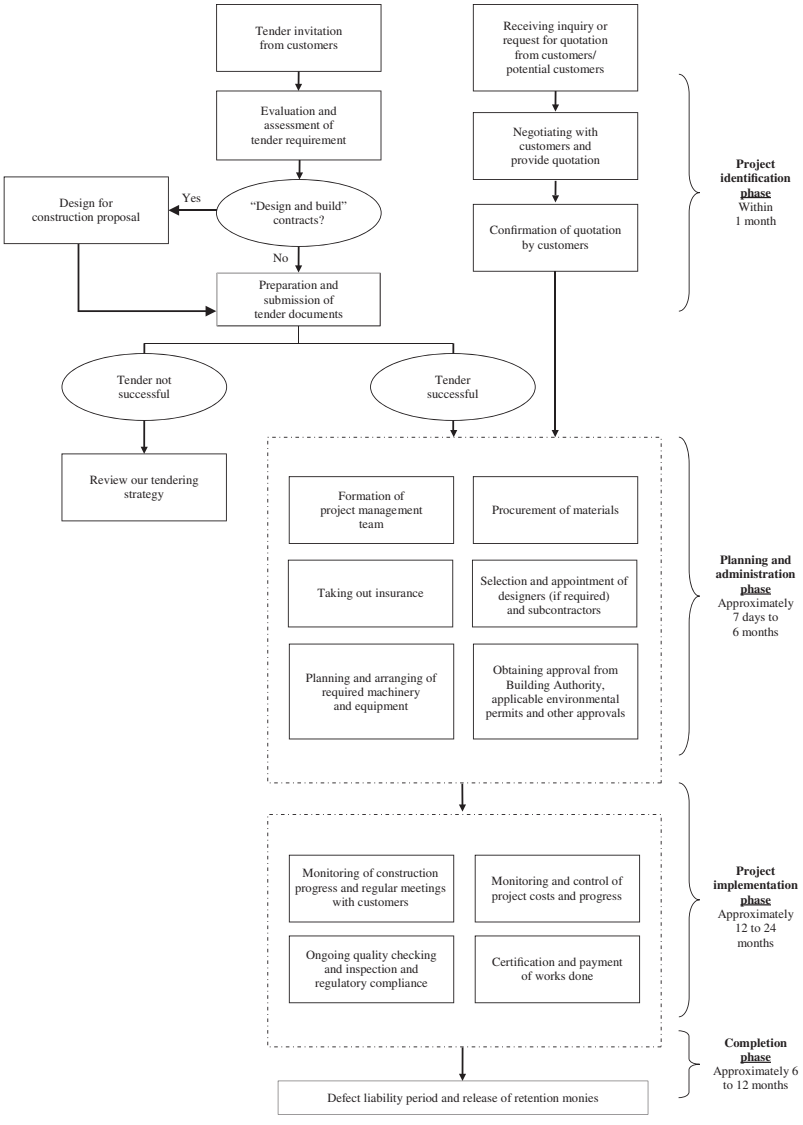
2. The contract sum is based on contract(s) between our customer and us (including any supplemental contracts, contingency and/or provisional contract amount), but may not include additions and/or modifications due to subsequent variation orders, such that final revenue recognised from a contract may differ from the contract sum.

3. The revenue expected to be recognised is provided based on our management's best estimation, taking into account the awarded contract sum of the relevant contract, the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and is subject to change due to additions and/or modifications due to subsequent variation orders and the actual work schedule.

OPERATION FLOW

The customer base, requisite technical expertise and relevant regulatory licenses and qualifications relating to specialised works and general building works may be different. Nevertheless, since both categories of works share essentially the same nature of construction projects, the relevant project workflows and our procedures for project execution for such businesses are substantially the same. Our projects essentially concern with the overall management of construction works. The actual works undertaken by us and the duration of works commencing from the time of identification of a project, via bidding and award of a contract, and ultimately to its completion may vary according to the nature of the works contracts.

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

Project identification phase

Tender invitation or quotation request

Our customers or their project consultants or architect firms appointed by our customers typically maintain their lists of approved contractors and will send them letters to invite for tender or pre-qualification or letters to express interest for tender. They may sometimes require their approved contractors to make pre-qualification submissions to assess their qualification and eligibility to submit tenders. Apart from such invitations, we also identify private sector projects through our management's connections in the construction industry. Letters of invitation or express of interest for tender and open tender documents normally include brief description of the works required, contact details of the office (from which forms of tender and further particulars of the projects may be obtained) and the closing time and date of the tender. From time to time, we are approached by some customers which request for quotations for services without going through tendering process.

Evaluation and assessment of projects and quotations

Our tendering team is led by Mr. Yip and Mr. Kam, whose background and experience are set out in the section headed ''Directors and Senior Management'' of this document. Our tendering team is responsible for reviewing and evaluating tender documents and preparing tender submissions. Generally, we review and evaluate the commercial viability of potential projects based on factors including the scope, complexity, technicality and particular specifications of the projects, site conditions, achievability of the specified timetable, prior experience, availability of our human resources and expertise, prevailing market conditions, estimated costs of the project and our current competitiveness and financial conditions. For ''design and build'' projects, we will also assess the construction design of the projects with reference to the requirement of the customers. When we decide that a potential project is commercially viable, our tendering team will proceed to prepare the tender proposal.

Preparation and submission of tender documents

Any quotation, expression of interest for tender, or tender submission is only prepared after we have carried out a thorough analysis of the work to be undertaken. This includes assessing conditions of the site, obtaining suppliers' quotations for cost of raw materials, allocating labour and management resources, and scheduling of machinery and equipment. Most of the time, our project manager or engineers will also visit the site at which the project is to be undertaken in order to conduct a better assess on the complexity of the works to be involved. Subject to the conditions of the site, we may consider specific factors including (i) the conditions of the structures adjacent to the site; (ii) the nature of the locality of the site; and (iii) whether there are any potential difficulties in carrying out the work, such as the size and landscape of the site restricting the accessibility of required machinery to ensure constructability in future project execution.

"Design and build" contracts and "build only" contracts

A ''design and build'' contract normally involves both the preparation of a construction design according to the specifications set out in the tender documents, as well as carrying out the actual construction works. For certain ''design and build'' contracts where a preliminary design proposal is provided by the customer, the contractor is allowed to submit an alternative design proposal or otherwise make appropriate adjustments to the conformed design in order to comply with the technical

requirements and enhance cost efficiency. For such "design and build" contract, our design team, which is led by Mr. Kung who is mainly assisted by our project manager, Mr. Lau Chi Kwan (whose experience and qualification are set out in the section headed "Directors and Senior Management" of this document) will be involved in the early stage of the tendering process. Mr. Yip and Mr. Kam, our executive Directors, were also involved in reviewing the practicality of the project design from works execution perspective. Based on the site investigation report provided by the customer and other factors such as the loading requirements of the superstructure, limitations and constraints of the site, plant availability, cost, contract period and safety concerns, our design team will formulate appropriate construction design proposal which satisfies the specific requirements of the customer and the relevant code of practice and regulations, and is more efficient and cost-effective. These design drawings will be submitted to the architect or project consultant for review and to the customer for tender assessment. During the tendering process, our design team works closely with our tendering team to work out various details of tender such as costs, human resources, construction materials and the expected completion time required for the project.

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

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

Tender price and pricing policy

Mr. Yip and Mr. Kam, our executive Directors, play an active role in the tender review procedure. They are responsible for reviewing tender documents, formulating bidding strategies and ensuring that bids are both competitive and profitable. Based on the experience of our executive Directors and senior management, we will consider the potential difficulty and risk factors in estimating the total costs of each project. We will then determine the tender price based on our estimated project costs taking into account factors including scope and complexity of the project, site conditions, project time frame, estimated construction material costs and labour costs, plus a mark-up margin at the time when we submit our tender or our initial proposal to our potential customer. Depending on the complexity or scale of the project, sometimes we may obtain quotations from our subcontractors prior to submitting a tender proposal and reflect the estimated construction material costs and subcontracting charges in our tender price.

Upon finalising the bill of quantities and other documents required for tender submission, our Group will submit the tender documents to the potential customers. After submitting tender, we may be required to answer queries or invited to attend interviews with the potential customer and project consultants to clarify certain aspects of our submitted tender, demonstrate our understanding on the project, discuss availability of our resources and our estimated project costs. We will then follow up proactively with the potential customers on their requirements and details of our tender.

Tender success rate

The following table summarises our overall tender success rate for the periods indicated:

	FY2016	FY2017	From 1 July 2017 to the Latest Practicable Date *(Note 2)*
Number of tenders submitted *(Note 3)*	88	83	17
Number of tenders awarded *(Note 3)*	8	16	2
Success rate (%) *(Note 1)*	9.1	19.3	11.8

Notes:

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

2. For the period from 1 July 2017 to the Latest Practicable Date, there were 17 tender applications submitted by our Group. The tender results of nine out of such 17 tender applications were still pending as at the Latest Practicable Date and yet to be known.

3. During the Track Record Period and up the Latest Practicable Date, our Group has submitted 88, 83, and 17 tender applications with total notional contract sum of approximately HK$445.0 million, HK$381.1 million and HK$350.0 million (based on the tender price we submitted, but may not include tender interest we submitted in which no contract sum is available), respectively. Eight, 16 and two of such tender applications we submitted were awarded to our Group with total contract sum of approximately HK$61.8 million, HK$157.2 million and HK$0.8 million, respectively.

4. As at the Latest Practicable Date, our Group had an aggregate of 32 other potential projects (in addition to Project A and Project B) with aggregate notional contract sum of approximately HK$487.3 million which we tendered for and pending for the tender result.

We may from time to time respond to our customers' invitations by submitting tenders after taking into account our pricing strategy instead of turning them down. Our Directors believe such strategy allows us to (i) maintain our relationship with customers; (ii) maintain our presence in the market; and (iii) be informed of the latest market developments and pricing trends which are useful for tendering projects in the future. Due to such strategy and subject to the tender strategy of our competitors from time to time, we may experience fluctuations in our overall tender success rates from period to period. Given our tender strategy and in view of our performance over the Track Record Period and our projects on hand as of the Latest Practicable Date (see the paragraph headed "Our project backlog" in this section above), our Directors consider that our overall tender success rate during the Track Record Period has been satisfactory in general.

Planning and administration phase

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

Formation of project management team

Depending on the complexity and scale of the project, our project management team may comprise the following key members: a project manager, a site foreman, an engineer, an external safety officer and/or safety supervisor and an environmental officer. Set out below are the major responsibilities of each key member in a project team:

- Our project manager is mainly responsible for coordinating with the customer and its project consultants, supervising our overall workforce on site, monitoring work efficiency and performance of site workers, communicating with our customers, subcontractors and other members of the project team on the project status, allocation of resources in a project, preparing and reviewing the progress reports, weekly safety reports and site daily records. Our project manager is also responsible for inspecting the work progress on site and preparing payment application.

- Our site foreman assists our project manager to coordinate and supervise the quality and workmanship site workers for day-to-day site operations.

- Our engineer is responsible for overseeing the engineering and technical aspects of the project such as designing the whole site operation and suitable methodology and procedures for customer's approval.

- Our external safety officer and/or safety supervisor are responsible for supervising implementation of site safety measures and monitoring day-to-day occupational health and safety compliance.

- Our environmental officer is responsible for supervising implementation of site measures for environmental protection and compliance.

Procurement of construction materials

For projects of which we are the main contractor, unless specified under the agreement which we may have entered into with the subcontractor, we are responsible for the procurement of major construction materials for the project, such as structural steel, concrete and reinforcement steel. Our administration department is responsible for purchasing of major construction materials. Our subcontractors are responsible for procurement of other construction materials required for them to complete their works. Furthermore, our subcontractors are normally required to equip themselves with the necessary machinery for carrying out the works delegated to them and provide the necessary workers for operation of the machinery. Our subcontractors are also required to ensure that all machinery used complied with the relevant statutory safety requirements.

For projects which we act as a subcontractor, we source the construction materials from our approved list of suppliers. For further details, please refer to the paragraph headed "Suppliers — Characteristics of our suppliers" in this section below.

Selection and appointment of designers and subcontractors

During the Track Record Period, we mainly acted as the main contractor in our projects. Having said that, taking into account our core expertise and competency, cost effectiveness, required productivity and resources level, we may subcontract certain parts of the project to our subcontractors such as demolition works and foundation works, including piling and ELS works. For further details on selections of subcontractors and our subcontracting arrangement, please refer to the paragraph headed "Suppliers — Subcontracting" in this section below.

Furthermore, in some projects, certain works which required specific skill sets including lifts and escalators installation and electrical and mechanical works, were required to be carried out by the subcontractors nominated by the architects appointed by our customers. For "design and build" contracts, depending on our technical specifications of the relevant project and the capacity of our design team, we will, either through our in-house designer or third party designers, arrange for detailed construction design in accordance with the technical specifications and requirements of customers for submission to the Buildings Department for approval. Generally, it takes one to three months to obtain approval from the Buildings Department prior to formal commencement of works. For details on "design and build" and "build only" contracts, please refer to the paragraph headed "Our Business Model and Our Projects — "Design and build" contracts and "build only" contracts" in this section above.

Implementation phase

Monitoring of construction progress and regular progress meetings with customers

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

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

Monitoring and control of project costs and progress

Our results of operations are impacted in part by our ability to control project costs within our budget which, however, will be dependent on a number of factors including but not limited to the scope and complexity of the projects, site conditions, project time frame, estimated construction material costs and labour cost. Some of these factors are beyond the control of our Group. We may also be subject to liquidated damages due to delay in completing the project if extension of time is not granted by our customers. Please refer to the paragraph headed "Risk Factors — Risks relating to Our Business — We make estimation of our project costs in our tenders and quotations and any failure to accurately estimate

the costs involved and/or delay in completion of any project may lead to cost overruns or even result in losses'' of this document for further details. In response to the above-mentioned risks in our operations, we implement certain cost-control measures. Our project manager will prepare a budget plan for each construction project. The budget plan will be reviewed and approved by our executive Directors taking into account of the following factors:

- scope and complexity of the construction works to be carried out;
- duration of the construction contract;
- quotation obtained from our suppliers and subcontractors, taking into account future inflation and escalation in prices; and
- resources of our Group, such as manpower, to be allocated to the project.

The budget plan for each of our projects will be reviewed and monitored with actual incurred costs. Our accounts department prepares reports and meets with our project manager on a monthly basis. Any material deviation from the estimated budget will be highlighted in the reports. Such reports will then be submitted to our executive Directors for their further review so as to determine possible follow-up actions for cost control purpose and will be kept by our project team as reference for preparing budget plans for our projects undertaken in the future.

In order to mitigate the risk of delay in completing our projects and monitor the costs incurred for work performed (including the work performed by subcontractors), our project manager and executive Directors will have meetings internally and with customers, subcontractors or their representatives to review the progress of our projects. Any sites that fall behind the construction schedule will be discussed to seek possible remedial actions. The project team is required to (i) review method statements to identify any material deficiency which carries the slow progress or deviation in the actual activities and then propose any corrective actions; (ii) rearrange labour and reallocate resources such as machinery and materials to speed up the progress; or (iii) strengthen communication with our customers and subcontractors and will obtain written confirmation on any customer's verbal instruction before commencing substantial additional construction works to facilitate measurement of value of work done and minimise chance of customers' disputes in the future. Based on the above, our Directors believe that our current measures on cost control and monitoring of construction progress are being carried out effectively. Based on the available information as at the Latest Practicable Date and to the best of our Directors' knowledge and having made all reasonable enquiries, during the Track Record Period and up to the Latest Practicable Date, none of our completed projects or projects on hand was loss-making and we did not experience any cost overruns in respect of our completed projects or projects on hand to the extent that would result in losses.

Certification and payment of works done

Our Group's foundation, superstructure building and other construction works contracts normally require our customers to make progress payments on a monthly basis. Our project manager will inspect the work progress on site and generally prepare progress payment application on a monthly basis. The architects appointed by our customer will issue a progress certificate certifying the portion of works

completed after inspection, which normally takes around one month from the date of progress payment application. For details, please refer to the paragraph headed "Financial Information — Critical Accounting Policies and Estimates — Revenue recognition" of this document.

Completion phase

Practical completion and release of retention monies

In general, there is a contract term for the customer to hold up retention monies from the progress payment. Retention monies is normally 10% of the value of work done, subject to a maximum rate of 5% of the total contract sum. Generally, upon satisfactory completion of the contract, a practical completion certificate will be issued by the architect. 50% of the retention monies withheld are normally released upon satisfactory completion and the remaining 50% of the retention monies is released upon expiry of the defect liability period. The terms and conditions on release of retention monies also vary from contract to contract, which may be subject to completion of contract works or a pre-agreed time period after completion of the contract works. However, there could be circumstances that we may have disagreements with our customers in agreeing the final account payment or our customers may not settle the payment in a timely manner or in full at all. As at 30 June 2017, the aggregate retention monies held by our customers for contracted works included in our retention receivables amounted to approximately HK$5.5 million. We expect that all such retention monies will be released according to the respective contracts and work done. Furthermore, the amount of retention monies held by our Group from subcontractors is normally 10% of the monthly payment and subject to a mutually agreed cap (which is normally 5% of the subcontract sum). As at 30 June 2017, the aggregate retention monies payables to our subcontractors and held by us amounted to approximately HK$0.8 million.

Rectification and defects liability period

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

CUSTOMERS

Characteristics of our customers

During the Track Record Period, our customers are mainly private sector customers which primarily include private property developers, construction companies and property management companies. For FY2016 and FY2017, approximately 92.2% and 91.1% of our total revenue were derived from the private sector projects, respectively.

For information regarding our customers in respect of each of our projects undertaken during the Track Record Period, please refer to the sub-paragraph headed "Our projects" in this section above.

Major customers

For FY2016 and FY2017, our five largest customers combined in aggregate accounted for approximately 97.2% and 81.7% of our total revenue, respectively, with our largest customer accounted for approximately 53.6% and 27.3% of our total revenue for the respective years.

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

For the year ended 30 June 2016

Rank	Customer	Principal business activities	Type of works undertaken by us	Approximate year(s) of business relationship as at the Latest Practicable Date	Credit terms	Revenue *HK$'000*	Approximate percentage to the total revenue of our Group for that year *%*
1.	Team Worldwide Limited	A private property developer in Hong Kong *(Note 1)*	Foundation and site formation works	2 years	Within 30 days	23,930	53.6
2.	Rich On International Investment Limited	A private property developer in Hong Kong *(Note 2)*	(i) Foundation and site formation works; and (ii) superstructure building works	3 years	Within 30 days	9,595	21.5
3.	Customer C	A private company in Hong Kong that operates traffic control in the Tsing Ma Control Area *(Note 3)*	Others — slope maintenance works	2 years	Within 30 days	3,486	7.8
4.	Customer D	A private property developer in Hong Kong *(Note 4)*	Foundation and site formation works	3 years	Within 30 days	3,318	7.4
5.	Customer E	A private property developer in Hong Kong *(Note 5)*	(i) Demolition; and (ii) ground investigation works	2 years	Within 30 day	3,094	6.9
					Sub-total	43,423	97.2
					All other customers	1,232	2.8
					Total revenue	44,655	100.0

For the year ended 30 June 2017

Rank	Customer	Principal business activities	Type of works undertaken by us	Approximate year(s) of business relationship as at the Latest Practicable Date	Credit terms	Revenue *HK$'000*	Approximate percentage to the total revenue of our Group for that year *%*
1.	Rich On International Investment Limited	A private property developer in Hong Kong *(Note 2)*	(i) Foundation and site formation works; and (ii) superstructure building works	3 years	Within 30 days	20,596	27.3
2.	Fat Yuen Management Company Limited	A private company in Hong Kong that principally provides funeral services and columbarium management services *(Note 6)*	Foundation and site formation works	1 year	180 days	15,994	21.2
3.	Team Worldwide Limited	A private property developer in Hong Kong *(Note 1)*	Foundation and site formation works	2 years	Within 30 days	12,064	16.0
4.	Customer G	A private property developer in Hong Kong *(Note 7)*	Foundation and site formation works	1 year	Within 30 days	8,578	11.4
5.	Customer H	A private property developer in Hong Kong *(Note 8)*	(i) Demolition works; and (ii) foundation and site formation works	1 year	Within 30 days	4,389	5.8
					Sub-total	61,621	81.7
					All other customers	13,749	18.3
					Total revenue	75,370	100.0

Notes:

1. Team Worldwide Limited is a project company incorporated in Hong Kong in 2013 for a residential development project in Kwai Chung, Hong Kong. Its holding company is a private company principally engaged in private residential property development.

2. Rich On International Investment Limited was incorporated in Hong Kong in 2005 and is principally engaged in property development.

3. Customer C was incorporated in Hong Kong in 2013 and is principally engaged in the management, operation and maintenance of tunnel and control areas in the Tsing Ma Control Area, Hong Kong.

4. Customer D is a project company incorporated in Hong Kong in 2008 for a residential development project in Stanley, Hong Kong.

5. Customer E is a project company incorporated in Hong Kong in 2007 for a residential development project in To Kwa Wan, Hong Kong.

6. Fat Yuen Management Company Limited was incorporated in Hong Kong in 2007 and is principally engaged in providing funeral services, columbarium management services and the operation of private columbaria in Tuen Mun, Hong Kong.

7. Customer G was incorporated in Hong Kong in 1965 and is principally engaged in property investment and property development for residential and commercial buildings in Hong Kong.

8. Customer H is a company incorporated in Hong Kong in 2016 for a private individual property project of a residential villa in Repulse Bay, Hong Kong.

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

Customer concentration

For FY2016 and FY2017, our five largest customers in aggregate amounted to approximately 97.2% and 81.7% of our total revenue, respectively, with our largest customer amounted to approximately 53.6% and 27.3% of our total revenue for the respective years. Our Directors consider that it is of strategic importance for main contractors of specialised works and general building works (including our Group) to maintain a stable and close relationship with a few reputable private property developers and other customers. According to the Frost & Sullivan Report, it is common for construction contractors to rely on a few customers and such customer concentration is not uncommon for construction companies in Hong Kong. Our Directors consider that despite the customer concentration, our Group's business model is sustainable for the following reasons:

- Owing to the nature of the specialised works and general building works industry in which our Group is engaged, our customer base is relatively concentrated to reputable property developers, construction companies and property management companies. Given the market landscape of the specialised works and general building works industry in Hong Kong, the potential customer base of our Group is relatively limited.

- It is not uncommon for a single project to have a large contract sum such that a small number of projects can contribute to a substantial amount of a revenue. In addition, a project generally have a contract period of one year to two years. 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 for more than one financial year.

- We experienced a strong demand for our services from other customers during the Track Record Period as evidenced by a large number of tender invitations that we received from other customers during the Track Record Period. In addition, there has been a decreasing trend in the percentage of revenue derived from Customer A to our total revenue, from approximately 53.6% for FY2016 to approximately 27.3% for FY2017.

Marketing activities

During the Track Record Period, we secured new businesses either through tenders by invitation or quotations. Our Directors consider that due to our proven track record and our well-established relationship with our existing customers, we are able to leverage our existing customer base, reputation and years of experience in specialised works and general building works projects such that we do not rely heavily on marketing and promotional activities. Our executive Directors are generally responsible for liaising and maintaining our relationship with customers and keeping abreast of market developments and potential business opportunities.

We also maintain good relationship with architect firms or project consultants which are often engaged by our end customers to manage and supervise the construction projects. In doing so, we use our endeavours to carry out our works professionally, such as replying to queries promptly and co-operating with the architect firms or project consultants in their desired work programme. We believe the accumulation of successful experience with them has gained their trust, allowed us to build our reputation and to broaden our customer base, and warranted their subsequent referral of business opportunities to us which the Group would proceed by way of tender or quotation submission thereafter.

Major terms of engagement with our customers

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

Contract period	:	The period within which the project has to be completed. A contract typically commences on the date when we take possession of the construction site. Depending on the nature and complexity of a project as well as the existence of any unforeseen circumstances (such as bad weather conditions, industrial accidents, variation orders requested by customers, etc., if any), the duration of a contract (from the date of commencement to the date of completion) could generally range from approximately one year to two years. However, such period may be extended pursuant to the terms of the relevant contract.
Scope of works	:	This term identifies the types and scope of works in details which we are engaged to perform under the contracts, for details please refer to paragraph headed "Description of Our Works" in this section above.

Bills of quantities or schedule of rates	:	Most of our contracts would include the bills of quantities or schedule of rates which generally contain the description of the types of work, specifications, quantities of works to be done and the unit rates for each type of works under the project.
Payment terms	:	We generally submit a payment application to our customers with respect to the value of all works done under the contract on a monthly basis.
Variation orders	:	Variation by executing additional or modification works as may be ordered by the customer. All works executed by us shall be assessed by the architects appointed by our customers and us in accordance with the principles that, if applicable, any additional work carried out which is similar in character to and executed under similar conditions to any item of work priced in the original contract shall be valuated at the rate set out in the original contract for such item of work.
Retention monies	:	Our customers are generally entitled to withhold 10% of the value of work done, subject to a maximum retention of 5% of the total contract value as retention monies. Please refer to the paragraph headed "Operation Flow — Completion phase — Practical completion and release of retention monies" in this section above for further details.
Contract price adjustment mechanism	:	There is usually no price adjustment clause between our Group and the customers.
Insurance	:	In general, it is the obligation of the main contractor to effect proper insurance policies against all construction risks, damages, claims and compensation in respect of the persons who are employed to work at the construction sites. Depending on the terms of the relevant contracts, such insurances are taken out either by ourselves (in the case where we act as a main contractor) or by the main contractor (in the case where we act as a subcontractor). Please refer to the paragraph headed "Insurance" in this section below for further details.
Surety bonds	:	Depending on the customers' requirements, a surety bond of up to 10% of the contract sum may be required by our customers to secure our Group's due performance of the contract. Such surety bond will be released upon production of practical completion certificate or maintenance certificate issued by the architect at the expiry of the defects liability period as provided in the contract.

Liquidated damages : A contract may contain clauses on liquidated damages to protect our customers against any significant delay in completion of works awarded to us. However, under certain circumstances such as poor weather conditions or issue of variation orders, our customers may grant us extension of time without a need to pay liquidated damages to our customers. During the Track Record Period and up to the Latest Practicable Date, no liquidated damages had been claimed by our customers against us by reason of late completion of a contract undertaken by us.

Default and termination : We may be held in default of the contract if we, among other things:

- abandon the contract; or
- without reasonable cause wholly suspend the carrying out of the works before completion; or
- fail to proceed regularly and diligently with the works.

During the Track Record Period and up to the Latest Practicable Date, we did not experience early termination of any of our contracts by our customers as a result of our default of the contract.

Defects liability period : We are required to remain responsible for remedying any defects or imperfections discovered in relation to our works done which normally lasts for six to 12 months after completion of our contracts. Please refer to the paragraph headed "Operation Flow — Completion phase — Rectification and defects liability period" in this section above for further details.

Credit policy

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

After entering into a formal contract, our accounting department will monitor payments from the customer and take the appropriate follow-up actions for any outstanding balances overdue.

Credit terms given to our customers are generally set out in the relevant contract. Generally, payment is due within a period ranging from 30 days to 180 days after the issue of the progress certificate by the architects appointed by our customers. Settlement is normally made by cheque. The trade receivables turnover days were approximately 56 days and 83 days for FY2016 and FY2017, respectively. Further details on our trade receivables turnover days are set out in the paragraph headed "Financial Information — Net Current Assets — Trade and retention receivables" of this document.

We have established relationships with customers who possess good credit standing and proven payment record. Before submitting a tender or quotation to any potential customer, we would first assess the credit-worthiness and reputation of that customer. We regularly monitor the ageing of our trade debtors and would make specific provision for doubtful debts when there is objective evidence that we shall be unable to collect the amounts due. We did not make any provision for doubtful debt in respect of trade receivables and retention receivables during the Track Record Period.

Seasonality

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

SUPPLIERS

Characteristics of our suppliers

During the Track Record Period, our suppliers mainly include: (i) suppliers of construction materials, such as structural steel, concrete and reinforcement steel; and (ii) subcontractors for the provision of services, including foundation, such as ELS works and piling works, and demolition works.

We generally order the relevant construction materials and engage the relevant construction services on project-by-project basis and therefore do not enter into any long-term supply agreements with our suppliers. Our Directors believe that we have maintained good business relationships with our suppliers in which we have maintained four years to 14 years of relationship with the majority of our five largest suppliers during the Track Record Period. As at the Latest Practicable Date, there were approximately 63 suppliers of construction materials on our list of approved suppliers, which is reviewed and updated periodically. The admission of suppliers onto our approved list is subject to assessment of various factors including track record, pricing, product quality, market reputation, timeliness of delivery, financial conditions and after-sales services.

During the Track Record Period, we did not experience any material difficulties or delays in performing our projects caused by material shortage or delay in the supply of goods and services that we required. Our Directors consider that the possibility of a material shortage or delay is low given the abundance of suppliers of the same kind in the market.

The following table sets out a breakdown of our total purchases with respect to our engagements of supplies of goods and subcontracting services by type for the years indicated:

	FY2016		**FY2017**	
	HK$'000	*%*	*HK$'000*	*%*
Subcontracting charges	19,447	81.4	29,845	78.8
Construction material costs	4,454	18.6	8,049	21.2
Total	23,901	100.0	37,894	100.0

During the Track Record Period, our suppliers were located in Hong Kong and Taiwan and all our subcontracting charges and construction material costs are denominated in HK dollars and Taiwan dollars.

Prices of supplies of construction materials

Prices are determined by reference to quotations of suppliers as agreed between the suppliers and us on an order-by-order basis. Our Directors consider several factors, including but not limited to the future price trend of the materials when tender proposals are being prepared and hence we could generally pass on the increase in costs to our customers. We generally settle our purchases amount by cheque. During the Track Record Period, we did not experience any material fluctuations in the costs of construction materials that had a material impact on our financial condition, business or results of operations.

Subcontracting

As the entire process of a foundation or superstructure building works project involves different works procedures, it is an industry practice for main contractors to undertake the core part of the works directly and subcontract certain portions of work to achieve maximum efficiency and productivity. As such, for most of our projects we act as a main contractor, we subcontract works to our subcontractors with close supervision and management by our project management team to ensure their conformity to customers' requirements and that projects are completed on time and within budget. Our Directors consider that subject to our resources level, capacity, complexity of the projects, cost effectiveness and customers' requirements, we may subcontract our works including demolition works and foundation works, such as ELS works and piling works to our subcontractors. We are accountable to our customers for the works performed in a project, including those carried out by our subcontractors. Unless otherwise specified in the contracts with our customers, our customers generally consent to our use of subcontractor for a project and do not limit which subcontractor to be engaged by us.

Major suppliers

For FY2016 and FY2017, the total purchases attributable to our five largest suppliers combined amounted to approximately 82.1% and 51.3%, respectively, with our largest supplier amounted to approximately 23.8% and 18.4% of our total purchases incurred for the respective years.

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

For the year ended 30 June 2016

Rank	Supplier	Principal business activities	Types of services provided/ materials procured	Approximate year(s) of business relationship as at the Latest Practicable Date	Credit terms	Total purchases *HK$'000*	Approximate percentage to the total purchases of our Group for that year *%*
1	Temmuk Engineering Co., Limited	A private company that principally provides foundation and site formation works	Foundation works including piling construction	5 years	Within 30 days	5,676	23.8
2	Supplier B	A PRC state-owned enterprise that principally provides foundation works and civil engineering services	Foundation works including piling construction	2 years	Within 30 days	5,255	22.0
3	On Kee Engineering Limited	A private company that principally provides slope maintenance and foundation works	Slope maintenance works and foundation works	10 years	Within 30 days	4,733	19.8
4	Supplier D	A private company that principally engages in the sales of steels	Structural steel	14 years	Within 30 days	2,448	10.2
5	Supplier E	A private company that principally provides demolition works	Demolition works	7 years	Within 30 days	1,505	6.3
					Sub-total	19,617	82.1
					All other suppliers	4,284	17.9
					Total purchases	23,901	100.0

For the year ended 30 June 2017

Rank	Supplier	Principal business activities	Types of services provided/ materials procured	Approximate year(s) of business relationship as at the Latest Practicable Date	Credit terms	Total purchases *HK$'000*	Approximate percentage to the total purchases of our Group for that year *%*
1	On Kee Engineering Limited	A private company that principally provides slope maintenance and foundation works	Slope maintenance works and foundation works	10 years	Within 30 days	6,968	18.4
2	Everglory Design Co., Ltd.	A private company that principally engages in the sales of columbarium facilities	Columbarium facilities	1 year	Within 30 days	3,435	9.1
3	Supplier D	A private company that principally engages in the sales of steels	Structural steel	14 years	Within 30 days	3,413	9.0
4	Temmuk Engineering Co., Limited	A private company that principally provides foundation and site formation works	Foundation works including piling construction	5 years	Within 30 days	2,961	7.8
5	Supplier G	A private company that principally provides foundation works and other miscellaneous construction works	Installation of gas wells	1 year	Within 30 days	2,679	7.0
					Sub-total	19,456	51.3
					All other suppliers	18,438	48.7
					Total purchases	37,894	100.0

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

Criteria for selecting subcontractors

There are two types of subcontractors, namely, (i) those nominated by our customers and (ii) those selected by us. For the subcontractors who are selected by us, our Group maintains a list of approved subcontractors, which are selected based on their past experience, qualifications, quality of work, reputation in the industry, capability, price competitiveness, credit-worthiness and their safety and environmental records. Furthermore, in some projects, certain works which required specific skill sets including lifts and escalators installation and electrical and mechanical works, were required to be carried out by the subcontractors nominated by the architects appointed by our customers. As at the Latest Practicable Date, we had about 90 subcontractors on our list of approved subcontractors. We believe that our stable relationship with our subcontractors enables us to have a thorough understanding and assessment of their performance over the years, which in turn allows us to ensure their quality of works. We will review and update our approved list from time to time. During the Track Record Period, none of the subcontractors were removed from our list of approved subcontractors due to poor performance in subcontracting works.

All of our subcontractors are independent third parties. Our Directors consider that there are sufficient subcontractors in the market to whom we can delegate our works if required. We believe we are flexible to engage alternative subcontractors to take up part of our works when necessary.

Major subcontracting arrangements

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

Contract period	:	The duration of the subcontracting agreement is in line with the duration of the main contract between us and our customer.
Rights and obligations of the subcontractor	:	The subcontractor is required to comply with the relevant terms and perform its works in accordance with the specifications under the main contracts on a back-to-back basis.
Subcontracting fee and payment terms	:	The subcontracting fee to be received by the subcontractor is usually represented in a provisional sum, which is subject to adjustment according to the bills of quantities included in the subcontract and further subject to any variation orders or additional works to be performed by the subcontractors with our prior consent. In general, we determine the amount of subcontracting fee based on (i) certain percentage of the amount of fees to be received by us from our customers in respect of the portion of works being subcontracted; (ii) the amount of labour resources required from our subcontractors; (iii) the nature of works to be performed by our subcontractors; (iv) the rental cost of machinery provided by the subcontractor; and (v) the prevailing market conditions. No price adjustment clause is included in the contracts between our Group and our subcontractors.

		The credit period granted by our subcontractors is normally within 30 days from the date of payment application submitted by the subcontractors. We generally pay the subcontracting fee by cheque. Therefore, our Directors consider that our payment pattern does not deviate from the requirements stipulated in the SOPL and our payment practice, liquidity and cash management will not be affected by the SOPL if it becomes effective.
Site utilities	:	Water, electricity and lighting are provided by our Group for site operations.
Retention monies and maintenance period	:	We may generally hold up a certain percentage of each interim payment made to the subcontractors as retention monies. Such percentage generally ranges from 5% to 10%, subject to a ceiling of up to 5% of the total contract sum for private sector projects. Unless otherwise agreed, the retention monies or such portion thereof shall be held for 6 months after the satisfactory completion of the subcontracting works.
Insurance	:	In general, it is the obligation of the main contractor of the project to effect proper insurance policies against damages, claims and compensation in respect of the persons who are employed to work at the construction sites. Please refer to the paragraph headed "Insurance" in this section below for further details.
Liquidated damages	:	The subcontractor is required to pay liquidated damages to us for any significant delay in completion of works subcontracted to them, subject to any extension of time as may be granted to us.
Termination	:	If the subcontractor leaves the work uncompleted, fails to complete the work on the date for completion or, if in the opinion of our project manager the work is unsatisfactory or likely to be so and causes unduly delay to the overall progress of the main contract, our Group may terminate the subcontracting agreement by giving advance notice of intention to do so.
Safety	:	The subcontractor shall comply with the provision of statutory safety regulations relating to the carrying out of the subcontracting works. The subcontractor shall also indemnify our Group against any expenses, penalties and other losses sustained occasioned as a consequence of the subcontractors' non-compliance with the safety ordinance or regulations.
Management and supervision	:	The subcontractor is required to designate a representative at the work site to supervise their works and liaise with our Group.

Indemnity	:	The subcontractor is required to indemnify our Group against any loss, expense or claim arising from the failure to comply with subcontracting agreement by the subcontractor and/or its employees. We are entitled to hold our subcontractors liable for any loss and damage suffered by our Group if their works are not performed in accordance with the requirements set out in the main contract.

Control over subcontractors

In order to closely monitor the performance of our subcontractors and to ensure that the subcontractors comply with the contractual requirements and the relevant laws and regulations, we require our subcontractors to follow our internal control measures in relation to quality control, safety and environmental compliance. During project implementation, our project manager and external safety officer and/or safety supervisor regularly meet with our subcontractors and closely monitor their performance and work progress as well as their compliance with the relevant laws and regulations and our safety measures and quality standards. For further information regarding our measures in relation to quality control, safety and environmental compliance, please refer to the paragraphs headed "Quality Control", "Occupational Health and Safety" and "Environmental Protection" in this section below.

As disclosed in the paragraph headed "Operation Flow — Procurement of construction materials" of this section above, we normally require our subcontractors to equip themselves with the machinery required for carrying out the works delegated to them and provide the necessary workers for operation of the machinery. Where the use of machinery is required in performing the works delegated and our subcontractors are responsible for providing such machinery, they are required to ensure that all machinery used complied with the relevant statutory safety requirements.

Designated Workers for Designated Skills Provision

On 1 April 2017, the Designated Workers for Designated Skills Provision of the Construction Workers Registration Ordinance came into effect, whereby construction workers will generally be forbidden from undertaking the construction works of the designated trade divisions unless they are registered skilled or semi-skilled worker for the relevant trade division or under instruction and supervision of the relevant skilled/semi-workers. Please refer to the paragraph headed "Regulatory Overview — Laws and Regulations in relation to Construction Labour, Health and Safety — Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong)" of this document for further details. Our Group will require our subcontractors to employ only registered skilled and semi-skilled workers for designated trade divisions to carry out our specialised and general building works contract. Our site foremen are responsible for inspecting the registration card of each worker (including the site workers employed by the subcontractors) and shall refuse any person who is not registered as registered construction workers under the Construction Workers Registration Ordinance from entering the site.

QUALITY CONTROL

To maintain consistent quality services for our customers, we have in-house quality assurance requirements that conform to specific work procedures for performing different types of site works, management process, responsibilities of personnel of different levels, tendering process, cost control, project planning, project management and supervision, quality inspection procedures and standards, subcontracting requirements and accident reporting and complaints. Our workers and our subcontractors are required to follow such procedures. Mr. Yip, our executive Director, is responsible for managing our quality control. For the background and industry experience of Mr. Yip, please refer to the section headed "Directors and Senior Management" of this document.

Quality control on our services

To ensure that our works meet the required standard, our project manager and site foreman are responsible for monitoring the quality of work done by our subcontractors and supervising their workmanship and quality. Our project manager makes visits to construction sites for which he is responsible and monitors the work quality, the progress of work and ensures that works are completed according to schedule.

Furthermore, our project management teams communicate frequently with our executive Directors who closely monitor the progress of each project and discuss issues identified to ensure our works (i) meet our customers' requirements; (ii) are completed within the time stipulated in the contract and the budget allocated for the project; and (iii) comply with all relevant laws and regulations applicable to the works.

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

Quality control on construction materials and machinery

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

From time to time, laboratory testing may be carried out against our materials used, including but not limited to structural steel, concrete and reinforcement steel in accordance with approval plans and specifications of the Buildings Department. Samples of the relevant materials will be taken out and sent to approved laboratories and investigation report will be produced.

During the Track Record Period and up to the Latest Practicable Date, there were no material disputes between our Group and our suppliers and subcontractors with respect to the quality of materials and machinery supplied by our suppliers and subcontractors respectively.

OCCUPATIONAL HEALTH AND SAFETY

We place emphasis on occupational health and work safety during the delivery of our services as it is our concern not to put our employees, our subcontractors and the general public in hazards. We have implemented an occupational health and safety measures as required by relevant occupational health and safety laws, rules and regulations under the supervision of Mr. Yip, our executive Director, whose background and industry experience are set out in the section headed "Directors and Senior Management" of this document.

Occupational health and work safety measures

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

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

Our safety control policy adopted and used during the Track Record Period sets out work safety measures to prevent common accidents which could happen at sites. Some details of our safety plan are set out below:

- Our site safety committee, consisting the external safety officer, safety supervisor, project manager and foremen, shall visit our sites regularly to assist our executive Directors to (i) establish, approve and ensure implementation of the safety plan and review the safety plan on an annual basis; (ii) arrange meetings to review the effectiveness of safety measures taken; (iii) discuss and countersign the monthly reports submitted by the safety officer; (iv) carry out surveys and inspections to ensure that all relevant laws are being observed; (v) arrange safety trainings and talks for all levels of employees and promote awareness of accident prevention; and (vi) ensure that all newcomers to the construction sites are aware of their safety obligations;

- All workers are required to hold a valid construction industry safety training certificate and construction workers registration card before they enter the site;

- All new site personnel will undergo initial induction training, including core topics such as safety policy, safety knowledge and practice, safety for fire and lifting, personal protective equipment, emergency, and accident reporting. Workers will receive toolbox talks conduct by our safety supervisor and/or external safety officer; and

- We conduct safety walk by our safety supervisor, external safety officer, site foreman and the relevant subcontractor's representative to assess general compliance with safety requirements from time to time.

System of recording and handling accidents and our safety compliance record

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

- Fact finding and follow-up actions

  — Our external safety officer and/or safety supervisor will investigate the accident by visiting the accident scene, examining the equipment and/or material involved and taking statements from the injured worker, witness(es) of the accident and other personnel in relation to the project.

  — Remedial actions will be taken by our project management team to remove imminent danger and to prevent occurrence of similar accidents in the future. Our external safety officer will also carry out follow-up inspection to ensure that remedial works are implemented.

- Reporting

  — Our project manager and/or external safety officer and/or safety supervisor will prepare a work injury report and, if it is an "employee injury reportable case", submit it to the Labour Department within the period as specified under the relevant laws and regulations. An "employee injury reportable case" means a workplace accident that is required to be reported to the Labour Department. For details of the reporting requirement, please refer to the paragraph headed "Regulatory Overview — Laws and Regulations in relation to Construction Labour, Health and Safety — Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)" of this document.

  — Our administrative department will report to the insurance company and, where the claim is significant, consult external legal adviser (if necessary).

- Settlement or litigation

  — Settlement of any claim will be handled by the insurance company. If the insurance company and the injured person (or their respective representatives) do not agree on the settlement amount, the matter may be litigated.

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

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

	Construction Industry in Hong Kong[*(Note 1)*]	**Our Group**[*(Note 2)*]
From 1 January to 31 December 2015		
Industrial accident rate per 1,000 workers in construction industry	39.1	0
Industrial fatality rate per 1,000 workers in construction industry	0.2	0
From 1 January to 31 December 2016		
Industrial accident rate per 1,000 workers in construction industry	34.5	7.0
Industrial fatality rate per 1,000 workers in construction industry	0.093	0

Notes:

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

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

The following table sets out our Group's lost time injuries frequency rates ("**LTIFR(s)**") *(Notes)* during the Track Record Period:

FY2016	0
FY2017	6.9

Notes:

1. LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by multiplying the number of lost time injuries in terms of lost days of our Group that occurred during the relevant calendar year or period by 1,000,000 divided by the number of hours worked by site workers over the same calendar year or period. It is assumed that the working hour of each worker is 10 hours per day. The number of working days during the Track Record Period were approximately 111 days and 242 days, respectively.

2. According to the Frost & Sullivan Report, there is no public information in relation to the average LTIFRS of the construction industry in Hong Kong.

During the Track Record Period and up to the Latest Practicable Date, there were two accidents which may give rise to potential employees' compensations or personal injuries claims, details of which are disclosed under the paragraph headed "Litigation and Potential Claims — Litigation in relation to employees' compensation claims and common law personal injury claims against our Group as at the Latest Practicable Date" in this section below.

Accident relating to a demolition project

In January 2014, there was a workplace accident at a construction site (the "**Site**") whereby a column fell down from the 20th floor to the 7th floor podium during demolition works (the "**Incident**") which we had subcontracted to our subcontractor (the "**Demolition Project**"). Three vehicles were damaged by the fallen concrete. A summons was issued to us in January 2015 for our non-compliance by carrying out demolition works or authorised or permitted such demolition works to be carried out in a manner that caused damage to the property, contrary to section 40(2B)(a) of the Buildings Ordinance (the "**Summons**") for which we pleaded guilty and were convicted and fined for HK$8,000. In addition, one of the registered owner of the vehicles claimed for damages of HK$175,000 in respect of damage to the vehicle as a result of the Incident and such claim was covered by the relevant insurance policy and was settled during the Track Record Period. The Incident did not result in any fatality and personal injuries.

As a result of the Incident, a suspension notice was issued by the Labour Department against us on 4 January 2014 under section 10 of the Occupational Safety and Health Ordinance whereby an occupational safety officer of the Labour Department carried out inspection at the Site (the "**Suspension**"). The inspection revealed that some of the requirements laid down in the Construction Sites (Safety) Regulations and other subsidiary regulations of the Factories and Industrial Undertakings Ordinance had not been duly observed. No material safety deficiencies were identified during the said inspection. The suspension notice was revoked on 27 May 2014.

Our Directors consider that the Incident did not cause any material adverse impact on the operation of our Group for the following reasons:

- Our Legal Counsel advised that, based on the facts described above, it is unlikely for Wai Tat to be subject to (i) further criminal liability arising from the Incident since we pleaded guilty and were convicted for the Incident under the Summons and further prosecution arising from the Incident was time-barred; and (ii) civil claim of material nature arising from the Incident given the quantum of damages claimed by the registered owner of one of the damaged vehicles as set out above is considered immaterial.

- Except for the unsuccessful application for renewal of our registration of registered specialist contractor in demolition works category as set out in the paragraph headed "Licences and Permits" in this section below, the registrations of Wai Tat as a general building contractor and registered specialist contractors in foundation works category, site formation works category and ground investigation field works category respectively under the Buildings Ordinance with the Buildings Department remained valid at all times during and after the Incident.

- Our Directors confirm that as at the Latest Practicable Date, we did not receive any material claims from the customer due to quality issue of material nature in relation to services provided by us under the Demolition Project. Since the Incident, save for the aforesaid Summons for which we were fined HK$8,000, to the best of our Directors' knowledge, we were not involved in any claims and summons brought by the customer under the Relevant Project as a result of the Incident.

Based on the above, our Directors consider that the Incident was an isolated one and it did not and will not cause any material adverse impact on the business operation of our Group.

Except for the Summons, as disclosed above, our Directors confirm that our Group were never subject to any criminal prosecution initiated by any Hong Kong Government authorities for non-compliance of any laws and regulations including the Factories and Industrial Undertakings Ordinance and the Occupational Safety and Health Ordinance as a result of the Incident. Furthermore, save as disclosed above and the paragraph headed "Licences and Permits" in this section below, and to the best of our Directors' knowledge, our Directors confirm that our Group did not experience any significant incidents or accidents in relation to workplace safety. Save as disclosed in the paragraph headed "Licences and Permits" in this section below and the Suspension as disclosed above, we have not suffered from any removal, suspension, downgrading or demotion of our licences or permits due to the Incident.

After the Incident, our management acknowledged our inadequacy in safety precautions relating to carrying out demolition works and that there was room for improvement in the exercise of overall control of its safety management structure of demolition works prior to the Incident. Under such circumstances, our management has strived to strengthen our safety management system and avoid reoccurrence of similar accident in the future by tightening our safety measures. In order to prevent

recurrence of the abovementioned non-compliances in the future, our Group has taken the following enhanced internal control measures after the Incident to prevent recurrence of such non-compliances on rules and regulations relating to safety at work:

- An external safety officer, who is registered as a safety officer with the Labour Department, shall provide continuous site supervision and check the condition of relevant construction works to ensure they are safe before leaving the site and arrange regular site safety meetings and provide site safety induction training; and

- Mr. Yip, our executive Director, shall conduct safety meeting with the external safety officer and safety supervisors to draw their attention to any future incident and its detailed deficiencies or required improvement measures which cover, among others, safety of working at height. Our external safety officer and safety supervisors shall review and monitor the implementation of the relevant improvement measures within the work sites.

Our Directors are of the view, and the Sole Sponsor concurs, that the above enhanced safety measures are sufficient and could effectively prevent occurrence of similar incident in the future as demonstrated by the fact that (i) there has been no similar accident after the Incident in 2014; (ii) for the calendar year ended 31 December 2015, we achieved zero accident record; and (iii) we had no other criminal conviction for contravention of safety laws, rules and regulations during the Track Record Period and up to the Latest Practicable Date except for the Summons. Our Directors attribute this to our enhanced safety measures adopted by us after the Incident as detailed above.

Saved as disclosed in this document and to the best of our Directors' knowledge and belief, during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any significant incidents or accidents in relation to workers' safety and we also have not suffered from any removal, suspension, down grading or demotion of our licenses or permits due to accidents or breaches of workplace safety regulations.

ENVIRONMENTAL PROTECTION

We endeavour to minimise any adverse impact on the environment resulting from our business activities. Our Group's operations on sites are subject to certain environmental requirements pursuant to the laws and regulations in Hong Kong such as Air Pollution Control Ordinance, Noise Control Ordinance, Water Pollution Control Ordinance and Waste Disposal Ordinance. For details of the regulatory requirements, please refer to the section headed "Regulatory Overview" of this document. We also endeavour to meet the requirements of certain industry's codes of practice such as the BEAM Plus New Buildings issued by the Hong Kong Green Building Council and the BEAM Society.

Apart from following this environmental protection policies required by our customers, we have also established our environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on, among others, air pollution, noise control and waste disposal. Specifically, we adopt the following measures to ensure proper management of environmental protection and compliance of environmental laws and regulations in the course of project execution:

- We prepare an environmental management plan for our public sector projects. An environmental management plan typically sets out the environmental protection measures such as noise reduction, air pollution control, water pollution control and waste management;

- Our environmental officer is responsible for monitoring the ongoing compliance with the environmental management plan and providing advice to our executive Directors on environmental protection issues including noise abatement, air pollution control, water pollution control and waste management that are identified during daily inspection. Our environmental officer is also responsible for providing environmental training for on-site workers which we also require our subcontractors to strictly comply with; and

- We are required to report to our customers on the effectiveness of the implementation of the environmental management plan on a monthly basis. Our environmental officer assists our environmental manager to compile monthly environmental reports for submission to customers.

For FY2016 and FY2017, we incurred approximately HK$155,000 and HK$305,000 respectively, which primarily consisted of waste disposal charges. Our Group estimates that its annual cost of compliance going forward will be at a level similar to that during the Track Record Period and consistent with its scale of operation.

During the Track Record Period and up to the Latest Practicable Date, we did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against us.

INSURANCE

During the Track Record Period and up to the Latest Practicable Date, our Directors believe that we were well covered under the following insurance policies against the risks and liabilities to which we may be exposed in the course of our business operation:

(i) Employees' compensation insurance

We maintain insurance cover for our liabilities under employees' compensation and personal injury claims which meets the statutory minimum insurance coverage of HK$100 million on a per incident basis for our employees. We consider such insurance coverage being generally sufficient for our liabilities under employees' compensation claims and personal injuries actions.

(ii) Contractors' all risks insurance

During the Track Record Period, as a main contractor, we are responsible for purchasing the contractors' all risk insurance policies covering the liabilities of our Group and our subcontractors arising out of the performance of the subcontracted works. Such insurance policies are generally valid till expiry of the relevant defects liability period.

We are exposed to certain inherent risks relating to foundation works. It is not unusual to encounter certain difficult or dangerous conditions below or above the ground level or works site which may result in personal injuries or even fatality of site workers. Please refer to the paragraph

headed "Risk Factors — Risks relating to Our Business — We are exposed to certain inherent risks relating to foundation and site formation works" of this document for further details. Our Directors consider that such risks and liabilities will be well covered under the contractors' all risk insurance on and subject to the terms and conditions of the insurance policy.

(iii) Other insurance coverage

Our Group has maintained insurance coverage against third party liability in relation to the use of our vehicles for an amount of up to HK$100 million per event.

Uninsured risks

Certain risks disclosed in the section headed "Risk Factors" of this document, such as risk in relation to customer concentration, our ability to secure new contractors, potential claims arising from estimation and management of costs, subcontractors' performance, liquidity risk, etc., are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. In particular, although our insurance policy does not cover any losses and claims caused by substandard performance of our subcontractors, we can either deduct the retention monies payable to such subcontractor or claim against such subcontractor for losses attributable to their substandard performance. Our Directors consider that the risk of losses or claims caused by substandard performance of works of or delay caused by the subcontractors is low. Further, during the Track Record Period, we did not experience any claims from our customers in respect of the latent defects. Please refer to the paragraph headed "Internal Control and Risk Management" in this section below for further details regarding our Group's management of certain uninsured risk.

Our Directors believe that the above arrangements are consistent with industry norm in Hong Kong. We consider that the aforesaid insurance coverage is sufficient for our liabilities under employees' compensation claims and personal injuries actions at the project sites. Taking into account the insurances taken out by our Group, our Directors believe that we have obtained adequate insurance coverage for the operation of our business. For FY2016 and FY2017, our total insurance expenses were approximately HK$407,000 and HK$923,000, respectively, which primarily consisted of contractors' all risks insurance, employees' compensation insurance for both site labour and office staff. During the Track Record Period and up to the Latest Practicable Date, we had not made and did not make or had not been the subject of any material insurance claim.

EMPLOYEES

As at the Latest Practicable Date, we had 17 full-time employees who were directly employed by our Group in Hong Kong. The following table sets out a breakdown of the number of our employees by functions:

	As at the Latest Practicable Date
Executive Directors and general management	4
Human resources and administration	3
Project management and supervision	6
Construction site foreman	4
	17

Relationship with our staff

Our Directors consider that we have maintained good relationship with our employees. We have not experienced any significant disputes with our employees or any disruption to our operations due to labour disputes, save as disclosed in the paragraph headed "Litigation and Potential Claims" in this section below. In addition, we have not experienced any difficulties in recruitment and retention of experienced core staff or skilled personnel during the Track Record Period.

Recruitment policy and training

We generally recruit our employees through placing advertisements in the open market with reference to factors such as their experience, qualifications and expertise required for our business operations. They are normally subject to a probation period of one month. We endeavour to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

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

Remuneration policy

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

Requirements under the Immigration Ordinance

Pursuant to section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) should take all practicable steps to (i) prevent having illegal immigrants from being on site and (ii) prevent illegal workers who are not lawfully employable from taking employment on site. For further information, please refer to the paragraph headed "Regulatory Overview — Laws and Regulations in relation to Construction Labour, Health and Safety — Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)" of this document.

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

- Our human resources and administrative officers shall inspect and take copy of the original of his/her Hong Kong identity card and/or other documentary evidence showing that he/she is lawfully employable in Hong Kong;

- Our subcontractors are required to hire only persons who are lawfully employable to work on site and to prevent any illegal worker to enter the site; and

- Our foremen is responsible for inspecting the personal identification document of each worker and shall refuse any person who does not possess proper personal identification document from entering the site.

RESEARCH AND DEVELOPMENT

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

MARKET AND COMPETITION

According to the Frost & Sullivan Report, the top five contractors with capability of (i) foundation works and site formation works and (ii) superstructure building works in Hong Kong accounted for approximately 18.5% and 6.3%, respectively, of their respective total industry revenue within the private sector in 2016. In particular, our market share represents approximately 0.3% in terms of the industry revenue of the foundation and site formation industry within the private sector in 2016.

Our Directors consider that our experience and proven track record, quality of work, technical expertise, relationship with suppliers and subcontractors, safety records and project pricing are the determinants of competitiveness of a foundation and site formation works and superstructure building works contractor in Hong Kong. Such factors of competition also represent the entry barriers to the

foundation, site formation and superstructure building works industries in Hong Kong. For details, please refer to the paragraph headed "Industry Overview — Market Overview of the Key Construction Segment in Hong Kong — Entry barriers" of this document.

PROPERTIES

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

Address	Landlord	Gross floor area *(sq. ft.)*	Use of the property	Terms of the tenancy	Monthly rental
Room A, 6/F, Evernew Commercial Centre, 33 Pine St, Tai Kok Tsui, Kowloon, Hong Kong	An independent third party	766	Office	1 May 2017 to 30 April 2019 (both days inclusive)	HK$11,000 (inclusive of rates, Government rent, management fee and other outgoings)
Room A, 8/F, Evernew Commercial Centre, 33 Pine St, Tai Kok Tsui, Kowloon, Hong Kong	An independent third party	766	Office	16 May 2016 to 15 May 2018 (both days inclusive	HK$10,500 (exclusive of rates, Government rent, management fee and other outgoings)

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

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group had applied for registration of (i) WT 維達地基工程有限公司 WAI TAT FOUNDATION & ENGINEERING LTD. as our Group's trademark in Hong Kong, which are intended to be used by our Group to foster our corporate image; and (ii) http://www.wtgholdings.com as our registered domain name. Please refer to the paragraph headed "B. Further Information about Our Business — 2. Intellectual property rights" in Appendix IV to this document for further details of our intellectual property rights.

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

LICENCES AND PERMITS

As confirmed by our Directors, our Group has obtained all material licences, permits and approvals required for carrying on our business activities during the Track Record Period and up to the Latest Practicable Date. Contractors qualified or licensed by the relevant authorities are subject to a regulatory regime which is put in place to ensure that quality standards, financial capability, expertise, management, environmental and safety are complied with contract or statutory requirements by the contractors in carrying out their works in both public and private sector. Details of the above are set forth under the section headed "Regulatory Overview" of this document.

The following table sets out our major qualifications and licences held by us during the Track Record Period and as at the Latest Practicable Date:

Relevant Hong Kong Government department	Registrations and qualifications	Holder	Date of first registration	Expiry date
Buildings Department	General building contractor	Wai Tat	8 July 2002	21 June 2020
	Registered specialist contractor — foundation works	Wai Tat	6 August 2002	17 July 2020
	Registered specialist contractor — site formation works	Wai Tat	9 September 2002	18 August 2020
	Registered specialist contractor — demolition works	Wai Tat	25 November 2002	18 October 2017*(Note)*
	Registered specialist contractor — ground investigation field works	Wai Tat	7 October 2002	10 September 2020

Note: The license had expired and was no longer in force as at the Latest Practicable Date. A new application for the license had been submitted by our Group on 19 October 2017 and was pending as at the Latest Practicable Date.

Some of the above registrations or qualifications are subject to annual review and renewal. Our Group will renew all existing registrations and qualifications accordingly before their respective expiry dates.

By a letter dated 14 August 2017 issued by the Buildings Department, we were informed by the Buildings Department that our application for renewal of our registration of registered specialist contractor in demolition works category was refused (the "**Refusal**") since the Buildings Department was not satisfied with the abilities and competence of Mr. Kung as the Authorised Signatory due to issues arising from records of non-performance. To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, our Directors consider that the Refusal might be due to the Incident that took place in January 2014, details of which are set out in the paragraph headed "Occupational Health and Safety — Accident relating to a demolition project" in this section above, even though our last renewal application of our registration of registered specialist contractor in demolition works category was approved on 29 July 2014, i.e. six months after the Incident.

Our Directors are of the view, and the Sole Sponsor concurs, that the Refusal would not lead to a material adverse impact on the operations of our Group in the future given that:

(i) during the Track Record Period, our Group had six demolition projects which in aggregate contributed revenue of approximately HK$2.7 million and HK$3.9 million for FY2016 and FY2017, accounting for only approximately 6.0% and 5.2% of our total revenue for the respective years. Further, if our Group is unable to renew our registration of registered specialist contractor in demolition works category and has to subcontract all the demolition works going forward, our Directors are of the view that our Group's overall profitability will not be affected in the near future given that (a) the revenue contributions of the demolition works were only approximately 6.0% and 5.2% for FY2016 and FY2017, respectively; (b) our Group had engaged subcontractors in carrying out the relevant demolition works in all of our demolition projects during the Track Record Period and our Group will take into account the costs of engaging subcontractors which are registered specialist contractors in the demolition works category for our preparation of tender price in the future; (c) the awarded contract sum of the uncompleted demolition project on hand as at the Latest Practicable Date was only approximately HK$0.5 million (details of which are set out in paragraph (ii) below), which is comparatively insignificant in terms of the revenue contribution to our Group. The additional costs incurred for such subcontracting arrangement would not result in material adverse impact on our Group's overall profitability; (d) the agreed service fees for the subcontracting arrangements with the relevant subcontractors for such engagement for the Projects are minimal, representing less than approximately 0.5% of the overall budget costs for the Projects; and (e) Project A and Project B comprise demolition works, foundation works and superstructure building works as well as A&A works, hoarding works, demolition works, foundation works and site formation works, respectively. As such, demolition works only form part of the overall construction works to be performed for the Projects;

(ii) as at the Latest Practicable Date, our Group had two demolition projects on hand with aggregate awarded contract sum of approximately HK$2.8 million, including (a) a demolition project which has been completed before the expiry of our registration of registered specialist contractor in demolition works category on 18 October 2017, pending the issue of practical completion certificate and finalisation of the final account; (b) a demolition project with an awarded contract sum of approximately HK$0.5 million which is expected to be completed in December 2017. For the latter project, we have (a) engaged a subcontractor who is a registered specialist contractor in the demolition works category to carry out the relevant demolition works so that we could continue to fulfill our obligations under the contract of such demolition project; and (b) obtained the relevant customer's consent in relation to such arrangement. For the Projects we plan to secure, we have obtained consent from the relevant potential customers to engage a subcontractor who is a registered specialist contractor in the demolition works category to carry out the relevant demolition works if we are awarded the Projects. For details about the Projects, please refer to the section headed "Future Plans and Use of Proceeds" of this document. As advised by our Legal Counsel, the abovementioned subcontracting arrangements are legal and valid since our Group is legally permitted to continue to act as a main contractor or a subcontractor in a project involving demolition works as long as a registered specialist contractor in the demolition works category is appointed;

(iii) further to our consultation with the Buildings Department, we were advised that a new application of renewal could only be made upon expiry of the existing registration on 18 October 2017, and it normally takes about six to seven months to process such application. On 19 October 2017, we submitted a new application (the "**Re-application**") for the registration of the registered specialised contractor in demolition works category and the Re-application was pending as at the Latest Practicable Date. To enhance the likelihood of our success in the Re-application, Mr. Yip, our executive Director and Mr. Lau Chi Kwan, our project manager, were added as Authorised Signatories in addition to Mr. Kung in our Re-application. For details of the experience and qualifications of Mr. Yip and Mr. Lau Chi Kwan, please refer to the section headed "Directors and Senior Management" of this document. As advised by our Legal Counsel, (a) there are no legal impediments for our Re-application, and (b) we have good chance of success in our Re-application given that (a) we have successfully renewed our registrations with the Buildings Department, including general building contractor, registered specialist contractor in the foundation works category, site formation works category and ground investigation field works category, of which Mr. Kung was our Technical Director and one of our Authorised Signatories. This demonstrates that the ability and competence of Mr. Kung was recognised by the Buildings Department; and (b) in our Re-application, Mr. Yip and Mr. Lau Chi Kwan were added as Authorised Signatories, who possessed the relevant qualifications and experience that meet the requirement for the position of Authorised Signatories in supervising and executing relevant construction works; and

(iv) for the potential demolition projects we have tendered, we will inform our potential customers of the background of the Refusal, and will seek their consent, if necessary, in relation to the above mentioned subcontracting arrangements. As at the Latest Practicable Date, our Directors were not aware of any material adverse impact on our ongoing projects and our submitted tenders as a result of the Refusal and there were no queries or particular concerns raised by our potential customers and existing customers in relation to the Refusal.

Our Legal Counsel advised, and our Directors and the Sole Sponsor concur, that although Mr. Kung is the Authorised Signatory and Technical Director of Wai Tat as the registered specialist contractor in demolition works category, the Refusal should not reflect a material defect in Mr. Kung's characters, integrity, experience or competence that affect his suitability to act as an executive Director on the following grounds:

(a) although our renewal of registration in the demolition works category was refused by the Buildings Department, our renewal of registration for general building contractor and our registrations for specialist contractor in the foundation works category, site formation works category and ground investigation field works category, of which Mr. Kung was also our Technical Director and an Authorised Signatory, have been successfully approved by the Buildings Department in August 2017. Our Directors believe that our successful renewal as a registered general building contractor and a registered specialist contractor in each of the foundation works category, site formation works category and ground investigation field works category demonstrates that Mr. Kung's ability and competence continue to be recognised by the Buildings Department. Our Directors therefore take the view that the Refusal is an isolated incident and should not be taken generally as an indication that negatively reflects Mr. Kung's competence in a material respect;

(b) Mr. Kung was never convicted of any offence as a result of the Incident. Moreover, the Incident did not involve intentional misconduct, fraud, dishonesty or corruption on Mr. Kung's part;

(c) subsequent to the Incident in January 2014, no similar incident has occurred during the period while Mr. Kung is acting as our Authorised Signatory and Technical Director; and

(d) Mr. Kung has over 42 years of experience in the construction industry in Hong Kong and possesses the requisite skills, care, diligence and experience in the construction industry in Hong Kong. Details of Mr. Kung's experience are set out in the section headed "Directors and Senior Management" of this document.

On the basis of the above, our Directors are of the view, and the Sole Sponsor concurs, that (i) Mr. Kung's competence should not be affected notwithstanding the Refusal; (ii) the Incident and the Refusal do not reflect a material defect in the character, integrity or experience of Mr. Kung and his suitability to act as our Director under Rules 5.01 and 5.02 of the GEM Listing Rules is not affected; and (iii) the Incident and the Refusal do not affect our suitability of [REDACTED] under Rule 11.06 of the GEM Listing Rules.

Save as disclosed above, (i) we have not experienced any refusal of renewal of the registrations or qualifications necessary for our operations during the Track Record Period and up to the Latest Practicable Date; and (ii) our Directors confirmed that they are not aware of any circumstances that would significantly hinder or delay the renewal of these registrations and qualifications as at the Latest Practicable Date.

Furthermore, in order to maintain our registrations with the Buildings Department, Wai Tat, our principal operating subsidiary, has at least one Authorised Signatory to act for it for the purposes of the Buildings Ordinance and one Technical Director to carry out certain duties, details of which are set out in the paragraph headed "Regulatory Overview — Laws and Regulations in relation to the Contractor Licensing Regime — General building contractor/specialist contractor" of this document.

Set out below are the Technical Directors and the Authorised Signatories of Wai Tat for purposes of the Buildings Ordinance during the Track Record Period and as at the Latest Practicable Date:

Qualification	Technical Director(s)	Authorised Signatory(ies)
General building contractor	Mr. Kung Cheung Fai Patrick	Mr. Kam Kin Bun Mr. Kung Cheung Fai Patrick Mr. Yip Shiu Ching
Registered specialist contractor in foundation works category	Mr. Kung Cheung Fai Patrick	Mr. Kam Kin Bun Mr. Kung Cheung Fai Patrick Mr. Yip Shiu Ching
Registered specialist contractor in site formation works category	Mr. Kung Cheung Fai Patrick	Mr. Kung Cheung Fai Patrick Mr. Yip Shiu Ching
Registered specialist contractor in demolition works category *(Note)*	Mr. Kung Cheung Fai Patrick	Mr. Kung Cheung Fai Patrick
Registered specialist contractor in ground investigation field works category	Mr. Kung Cheung Fai Patrick	Mr. Kung Cheung Fai Patrick Mr. Yip Shiu Ching

Note: The licence had expired and was no longer in force as at the Latest Practicable Date. A new application for the licence had been submitted by our Group on 19 October 2017 and was pending as at the Latest Practicable Date.

As at the Latest Practicable Date, the role of our Authorised Signatory(ies) was taken up by Mr. Kam, Mr. Kung and/or Mr. Yip, respectively, and the role of Technical Director was taken up by Mr. Kung. In the event that our Group cannot maintain at least one Authorised Signatory and one Technical Director due to the departure of the aforesaid personnel, our registration with the Buildings Department may be affected. However, our Directors consider that such risk is not material because of the following reasons:

(i) We have been able to satisfy the minimum requirement of having at least one Authorised Signatory and one Technical Director during the Track Record Period and up to the Latest Practicable Date.

(ii) We had at least two Authorised Signatories as at the Latest Practicable Date (save for the registered specialist contractor in demolition works category), which is more than the statutory requirement of having at least one Authorised Signatory.

(iii) Although we only had one Technical Director as at the Latest Practicable Date, our Group has other employees (including, for instance, Mr. Lau Chi Kwan, a member of our senior management) who possess the relevant qualifications and experience meeting the requirements imposed by the Building Authority for the position of Technical Director. In addition, pursuant to the Practice Note for Registered Contractors No. 38 issued by the Buildings Department, if there is no technical director acting for a contractor, the contractor is required to suspend all works only if an acceptable replacement is not appointed within a

reasonable period of time (although the exact amount of time is not specified). Having considered (i) the qualifications and the requirements imposed by the Building Authority for the position of Technical Director; (ii) the availability of qualified employees of our Group who meet the relevant requirements for the position of Technical Director; and (iii) the prevailing market remuneration package for recruiting and retaining Technical Directors from the open market, our Directors are of the view that there will be no material difficulty in identifying and retaining a qualified person to take up the role of Technical Director of Wai Tat within a reasonable period of time should such a need arises.

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and up to the Latest Practicable Date, save as disclosed below, our Group did not involve in any material civil claims and litigations against our Group.

Litigation in relation to employees' compensation claims and common law personal injury claims against our Group as at the Latest Practicable Date

Our Group's liabilities in a case of personal injuries to our employees by accidents arising out of and in the course of their employment include those under (i) the Employees' Compensation Ordinance; and (ii) common law personal injury claim. The Employees' Compensation Ordinance establishes a no-fault, non-contributory employee compensation system which gives employees the right to compensation in respect of (i) injuries or death caused by accidents arising out of and in the course of employment, or (ii) prescribed occupational diseases under the Employees' Compensation Ordinance. A common law personal injury claim may arise if the injury is caused to an employee by our negligence, breach of statutory duty, or other wrongful act or omission. For some of the potential claims, even if the relevant employees' compensation had been settled under our employees' compensation insurance, the injured employees may still pursue litigation claims through personal injury claims against us under common law. The damages awarded under common law claims are normally reduced by the value of the compensation paid or payable under the Employees' Compensation Ordinance in any event.

Our Directors confirmed that to the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, (i) our Group was not subject to any ongoing employee's compensation claim or personal injury claim; and (ii) during the Track Record Period and up to the Latest Practicable Date, our Group recorded two workplace accidents involving employees of our subcontractors, which may give rise to potential employees' compensation or personal injury claims. Details of the two workplace accidents are set out below:

(i) An accident occurred on 1 August 2016 whereby a worker of our subcontractor injured his right thumb at work. Such workplace accident may give rise to potential employees' compensation and personal injury claim. As at the Latest Practicable Date, no such legal proceeding had commenced. In any event, our liability under this workplace accident (if any) is expected to be covered by the employees' compensation insurance validly taken out by us in this project.

(ii) An accident occurred on 5 June 2017 whereby a worker of our subcontractor cut his left index finger when operating a circular saw. Such workplace accident may give rise to potential employees' compensation and personal injury claim. As at the Latest Practicable

Date, no such legal proceeding had commenced. In any event, our liability under this workplace accident (if any) is expected to be covered by the employees' compensation insurance validly taken out by us in this project.

Potential claims refer to those claims that have not commenced against our Group but are 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 pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong). As such court proceedings have not commenced, we are not in a position to assess the likely quantum of such potential claim. These accidents were caused during usual and ordinary course of our business and have not caused disruption to our Group's business or have any adverse impact on our Group to obtain any licences or permits for our operation. Moreover, there are insurance policies in place to cover our potential liabilities in relation to the above. Our Directors are of the view that the amount of such potential claim to be borne by our Group in the proceedings shall be covered by relevant insurance policies. For details, please refer to the paragraph headed "Insurance" in this section above.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into a Deed of Indemnity in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, any claims, fines, payments, actions, damages, judgements, proceedings, costs and expenses which would be incurred accrued or suffered by our Group as a result of (i) breach of any applicable laws, rules and regulations and any failure, delay or defects of corporate or regulation compliance under the applicable laws, rules and regulations; and (ii) the incidents referred to in the paragraphs headed "Litigation and Potential Claims" and "Non-compliance" in this section or otherwise of any member of our Group on or before the date on which the [REDACTED] becomes unconditional. Please refer to the paragraph headed "Statutory and General Information — E. Other Information — 1. Tax and other indemnities" in Appendix IV to this document for details of the Deed of Indemnity.

Save as disclosed above, our Directors, to the best of their knowledge, information and belief having made all reasonable enquiries, are not aware of any litigation proceedings pending or threatened against us which could have a material adverse effect on our financial condition or results of operations.

NON-COMPLIANCE

Our Directors confirm that, 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.

Internal control system and risk management

We endeavour to uphold the integrity of our business by maintaining an internal control system into our organisational structure. In preparation for the [REDACTED] and to further improve our internal control system, in May 2017, we engaged an independent internal control consultant firm (the "**Internal Control Consultant**") to perform a review over certain key areas of internal control over financial reporting (the "**Internal Control Review**"). The internal control consultant provided recommendations for our management consideration to enhance our internal controls and procedures.

Our Group intends to adopt or has adopted the following measures to ensure on-going compliance with the applicable GEM Listing Rules upon [REDACTED] to strengthen our internal controls:

- We have adopted and implemented comprehensive control policies in respect of various aspects of our business operations such as (i) risk management policies; (ii) conflict of interest guidelines; and (iii) disclosure guidelines;

- We shall establish system and manuals in relation to, among others, distribution of annual or interim reports and publication, handling and monitoring of inside information prior to public announcement and other requirements under the GEM Listing Rules;

- Our Directors have attended training sessions conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange;

- We will comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. To avoid potential conflicts of interest, we will implement corporate governance measures as set out in the paragraph headed "Relationship with our Controlling Shareholders — Corporate Governance Measures" of this document. Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance reports to be included in our annual reports after [REDACTED];

- We will engage an independent internal control consultant to review the adequacy and effectiveness of our internal control system for the financial year ending 30 June 2018, including areas of financial, operational, compliance and risk management;

- We have agreed to engage Titan Financial as our compliance adviser and will, upon [REDACTED], engage a legal adviser as to Hong Kong laws, which will advise and assist our Board on compliance matters in relation to the GEM Listing Rules and/or other relevant laws and regulations applicable to our Company;

- We have established an audit committee which comprises all of our independent non-executive Directors, namely Mr. Leung Chi Hung, Ms. Wong Lai Na and Ms. Hung Siu Woon Pauline. The audit committee has adopted its terms of reference which sets out clearly its duties and obligations to, among other things, overseeing the financial reporting, risk management and internal control systems of our Group, and ensuring compliance with the relevant laws and regulations. For the biographical details of our independent non-executive Directors, please refer to the paragraph headed "Directors and Senior Management — Independent non-executive Directors" of this document;

- We have appointed Mr. Lei Wai Hoi as our company secretary, to be responsible for keeping and updating our statutory records, managing secretarial matters and to ensure ongoing compliance with the Companies Ordinance. Mr. Lei will also report to our audit committee in case any such non-compliances occur; and

- When considered necessary and appropriate, we will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters relating to our internal controls and legal compliance.

The Internal Control Consultant performed a follow-up review in June 2017 to review the status of the management actions taken by our Group to address the recommendations of the Internal Control Review (the "**Follow-up Review**"). The Internal Control Consultant raised no further recommendation in the Follow-up Review.

The Internal Control Review and the Follow-up Review were conducted based on the information provided by our Company and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

Our Directors confirm, and the Sole Sponsor concurs, that the internal control measures implemented by our Group are sufficient and could effectively ensure a proper internal control system of our Group.

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] and any options which may be granted under the Share Option Scheme are not exercised), Talent Gain will control [REDACTED]% of the issued share capital of our Company. Talent Gain is an investment holding company owned as to 34% by Mr. Kung, 33% by Mr. Yip and 33% by Mr. Kam. For the purpose of the GEM Listing Rules, Talent Gain, Mr. Kung, Mr. Yip and Mr. Kam are our group of Controlling Shareholders. Further, pursuant to the Concert Party Deed, Mr. Kung, Mr. Yip and Mr. Kam confirmed that they have been cooperating and acting in concert with each other (for the purpose of the Takeovers Code) as a group of Controlling Shareholders. Please refer to the paragraph headed "History and Development — Concert Party Deed" of this document for details of the Concert Party Deed.

As at the Latest Practicable Date, Talent Gain has not commenced any substantive business activities. Each of Talent Gain, Mr. Kung, Mr. Yip and Mr. Kam confirms that he or it, our Directors, the substantial shareholders, and their respective close associate does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

Immediately after the [REDACTED], we expect there will be no continuing connected transactions between our Group and our Controlling Shareholders and/or their associates.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of carrying on our Group's business independently from our Controlling Shareholders and their close associates after completion of the [REDACTED] and the [REDACTED].

Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs.

As at 30 June 2016 and 30 June 2017, finance leases with the amount of HK$515,000 and HK$287,000 were guaranteed by Mr. Yip and Mr. Kung, details of which are set out in note 21 to the Accountant's Report set out in Appendix I to this document. The said finance leases have been fully paid in September 2017 and the personal guarantees provided by Mr. Yip and Mr. Kung have been released accordingly.

In February 2017, each of Mr. Yip and Mr. Kung agreed to provide personal guarantees for the surety bond taken out by Wai Tat in favour of an insurance company to secure the due performance of our obligations under a foundation and site formation project with a contract sum of approximately HK$28.6 million. The amount of the surety bond amounted to approximately HK$2.9 million, representing 10% of the contract sum of the said project. The said personal guarantees given by Mr. Yip and Mr. Kung were released in November 2017.

Save as disclosed above, our Group has sufficient capital to operate its business independently, and has adequate internal resources and a strong credit profile to support its daily operations. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the [REDACTED] as we expect that our working capital will be funded by our cash generated from operations to carry on its business during the Track Record Period and this is expected to continue after the [REDACTED]. Our own accounting department is capable of discharging the treasury functions for cash receipts and payments, accounting, reporting and internal control independently of our Controlling Shareholders and their close associates.

Management independence

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

Although our Controlling Shareholders will retain controlling interests in our Company upon completion of the [REDACTED], the day-to-day management and operation of the business of our Group will be the responsibility of our Directors. Our Board and senior management function separately, and they are independent of our Controlling Shareholders and are in a position to fully discharge their duties to our Shareholders as a whole upon [REDACTED].

Our Board consists of six Directors, comprising three executive Directors, namely Mr. Yip, Mr. Kung and Mr. Kam, and three independent non-executive Directors, namely, Mr. Leung Chi Hung, Ms. Wong Lai Na and Ms. Hung Siu Woon Pauline. Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meeting of our Board in respect of such transactions, and shall not be counted in the quorum subject to the provision of the Articles of Association. Our Directors are of the view that the Board is capable of managing our Group's business independently from our Controlling Shareholders.

Operational independence

Save as disclosed in the paragraph headed "Management independence" in this section above, our Group is operationally and administratively independent of our Controlling Shareholders and their respective close associates, as our Group has established our own organisational structure made of individual departments, each with specific areas of responsibilities and did not share any operational resources, such as office premises, sales and marketing, general administration, accounting and human resources functions with our Controlling Shareholders and their respective close associates.

Our Group has also established a set of internal control measures to facilitate the effective operations of our business. Our Group's customers, suppliers and subcontractors are all independent from our Controlling Shareholders. Our Group does not rely on our Controlling Shareholders or their

respective close associates, has its independent access to customers, suppliers and subcontractors and an independent management team to handle day-to-day operations, and is in possession of all relevant licences and permits necessary to carry on and operate our business.

On the basis of the above, our Directors believe that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates. Our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders.

RULE 11.04 OF THE GEM LISTING RULES

Each of our Controlling Shareholders, our Directors and their respective close associates does 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 UNDERTAKING

Our Controlling Shareholders (each a "**Covenantor**" and collectively, the "**Covenantors**") entered into the Deed of Non-competition in favour of our Company, under which each of the Covenantors have, among other things, irrevocably and unconditionally, jointly and severally, warrants and undertakes to our Company (for ourselves and as trustee for and on behalf of our subsidiaries) that at any time during the Effective Period (as defined below):

(a) each of the Covenantors will not, and will procure his/its close associates and any company directly or indirectly controlled by the Covenantors (which for the purpose of the Deed of Non-competition, shall not include any member of our Group) not to, either directly or indirectly (whether on its own account or with each other or in conjunction with or on behalf of any person or company, or as principal or agent, through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise), carry on, engage in, invest or acquire or hold any rights or be interested or otherwise involved in or operate (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business that is similar to or in competition directly or indirectly with or is likely to be in competition with any business currently and from time to time engaged by our Group (the "**Restricted Business**").

(b) if each of the Covenantors, his/its close associates or any company directly or indirectly controlled by the Covenantors is offered or becomes aware of any project or any new business opportunity relating to the Restricted Business (the "**New Business Opportunity**") whether directly or indirectly:

    (i) the Covenantors shall promptly (in any event not later than seven days) notify us in writing of such New Business Opportunity;

    (ii) such written notice shall include all information together with any documents possessed by him/it or his/its close associates in respect of the New Business Opportunity to enable us to evaluate the merit of the New Business Opportunity and all reasonable assistance as requested by us to enable us to come to an informed assessment of such New Business Opportunity;

(iii) the Covenantors shall use his/its best endeavours to procure that such opportunity is offered to us on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its close associates and/or any company directly or indirectly controlled by him/it;

(iv) upon receipt of the written notice from any of the Covenantors, the independent non-executive Directors shall consider whether it is in the interest of our Company and the Shareholders as a whole to pursue the New Business Opportunity. For the avoidance of doubt, the Covenantors, his/its close associates and/or any company directly or indirectly controlled by the Covenantors (other than our Group) will not be entitled to pursue such New Business Opportunity unless the New Business Opportunity is declined by our Group or we do not proceed with such New Business Opportunity within 30 calendar days of receipt of the written notice;

(v) if we have not given written notice of our intention to invest in such New Business Opportunity or have given written notice denying the New Business Opportunity within 30 calendar days of receipt of the written notice from the Covenantors (or such other date as may be agreed between the Covenantors and our Company), the Covenantors and/or his/its close associates and/or any company directly or indirectly controlled by him/it shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord; and

(vi) if there is any disagreement between the Covenantors and our Company as to whether any New Business Opportunity shall directly or indirectly compete or lead to competition with the business of our Group, the matter shall be determined by the independent non-executive Directors whose decision shall be final and binding.

The restrictions which each of the Covenantors have agreed to undertake pursuant to the non-competition undertaking will not apply to the holding of or interests in the shares or other securities by any of the Covenantors and/or his/its close associates in any company which conducts or is engaged in any Restricted Business, provided that, in the case of such shares, they are listed on a recognised stock exchange as specified under the SFO and either:

(i) the relevant Restricted Business (and assets relating thereto) accounts for less than 10% of the relevant consolidated turnover or consolidated assets of the company in question, as shown in the latest audited accounts of the company in question; or

(ii) the total number of the shares held by any of the Covenantors and his/its close associates or in which they are together interested does not exceed 5% of the issued shares of that class of the company in question, provided that any of the Covenantors and his/its close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there is a holder of such shares holding (together, where appropriate, with its close associates) a larger percentage of the shares in question than the Covenantor and his/its close associates together hold.

The non-competition undertaking will take effect from the date on which dealings in the Shares first commence on the Stock Exchange and will cease to have any effect upon the earliest of the date on which (i) such Covenantor, individually or collectively with any other Covenantor(s) and/or his/its/their close associates and/or successors, ceases to be interested, directly or indirectly, in 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer as defined thereunder) or more of the then issued share capital of our Company, or otherwise ceased to be regarded as a Controlling Shareholder of our Company; or (ii) the Shares cease to be listed and traded on the Stock Exchange (except for temporary suspension of the Shares due to any reason) (the "**Effective Period**").

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measure to strengthen its corporate governance practice to safeguard the interests of our Shareholders:

(i) our independent non-executive Directors will review and will disclose decisions with basis, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;

(ii) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;

(iii) our Company will disclose decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in the annual reports of our Company;

(iv) our Controlling Shareholders will make an annual declaration on their compliance with the Deed of Non-competition in the annual reports of our Company;

(v) our independent non-executive Directors will be responsible for deciding whether or not to allow our Controlling Shareholders and/or their respective close associates to involve or participate in a Restricted Business and if so, any, condition to be imposed;

(vi) our independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-competition or connected transaction(s) at the cost of our Company;

(vii) we have appointed Titan Financial as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the GEM Listing Rules;

(viii) our Articles include provisions to avoid conflict of interest by providing that in the event of conflict of interest, our Director shall declare the nature of such interest at the earliest meeting of the Board at which it is practicable to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum; and

(ix) we have established three board committees, namely, the audit committee, the nomination committee and the remuneration committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, please refer to the paragraph headed "Directors and Senior Management — Committees of the Board of Directors" of this document.

DIRECTORS

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

Name	Age	Position	Date of joining our Group	Date of appointment of current position	Roles and responsibilities	Relationship with other Directors and senior management
Executive Directors						
Mr. Yip Shiu Ching (葉韶青)	52	Chairman of the Board and executive Director	1 February 2002	18 July 2017	Responsible for the general management and supervising day-to-day operation of our Group	No
Mr. Kung Cheung Fai Patrick (孔祥輝)	65	Executive Director	1 February 2002	18 July 2017	Responsible for overseeing project design and technical direction of projects of our Group	No
Mr. Kam Kin Bun (甘健斌)	60	Executive Director	16 January 2004	18 July 2017	Responsible for day-to-day management and tendering of our Group	No
Independent non-executive Directors						
Mr. Leung Chi Hung (梁志雄)	62	Independent non-executive Director	1 December 2017	1 December 2017	Performing the role as an independent non-executive director, the chairman of the audit committee, a member of the remuneration committee and a member of the nomination committee	No
Ms. Wong Lai Na (黃麗娜)	31	Independent non-executive Director	1 December 2017	1 December 2017	Performing the role as an independent non-executive director, the chairman of the remuneration committee, a member of the nomination committee and a member of the audit committee	No

Name	Age	Position	Date of joining our Group	Date of appointment of current position	Roles and responsibilities	Relationship with other Directors and senior management
Ms. Hung Siu Woon Pauline (洪小媛)	50	Independent non-executive Director	1 December 2017	1 December 2017	Performing the role as an independent non-executive director, the chairman of the nomination committee, a member of the audit committee and a member of the remuneration committee	No

SENIOR MANAGEMENT

The following table sets out certain information regarding the senior management of our Group:

Name	Age	Position	Date of joining our Group	Date of appointment of current position	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Lei Wai Hoi (李偉海)	32	Financial controller and company secretary	11 July 2017	11 July 2017	Responsible for overseeing our Group's overall financial management as well as corporate governance matters	No
Mr. Lau Chi Kwan (劉智群)	34	Project manager	21 November 2011	1 July 2014	Responsible for assisting the Directors in overseeing projects and project design	No
Ms. Li Siu Ling (李小玲)	56	Human resources manager	1 January 2007	1 January 2017	Responsible for the overall management of human resources and administration of our Group	No

DIRECTORS

Executive Directors

Mr. Yip Shiu Ching (葉韶青), aged 52, is one of our founders, the chairman of our Board, our executive Director, one of our Controlling Shareholders and a director of Wai Tat and Vision Perfect. Mr. Yip was appointed as an executive Director in July 2017. Mr. Yip is our project director and is primarily responsible for the general management and supervising day-to-day operation of our Group.

Mr. Yip has over 31 years of experience in the construction industry in Hong Kong. Mr. Yip worked at Sum Tat Piling & Engineering Limited from July 1986 to April 1997, of which his last position was an assistant project manager responsible for working on site and direct supervision of various types of construction works, including H-steel piling, excavation shoring and site formation. Mr. Yip then joined China Harbour Engineering Company (currently known as China Harbour Engineering Company Limited) as a site agent from April 1997 to February 2000 and was responsible for execution of construction project. Mr. Yip was one of the founders and a director of Wah Tat Foundation & Engineering Limited from August 1998 to April 2002, a construction company in Hong Kong, and was responsible for general management of the company. Since February 2002, Mr. Yip has been a director of Wai Tat, our operating subsidiary.

Mr. Yip obtained a Higher Diploma in Structural Engineering from Hong Kong Polytechnic (currently known as Hong Kong Polytechnic University) in November 1986 and completed a 30-hour part-time training course in demolition of buildings for supervisors/foremen organised by the Construction Industry Training Authority in February 2002.

Mr. Yip was a director of the following company prior to its dissolution, details of which are set out below:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Wai Tat Geo-Engineering Limited (維達地質工程有限公司)	Engineering	11 June 2004	Dissolved by deregistration under section 291AA of the Predecessor Companies Ordinance	Cessation of business

Mr. Yip confirmed that (i) to the best of his knowledge, information and belief having made all reasonable enquiries, the above company was solvent immediately prior to its dissolution; (ii) there is no wrongful act on his part leading to the dissolution of the above company; (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; and (iv) no misconduct or misfeasance had been involved on his part in the dissolution of the company.

During the three years immediately preceding the Latest Practicable Date, Mr. Yip has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Kung Cheung Fai Patrick (孔祥輝), aged 65, is one of our founders, our executive Director, one of our Controlling Shareholders and a director of Wai Tat and Vision Perfect. Mr. Kung was appointed as an executive Director in July 2017. Mr. Kung is our technical director and is responsible for overseeing project design and technical direction of projects of our Group.

Mr. Kung has over 42 years of experience in the construction industry in Hong Kong. Mr. Kung was a director of Wai Tat since February 2002. Mr. Kung's working experience prior to the establishment of our Group in February 2002 is as follows:

Name of company	Principal business activities	Position	Responsibilities	Period of services
Chung Wah Shipbuilding & Engineering Limited	Shipbuilding company in Hong Kong	Assistant engineer	Supervision of construction works on-site	July 1975 to February 1976
Hsin Chong (Maintenance) Limited	Construction company in Hong Kong	Assistant engineer	Supervision of construction works on-site	March 1976 to February 1977
Y S Lo & Associates	Surveying service company in Hong Kong	Engineer	Design of buildings	March 1977 to March 1980
Hang Lung Development Company Limited (currently known as Hang Lung Group Limited)	Private property developer in Hong Kong	Assistant project manager	Coordinating and monitoring project implementation	April 1980 to April 1981
Hsin Chong (Foundations) Limited	Construction company in Hong Kong	Contract manager	Coordinating and monitoring project implementation	May 1981 to July 1986
Dragages (Hong Kong) Limited (currently known as Dragages Hong Kong Limited)	Construction company in Hong Kong	Engineering manager	Coordinating and monitoring project implementation	June 1987 to October 1988
Paliburg Development Consultants Limited	Building design in Hong Kong	Chief engineer	Coordinating and monitoring project implementation	November 1989 to February 1991
Sum Tat Piling & Engineering Limited	Construction company in Hong Kong	Assistant director	General management and day-to-day operation of the company	April 1994 to May 1997

Name of company	Principal business activities	Position	Responsibilities	Period of services
Yiu Wing Construction Company Limited	Construction company in Hong Kong	Director, authorised signatory and technical director	Technical direction of projects of the company	September 1998 to October 2001
Wah Tat Foundation & Engineering Limited	Construction company in Hong Kong	Founder and director	General management of the company	August 1998 to April 2002

Mr. Kung obtained a Bachelor of Science in Engineering and a Master of Science in Engineering from the University of Hong Kong in November 1975 and November 1987, respectively. Mr. Kung also completed a 30-hour part-time training course in demolition of buildings for supervisors/foremen organised by the Construction Industry Training Authority in February 2002. Mr. Kung was admitted as a member of The Institution of Structural Engineers in June 1979, a member of The Institute of Civil Engineers in June 1980 and a Chartered Engineer of The Council of Engineering Institution in November 1979. Mr. Kung is currently a member of The Hong Kong Institution of Engineers, a registered Structural Engineer in Hong Kong, a registered authorised person in Hong Kong, a Registered Inspector in Hong Kong and a registered professional engineer in civil and structural engineering under the Engineers Registration Board.

Mr. Kung was a director of the following companies prior to their dissolution or liquidation (as the case may be), details of which are set out below:

Name of Company	Principal business activity prior to dissolution/liquidation	Date of dissolution/ winding up petition	Status of company	Reason for dissolution/liquidation
Wai Tat Geo-Engineering Limited (維達地質工程有限公司)	Engineering	11 June 2004	Dissolved by deregistration under section 291AA of the Predecessor Companies Ordinance	Cessation of business
Yiu Wing Construction Company Limited (耀榮建築有限公司) ("**Yiu Wing**")	Construction	22 February 2002	In liquidation	Please refer to the note below

Note: Yiu Wing was incorporated in Hong Kong on 14 August 1973 with limited liability. Since Yiu Wing was indebted to a creditor and was unable to pay such debts, compulsory winding up proceedings were initiated against Yiu Wing upon a petition filed by a creditor to the court on 22 February 2002 seeking a court order to wind up Yiu Wing. Mr. Kung had ceased to be a director of Yiu Wing since 18 October 2001. To the best of Mr. Kung's knowledge, information and belief and having made all reasonable enquiries, there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on the part of Mr. Kung involved in the liquidation of Yiu Wing.

Mr. Kung confirmed that (i) to the best of his knowledge, information and belief and having made all reasonable enquiries, Wai Tat Geo-Engineering Limited was solvent immediately prior to its dissolution; (ii) there is no wrongful act on his part leading to the dissolution or winding up petition of the above companies; (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 or winding up petition of the above companies; and (iv) no misconduct or misfeasance had been involved on his part in the dissolution or winding up petition of the companies.

During the three years immediately preceding the Latest Practicable Date, Mr. Kung has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Kam Kin Bun (甘健斌), aged 60, is our executive Director, one of our Controlling Shareholders and a director of Wai Tat and Vision Perfect. Mr. Kam is our project director primarily responsible for day-to-day management and tendering of our Group.

Mr. Kam has over 35 years of experience in the construction industry in Hong Kong. Mr. Kam worked in Gammon (Hong Kong) Limited (currently known as Gammon Construction Limited), a construction company in Hong Kong as an assistant engineer from July 1982 to April 1987, and was responsible for acting as the authorised representative of the company to receive directions and instructions from the engineers. Mr. Kam also worked as a senior engineer in Hopewell Costain Limited, a construction company in Hong Kong where he was responsible for project implementation and supervision from May 1987 to September 1990 and as a sub-agent in Leighton Contractors Pty Limited, an engineering and construction services company in which he was responsible for the planning and site supervision for the construction of underpass from September 1990 to June 1991. Mr. Kam was a contracts manager of Sum Tat Piling & Engineering Limited, a construction company in Hong Kong, from July 1991 to November 1997, and was responsible for project supervision and management. Mr. Kam was a general manager of Kau Lung Geotechnical Engineering Limited, a construction company in Hong Kong, from October 1996 to December 1998, and was responsible for project supervision and management. Mr. Kam was a founder and a director of Wah Tat Foundation & Engineering Limited, a construction company in Hong Kong, from August 1998 to April 2002. Since January 2004, Mr. Kam has been a director of Wai Tat, our operating subsidiary.

Mr. Kam obtained a Diploma in Civil Engineering from the Hong Kong Baptist College (currently known as the Hong Kong Baptist University) in June 1982.

Mr. Kam was a director of the following company prior to its dissolution, details of which are set out below:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Golden Win Holdings Limited (金榮集團有限公司)	Operation of restaurant	17 April 2015	Dissolved by deregistration under section 750 of the Companies Ordinance	Cessation of business

Mr. Kam confirmed that (i) to the best of his knowledge, information and belief having made all reasonable enquiries, the above company was solvent immediately prior to its dissolution; (ii) there is no wrongful act on his part leading to the dissolution of the above company; (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; and (iv) no misconduct or misfeasance had been involved on his part in the dissolution of the company.

During the three years immediately preceding the Latest Practicable Date, Mr. Kam has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Independent non-executive Directors

Mr. Leung Chi Hung (梁志雄), aged 62, was appointed as an independent non-executive Director on 1 December 2017.

Mr. Leung has over 41 years of experience in the accounting profession in Hong Kong. Mr. Leung worked as an audit supervisor at Peat Marwick Mitchell & Co., currently known as KPMG, from September 1976 to September 1980. Mr. Leung was an audit manager of Arthur W. C. Mo & Co., an audit firm in Hong Kong, from October 1980 and was responsible for providing auditing services to clients. He was later admitted as a partner from April 1993 to March 2008. Mr. Leung has been the director of Philip Leung & Co. Limited, a company principally engaged in the provision of auditing services previously known as Arthur Mo & Co. Ltd. since January 2006, and is responsible for the overall management of the company.

Since April 2002, Mr. Leung has been appointed as an independent non-executive director of the following companies listed on the Stock Exchange:

Name of Company	Principal of Business	Position	Stock Exchange	Stock code	Period of Service
Dore Holdings Limited (currently known as Gome Finance Technology Co., Limited)	Gaming and entertainment related business	Independent non-executive director	Main Board	628	April 2002 to June 2010
Daido Group Limited	Cold storage, trading and related services in Hong Kong	Independent non-executive director	Main Board	544	September 2003 to present
Temujin International Investments Limited (currently known as China Investment Development Limited)	Investment holding for investing for long-term capital appreciation purposes and investing in listing and unlisted securities	Independent non-executive director	Main Board	204	April 2009 to April 2011
Finet Group Limited	Development, production and provision of financial information services and technology solutions and media business	Independent non-executive director	GEM	8317	February 2011 to present
eForce Holdings Limited	Manufacturing and trading of healthcare and household products, coal mining and money lending	Independent non-executive director	Main Board	943	December 2013 to present
REF Holdings Limited	Providing financial printing services for the financial sector in Hong Kong	Independent non-executive director	Main Board	1631	August 2015 to present

Mr. Leung was admitted as an associate and a fellow of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) in October 1986 and December 1993, respectively. Mr. Leung was also admitted as a fellow of The Chartered Association of Certified Accountants in October 1991. Mr. Leung was also admitted as a fellow of The Taxation Institute of Hong Kong in February 2000. Mr. Leung has been a Registered Financial Planner under the Society of Registered Financial Planners since October 2005. Mr. Leung is currently a practising certified public accountant under the Hong Kong Institute of Certified Public Accountants and a Certified Tax Adviser under The Taxation Institute of Hong Kong.

Mr. Leung was a director of the following companies prior to their respective dissolutions, details of which are set out below:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Jolly First Capital Limited (捷利證券有限公司) ("**Jolly First**")	Providing stock brokerage services	19 August 2004	Dissolved by voluntary winding up by its creditors	Cessation of business *(Note)*
Sunnyvale Investment Limited	Property investment	10 August 2007	Dissolved by deregistration under section 291AA of the Predecessor Companies Ordinance	Cessation of business

Note: Jolly First was incorporated in Hong Kong on 4 June 1991 with limited liability and was principally engaged in providing stock brokerage services. Mr. Leung was appointed as a director of Jolly First on 7 April 2000 solely for the purpose of winding up the company after the disappearance of the company's then director. Mr. Leung confirmed that to the best of his knowledge, information and belief and having made all reasonable enquiries, Jolly First was solvent immediately prior to dissolution, and there was no judgment or findings of or fraud, dishonesty, any misconduct or wrongful act on the part of Mr. Leung involved in the dissolution of Jolly First. His involvement in Jolly First was part and parcel of his services as a director thereof and that no misconduct or misfeasance on the part of Mr. Leung had been involved in the dissolution of Jolly First.

Mr. Leung confirmed that (i) to the best of his knowledge, information and belief and having made all reasonable enquiries, Sunnyvale Investment Limited was solvent immediately prior to its dissolution; (ii) there is no wrongful act on his part leading to the dissolutions of the above companies; (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 dissolutions; and (iv) no misconduct or misfeasance had been involved in the dissolutions of the companies.

Save as disclosed above, during the three years immediately preceding the Latest Practicable Date, Mr. Leung has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Ms. Wong Lai Na (黃麗娜), aged 31, was appointed as an independent non-executive Director on 1 December 2017.

Ms. Wong has over eight years of experience in the accounting profession. Ms. Wong worked as an audit trainee in Anthony Chan & Co. CPA, an audit firm in Hong Kong from February 2009 to May 2010 responsible for audit works of various companies. She then worked as an audit supervisor in K S Yu & Co. CPA, an audit firm in Hong Kong from October 2010 to February 2014 responsible for the audit works of companies of various sizes. Ms. Wong has been a manager of Top Name Consultant

Limited since March 2014, and is responsible for, among others, client management. Since March 2014, she has been an audit manager of Alan Chan & Company CPA, an audit firm in Hong Kong, and is responsible for book keeping and financial analysis.

Since July 2015, Ms. Wong has been the independent non-executive director of Celebrate International Holdings Limited (stock code: 8212), a company listed on the GEM of the Stock Exchange and principally carries on the business of money lending, property investment, securities investment and trading, food and beverage trading and the provision of health care services.

Ms. Wong obtained a Bachelor of Business Administration in Accounting from Jinan University in the PRC in January 2009.

Ms. Wong was a director of the following company prior to its dissolution, details of which are set out below:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Reliable Group Limited	Dormant	7 November 2014	Dissolved by deregistration under section 750 of the Companies Ordinance	Never commenced business

Ms. Wong confirmed that (i) there is no wrongful act on her part leading to the dissolution of the above company; (ii) she is not aware of any actual or potential claim that has been or will be made against her as a result of the dissolution; and (iii) no misconduct or misfeasance had been involved on her part in the dissolution of the company.

Save as disclosed above, during the three years immediately preceding the Latest Practicable Date, Ms. Wong has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Ms. Hung Siu Woon Pauline (洪小媛), aged 50, was appointed as an independent non-executive Director on 1 December 2017.

Ms. Hung's working experience is as follows:

Name of company	Principal business activities	Position	Responsibilities	Period of services
Emperor Securities Limited	Providing stock brokerage services	Senior manager of credit and risk control	Overseeing risk management and compliance; supervising the operations of the credit and compliance and dealing departments	September 1997 to September 2004

Name of company	Principal business activities	Position	Responsibilities	Period of services
Environmental Pioneers & Solutions Limited	Trading of environmental products and providing related engineering and consultancy services	Operation manager	Overseeing the overall operations and business development	August 2006 to December 2007
Success International Management Services Limited	Providing financial services	Operations director	Supervising the overall operations	January 2008 to April 2009
AM Capital Limited	Providing stock brokerage services	Operations manager	Overseeing the overall operations and business development	July 2009 to September 2014
South China Finance and Management Limited	Engaging in share dealing and provision of management services	Head of compliance and risk	Supervising daily operations and handling enquires from regulatory authorities	January 2015 to April 2015
KGI Hong Kong Limited	Providing financial services	Investment representative	Handling clients' investment portfolio	March 2016
FDT Capital Limited (subsequently transferred to FDT Securities Limited)	Providing financial services	Director of operations	Overseeing the overall operations of the company	April 2016 to December 2016
Green Robin Hood Organisation Limited	Charitable organisation	Director	Organising events and fund raising activities	October 2014 to present

Since July 2017, Ms. Hung has been an independent non-executive director of Wealthy Way Group Limited (stock code: 3848), a company listed on the Main Board of the Stock Exchange and principally engaging in the business of providing financial leasing and advisory services in the PRC.

Ms. Hung obtained a Bachelor in Commerce from Murdoch University in Australia in December 1991 and a Master in Business Administration from the University of Western Sydney in Australia in April 2007. She also obtained an Advanced Diploma of Management Studies from Edwards International College in Australia in July 1990.

Ms. Hung was a director of the following company prior to its dissolution, details of which are set out below:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
VIC & ODE Enterprises Limited (滙晉實業有限公司)	Dormant	12 April 2002	Striking off under section 291 of the Predecessor Companies Ordinance	Never commenced business

Ms. Hung confirmed that (i) there is no wrongful act on her part leading to the dissolution of the above company; (ii) she is not aware of any actual or potential claim that has been or will be made against her as a result of the dissolution; and (iii) no misconduct or misfeasance had been involved on her part in the dissolution of the company.

Saved as disclosed above, during the three years immediately preceding the Latest Practicable Date, Ms. Hung has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Directors' interest

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) has no other relationship with any Directors, senior management, substantial shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any directorship in any other listed companies in the three years immediately preceding the Latest Practicable Date.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, save as disclosed in this section, there was no additional matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders, and there was no additional information relating to our Directors that is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Lei Wai Hoi (李偉海), aged 32, is the financial controller and company secretary of our Group. Mr. Lei joined our Group in July 2017 and is responsible for overseeing the overall financial management as well as corporate governance matters of our Group.

Mr. Lei has over eight years of experience in the accounting profession. Mr. Lei has been employed by PricewaterhouseCoopers Limited in Hong Kong from October 2009 to July 2017 with his last position as a manager. He was primarily responsible for the audit works of companies of various sizes.

Mr. Lei obtained a Bachelor in Business Administration in Accounting from the Hong Kong Baptist University in November 2009. Mr. Lei was admitted as a member of the Hong Kong Institute of Certified Public Accountants in January 2013.

During the three years immediately preceding the Latest Practicable Date, Mr. Lei has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Lau Chi Kwan (劉智群), aged 34, is the project manager of our Group. Mr. Lau joined our Group in November 2011. Mr. Lau is responsible for assisting the Directors in overseeing projects of our Group and project design.

Mr. Lau has over nine years of experience in the construction industry in Hong Kong. Mr. Lau worked as a graduate civil engineer in Sum Kee Construction Limited, a construction company in Hong Kong, from January 2008 to January 2009 and as a graduate civil engineer in Dix Construction & Transportation Limited, a construction company in Hong Kong, from January 2009 to September 2010. Mr. Lau then joined Wai Tat, our operating subsidiary, as an assistant engineer in November 2011. He was promoted to assistant project manager in January 2013 and has been the project manager since July 2014.

Mr. Lau obtained a Bachelor of Engineering in Civil and Structural Engineering from The Hong Kong University of Science and Technology in April 2008. He completed a 12-hour course in the supervision of tree works, a 15-hour environmental protection course for environmental supervisors in air quality, noise and wastewater management and a 15-hour environmental protection course for environmental supervisors in waste management, organised by Construction Industry Council Training Academy, in June 2008, June 2008 and July 2008, respectively. He also completed a training course in conduit condition evaluation, manhole/CCTV & ME internal condition, organised by Utility Training Institute, in January 2009. Mr. Lau was awarded the Professional Certificate in Environmental Management for Construction (Environmental Officer) in May 2015.

During the three years immediately preceding the Latest Practicable Date, Mr. Lau has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Ms. Li Siu Ling (李小玲), aged 56, is the human resources manager of our Group. Ms. Li joined our Group in January 2007 and is responsible for the overall management of human resources and administration of our Group.

Ms. Li has over 28 years of experience in human resources and administrative matters. Ms. Li worked as a secretary in Foundation Design and Decoration Co., a construction company, from March 1989 to December 1997 and as a secretary in Hang Cheong Engineering Co. from July 1998 to December 2006.

Ms. Li graduated from 廣東省韶關市第四中學 (Shaoguan No. 4 Middle School) in Guangdong Province, the PRC in 1977.

During the three years immediately preceding the Latest Practicable Date, Ms. Li has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Mr. Lei Wai Hoi (李偉海), is the company secretary of our Group. Details of his qualifications and experience are set out in the paragraph headed "Senior Management" above in this section.

COMPLIANCE OFFICER

Mr. Yip Shiu Ching (葉韶青), is the compliance officer of our Company. Details of his qualifications and experience are set out in the paragraph headed "Directors — Executive Directors" above in this section.

CORPORATE GOVERNANCE

Our Company will comply with the Corporate Governance Code in Appendix 15 to the GEM Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and include our corporate governance report in our annual reports upon [REDACTED]. The terms of reference for performing the corporate governance functions in compliance with the Corporate Governance Code were approved by our Board for adoption on 1 December 2017.

COMMITTEES OF THE BOARD OF DIRECTORS

Our Board delegates certain responsibilities to various committees. In accordance with our Articles of Association and the GEM Listing Rules, we have formed three board committees, namely, the audit committee, the nomination committee and the remuneration committee.

Audit Committee

Our Company established the audit committee on 1 December 2017 in compliance with Rule 5.28 of the GEM Listing Rules with written terms of reference in compliance with paragraph C.3.3 of the code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. Our audit committee consists of Mr. Leung Chi Hung, Ms. Wong Lai Na and Ms. Hung Siu Woon Pauline. Mr. Leung Chi Hung is the chairman of our audit committee.

The primary duties of our audit committee include:

(a) making recommendations to our Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;

(b) reviewing and monitoring the extent of the non-audit work undertaken by external auditors;

(c) reviewing our annual financial statements, our annual report and accounts and our half-year report and significant financial reporting judgements contained therein; and

(d) reviewing our financial controls, internal control and risk management systems.

Nomination Committee

Our Company established the nomination committee on 1 December 2017 with written terms of reference in compliance with paragraph A.5.2 of the code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. Our nomination committee consists of Ms. Hung Siu Woon Pauline, Mr. Leung Chi Hung, and Ms. Wong Lai Na. Ms. Hung Siu Woon Pauline is the chairman of our nomination committee.

The primary duties of our nomination committee include:

(a) assisting our Board in discharging its responsibilities relating to the composition of our Board;

(b) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy;

(c) identifying individuals suitably qualified to become members of our Board and selecting or making recommendations to our Board on the selection of individuals nominated for directorships;

(d) assessing the independence of our independent non-executive Directors; and

(e) making recommendations to our Board on the appointment and succession planning for our Directors.

Remuneration Committee

Our Company established the remuneration committee on 1 December 2017 in compliance with Rule 5.34 of the GEM Listing Rules with written terms of reference in compliance with paragraph B.1.2 of the code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. Our remuneration committee consists of Ms. Wong Lai Na, Mr. Leung Chi Hung and Ms. Hung Siu Woon Pauline. Ms. Wong Lai Na is the chairman of our remuneration committee.

The primary duties of our remuneration committee include:

(a) making recommendations to our Board on our Company's remuneration policy and structure for all of our Directors and senior management;

(b) determining the individual remuneration packages of our executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments; and

(c) recommending and monitoring the remuneration of senior management below Board level.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Titan Financial as our compliance adviser, who will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;

(iii) where our Company proposes to use the proceeds of the [REDACTED] in a manner different from that detailed in this document or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this document; and

(iv) where the Stock Exchange makes an inquiry of our Company concerning unusual movements in the price or trading volume of the Shares under Rule 17.11 of the GEM Listing Rules.

The term of appointment shall commence on the [REDACTED] Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the [REDACTED] Date and such appointment shall be subject to extension by mutual agreement.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, allowance, discretionary bonuses and other benefits as well as contributions to retirement benefit schemes. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the business operations.

During the Track Record Period, the remuneration of our Directors and our senior management was determined with reference to their respective experience, responsibilities with our Group and general market conditions. Discretionary bonus (if any) is linked to the performance of our Group and of individual Director or senior management. Our Company intends to continue its remuneration policies after the [REDACTED], subject to the review by and the recommendations of the remuneration committee of our Company.

For FY2016 and FY2017, the aggregate amount of remuneration paid or payable by our Group to our Directors was approximately HK$2.4 million and HK$3.1 million, respectively.

For FY2016 and FY2017, the aggregate amount of remuneration paid or payable by our Group to our five highest paid individuals (excluding our Directors amongst the five highest paid individuals) was approximately HK$1.2 million and HK$1.2 million, respectively.

Save as disclosed above, no other payments have been paid or are payable by our Group in respect of FY2016 and FY2017 to our Directors or the five highest paid individuals of our Group.

It is estimated that, under the arrangements currently in force, the aggregate remuneration (excluding any discretionary bonus) payable by our Group to our Directors for the year ending 30 June 2018 will be approximately HK$3.6 million.

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors or our five highest paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office. Furthermore, none of our Directors waived or agreed to waive any remuneration.

EMPLOYEES' REMUNERATION AND RETIREMENT BENEFIT SCHEMES

Please refer to the paragraph headed "Business — Employees" of this document for details relating to the number of employees, relationship amongst employees, training and recruitment policies measures to prevent us from having illegal workers and remuneration policy of our Group.

Share Option Scheme

We have conditionally adopted the Share Option Scheme, the purpose of which is to motivate the relevant participants to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. The principal terms of this scheme are summarised in the paragraph headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this document.

The maximum number of Shares which may be issued, upon exercise of all options that may be granted under the Share Option Scheme and any other option scheme involving the issue or grant of options over Shares or other securities by our Company or any of its subsidiaries or invested entity shall not in aggregate exceed 10% of the number of Shares in issue as of the date of [REDACTED] (assuming the [REDACTED] is not exercised); and the Board has been authorised to determine the grant of a right to subscribe for Shares under, and pursuant to the terms of the Share Option Scheme and to determine the grantees, number of options to be granted to each grantee and the terms and conditions of such grants pursuant to the terms of, the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares to be issued upon exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme), the following persons/entities will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held/interested in immediately after completion of the [REDACTED] and the [REDACTED]	Percentage of shareholding immediately after completion of the [REDACTED] and the [REDACTED]
Talent Gain	Beneficial owner	[REDACTED]	[REDACTED]
Mr. Kung	Interest in controlled corporation *(Note 1)*	[REDACTED]	[REDACTED]
Mr. Yip	Interest in controlled corporation *(Note 1)*	[REDACTED]	[REDACTED]
Mr. Kam	Interest in controlled corporation *(Note 1)*	[REDACTED]	[REDACTED]
Ms. Szeto Sin Fun	Family interest *(Note 2)*	[REDACTED]	[REDACTED]
Ms. Chiu Wai King	Family interest *(Note 3)*	[REDACTED]	[REDACTED]
Mr. Yip Pak Lam	Family interest *(Note 4)*	[REDACTED]	[REDACTED]
Mr. Yip Hon Lam	Family interest *(Note 4)*	[REDACTED]	[REDACTED]
Ms. Chan Kit Yee	Family interest *(Note 5)*	[REDACTED]	[REDACTED]
[REDACTED]	Beneficial owner	[REDACTED]	[REDACTED]
Mr. Ho Kwan Chuen	Interest in controlled corporation *(Note 6)*	[REDACTED]	[REDACTED]
Ms. Tsang Kwong Chee	Family interest *(Note 7)*	[REDACTED]	[REDACTED]

Notes:

1. Talent Gain is owned as to 34% by Mr. Kung, 33% by Mr. Yip and 33% by Mr. Kam. Since Mr. Kung is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Talent Gain, Mr. Kung is deemed to be interested in the Shares in which Talent Gain is interested under the SFO. Further, pursuant to the Concert Party Deed, details of which are set out in the paragraph headed "History and Development — Concert Party Deed" of this document, immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares to be issued upon exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme), Mr. Yip, Mr. Kam and Mr. Kung are acting in concert with one another and each of them is deemed to exercise or control the exercise of [REDACTED]% of the voting power at general meetings of Talent Gain, and is therefore deemed to be interested in the Shares in which Talent Gain is interested under the SFO.

2. Ms. Szeto Sin Fun is Mr. Kung's spouse and is deemed to be interested in the Shares in which Mr. Kung is interested under the SFO.

3. Ms. Chiu Wai King is Mr. Yip's spouse and is deemed to be interested in the Shares in which Mr. Yip is interested under the SFO.

4. Mr. Yip Pak Lam and Mr. Yip Hon Lam are both Mr. Yip's children aged below 18 and are deemed to be interested in the Shares in which Mr. Yip is interested under the SFO.

5. Ms. Chan Kit Yee is Mr. Kam's spouse and is deemed to be interested in the Shares in which Mr. Kam is interested under the SFO.

6. The [REDACTED] is wholly owned by Mr. Ho Kwan Chuen.

7. Ms. Tsang Kwong Chee is Mr. Ho Kwan Chuen's spouse and is deemed to be interested in the Shares in which Mr. Ho Kwan Chuen is interested under the SFO.

Furthermore, in view of the Concert Party Deed, details of which are set out in the paragraph headed "History and Development — Concert Party Deed" of this document, Mr. Kung, Mr. Yip and Mr. Kam will, through Talent Gain, control an aggregate of [REDACTED] Shares, representing [REDACTED]% of the enlarged issued share capital of our Company after completion of the [REDACTED] and the [REDACTED] (without taking into any Shares to be issued upon exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme). Hence, Talent Gain, Mr. Kung, Mr. Yip and Mr. Kam are a group of Controlling Shareholders within the meaning of the GEM Listing Rules.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares to be issued upon exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

SHARE CAPITAL

The authorised and issued share capital of our Company immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares to be issued upon exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme) will be as follows:

Authorised share capital		**Nominal value** *HK$*
5,000,000,000	Shares	50,000,000

		Nominal value *HK$*
Share of HK$0.01 each in issue and to be issued, fully paid or credited as fully paid upon completion of the [REDACTED] and the [REDACTED]:		
1,000	Shares in issue as at the date of this document	10
[REDACTED]	Shares to be issued pursuant to [REDACTED]	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	Shares in total	[REDACTED]

ASSUMPTIONS

The above table assumes that the [REDACTED] becomes unconditional and the issue of Shares pursuant to the [REDACTED] and the [REDACTED] are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the [REDACTED] or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

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 the time of the [REDACTED] and at all times thereafter be held by the public. The [REDACTED] [REDACTED] represent 25% of the issued share capital in hands of the public (as defined in the GEM Listing Rules) upon [REDACTED].

RANKING

The [REDACTED] will rank *pari passu* in all respects with all our Shares now in issue or to be issued as mentioned in this document, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this document save for the entitlement under the [REDACTED].

[REDACTED]

Pursuant to the resolutions of our Shareholders passed on 1 December 2017, subject to the share premium account of our Company being credited as a result of the [REDACTED] or otherwise having sufficient balance, our Directors are authorised to allot and issue a total of [REDACTED] Shares credited as fully paid at par to the holders of Shares on the register of members of our Company as at 1 December 2017 (or to their respective nominees) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their shareholdings in our Company by way of capitalisation of the sum of HK$[REDACTED] standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares. For further details, please see the paragraph headed "Statutory and General Information — A. Further Information about Our Group — 3. Written resolutions of our Shareholders passed on 1 December 2017" in Appendix IV to this document.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the paragraph "Structure and Conditions of the [REDACTED] — Conditions of the [REDACTED]" of this document, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate number of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

(a) 20% of the number of Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding any Shares to be issued upon exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme); and

(b) the total number of Shares repurchased pursuant to the general mandate granted to our Directors referred to in the paragraph headed "General Mandate to Repurchase Shares" in this section.

Our Directors may, in addition to our Shares which they are authorised to issue under the general mandate, allot, issue and deal in our Shares pursuant to a rights issue, scrip dividends or similar arrangements or options granted or to be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company; or

(b) 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

(c) the date when such mandate is revoked or varied or renewed by an ordinary resolution of our Shareholders in general meeting, whichever occur the earliest.

For details of this general mandate, please refer to the paragraph headed "Statutory and General Information — A. Further Information about Our Group — 3. Written resolutions of our Shareholders passed on 1 December 2017" in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the paragraph headed "Structure and Conditions of the [REDACTED] — Conditions of the [REDACTED]" of this document being fulfilled, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate number of Shares of not more than 10% of the number of Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding any Shares to be issued upon exercise of the [REDACTED] and any option which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed "Statutory and General Information — A. Further Information about Our Group — 6. Repurchase of our Shares by our Company" in Appendix IV to this document.

The general mandate to repurchase Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company; or

(b) the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(c) the date when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For details of this general mandate, please refer to the paragraph headed "Statutory and General Information — A. Further Information about Our Group — 6. Repurchase of our Shares by our Company" in Appendix IV to this document.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the paragraph headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this document.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of 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, we will hold general meetings as prescribed for under our Articles and the Memorandum of Association, a summary of which is set out in Appendix III to this document.

*You should read this section in conjunction with our Group's audited combined financial statements, including the notes thereto, as set out in the Accountant's Report set out in Appendix I to this document. Our Group's combined financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**"). You should read the entire Accountant's Report and not merely rely on the information contained in this section.*

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections will depend on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the section "Risk Factors" of this document.

OVERVIEW

We principally provide specialised works and general building works as a main contractor in Hong Kong through Wai Tat, our key operating subsidiary. We undertake specialised works which include (i) foundation and site formation works which include piling works, ELS works, construction of footings and pile caps; (ii) demolition works; and (iii) ground investigation field works. In addition, we also undertake superstructure building works and other general building works including slope maintenance works, hoarding works, A&A works and other miscellaneous construction works which are ancillary in nature. For further information about our business and operations, please refer to the section headed "Business" of this document. During the Track Record Period, our Group recognised an overall revenue of approximately HK$120.0 million, with approximately (i) HK$74.8 million from 17 completed projects; and (ii) HK$45.2 million from 12 projects on hand. Subsequent to the Track Record Period and up to the Latest Practicable Date, we (i) were awarded two projects with aggregate awarded contract sum of approximately HK$0.8 million; and (ii) have completed four projects with aggregate awarded contract sum of approximately HK$2.2 million, of which approximately HK$1.6 million was recognised as revenue during the Track Record Period. As at the Latest Practicable Date, we had ten projects on hand with a total awarded contract sum of approximately HK$165.5 million, of which approximately HK$43.7 million was recognised as revenue during the Track Record Period.

For FY2016 and FY2017, our Group generated revenue of approximately HK$40.4 million and HK$52.8 million, respectively, from specialised works, representing approximately 90.6% and 70.1% of our total revenue for the respective years, while the remaining of approximately HK$4.2 million and HK$22.5 million were derived from general building works, indicating approximately 9.4% and 29.9% of our total revenue for the respective years. For the corresponding years, our Group recorded profit and total comprehensive income of approximately HK$8.5 million and HK$9.5 million, respectively.

BASIS OF PRESENTATION

Prior to the Reorganisation, Wai Tat was controlled by Mr. Kung, Mr. Yip and Mr. Kam. In preparation of the [REDACTED], our Company was incorporated as an exempted company under the laws of the Cayman Islands on 11 July 2017 with limited liability and the companies comprising our Group underwent the Reorganisation, further details of which are set out in the paragraph headed ''History and Development — Reorganisation'' of this document. Upon completion of the Reorganisation, on 24 November 2017, our Company has become the holding company of the companies now comprising our Group. Our Group comprising our Company and our subsidiaries resulting from the Reorganisation is regarded as a continuing entity, and accordingly, the combined financial statements have been prepared as if our Company had always been the holding company of our Group.

The combined statements of comprehensive income, combined balance sheets, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period as set out in the Accountant's Report in Appendix I to this document are prepared as if the current group structure had been in existence throughout the Track Record Period. For further details, please refer to note 2 in the Accountant's Report set out in Appendix I to this document.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies adopted by our Group are set forth in details in note 2 in the Accountant's Report set out in Appendix I to this document. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. The determination of these items requires management judgements based on information and financial data that may change in future periods and subject to inherent uncertainties. The estimates and the associated assumptions are based on historical data and our experience and factors that we believe to be relevant and reasonable under the circumstances. The following summarises the critical accounting policies and estimates applied in the preparation of our Group's combined financial statements:

Revenue recognition

Our revenue from the provision of specialised works and general building works 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 is established by reference to the proportion that the work performed to date as a percentage to the total estimated contract value. Generally, we submit regular progress payment applications to our customers on a monthly basis in accordance with the value of construction works undertaken by us, and the architects engaged by our customers will issue a progress certificate certifying the portion of works completed after inspection, which normally takes around one month from the date of progress payment application. Our Group normally will then issue the progress billing to our customers within five days upon receipt of such progress certificate. Therefore, there is normally a timing difference between completion of site works for a reporting period and the issuance of progress certificates.

We recognise revenue based on the progress certificate (which would make reference to the amounts of our completed works during the relevant period) certified by the architects who are appointed by our customers. These progress certificates generally state the certified amounts with respect to the portion of works completed by us for the specified period and we generally fully recognise the revenue based on the latest progress certificates for the projects undertaken by us. There are some cases where the progress certificates do not exactly cover periods up to the reporting period-end dates. In case the progress certificates for our projects cover two consecutive reporting periods, it is generally our practice to fully recognise the revenue in a particular reporting period if the progress certificates fall substantially within that reporting period. In order to determine whether there is any material cut-off adjustment arising from those progress certificates which cover two consecutive reporting periods, we will assess the amount of potential adjustments by apportioning the revenue to be recognised in a particular reporting period with reference to the number of days in the corresponding reporting period as specified in such progress certificates. Based on our assessment of such progress certificates, we are of the view that the potential adjustment to the revenue recognised is immaterial. In addition, in case where the progress certificates for our projects are issued after the reporting period, we will fully recognise the revenue in the relevant reporting periods as long as the respective construction works completed before the end of the reporting periods have been certified by the architects engaged by our customers.

Variations in contract works, claims and incentive payments are included in contract revenue to the extent that may have been agreed with our customer and are capable of being reliably measured.

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 the total contract costs will exceed the total contract revenue, 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.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Our Group assesses at the end of each reporting period whether there is objective evidence that the trade and other receivables are impaired. 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 and that loss event has an impact on the estimated future cash flows of the trade and other receivables that can be reliably estimated.

Trade and retention payables

Trade and retention payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and subcontractors. Trade and retention payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following summarises the key assumptions concerning the future, and other key sources of estimated uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Construction contracts

Our 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.

Our Group recognised 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. Our Group reviews and revises the estimate of the contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

Impairment of trade and retention receivables

Our Directors and senior management review regularly the recoverable amount of each individual trade and retention receivables to ensure that adequate impairment is made for the balances and assess the recoverable amount of each individual receivable whether there is objective evidence that the receivables are impaired. This evidence may include observable data indicating that there has been an adverse change in the payment status of the debtors and the local economic conditions that correlate with the potential risk of impairment on the transactions. Meanwhile, our Directors and senior management reassess the provision at each balance sheet date.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our financial conditions and results of operations have been and will continue to be affected by a number of factors, including those set out below and in the section headed "Risk Factors" of this document:

Market demand for construction activities in Hong Kong

During the Track Record Period, all our revenue are derived in Hong Kong. Market demand for our services depends on a number of factors, including the Hong Kong Government's investment in housing and infrastructure projects, the investment of property developers, the market conditions and trend in the construction industry as well as the prospects of Hong Kong's economy. In the event that the overall gross output value of the construction industry in Hong Kong and the number of construction projects in Hong Kong decrease, the demand of our services may fall and our operations and profitability may be adversely affected.

Our construction projects are non-recurring in nature

Our business is contract-based and non-recurring in nature, which we do not have any long-term commitments with our customers and the number of our customers may vary year to year. As at the Latest Practicable Date, we had ten projects on hand with a total awarded contract sum of approximately HK$165.5 million of which approximately HK$43.7 million was recognised as revenue during the Track Record Period. Upon completion of these projects on hand, we cannot assure that our existing customers will award new projects to us, nor can we guarantee that we would be able to maintain our business relationships with existing customers. In the event that we are unable to attract new customers or secure new projects from our existing customers, our future revenue and results of operations would be adversely affected.

Accuracy in the estimation of time and costs involved in projects when determining tender price

We determine our tender price based on various factors including the scope and complexity of the projects, site conditions, project time frame, estimated construction material costs, labour and machinery requirement and capacity, extent of subcontracted works required, our relationship with potential customers and prevailing market conditions. However, the actual amount of time and costs involved in completing a project may be adversely affected by many factors, including but not limited to, disputes with customers, suppliers, subcontractors and other project parties, difficulties in retaining necessary number of workers with requisite skills, receipt of variation orders from our customers, unexpected fluctuations in the market price of construction materials such as structural steel, concrete, reinforcement steel and other construction materials after the commencement of project, and other unforeseen circumstances. For FY2016 and FY2017, subcontracting charges, construction material costs and staff costs are the major components of our actual costs incurred under total cost of sale, which in aggregate represented approximately 87.0% and 91.8% of our total actual costs incurred for the respective years. Any material inaccurate estimation in time and costs involved in a project may adversely affect our profit margin and results of operations.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our Group's subcontracting charges, construction material costs and staff costs on our profit before tax during the Track Record Period, assuming all other variables remained constant, with reference to the historical fluctuation of our cost of sales during the Track Record Period:

	Hypothetical fluctuations in subcontracting charges	
	+/-2.5%	**+/-5%**
	HK$'000	*HK$'000*
Increase/Decrease in profit before tax		
FY2016	+/-486	+/-972
FY2017	+/-746	+/-1,492

	Hypothetical fluctuations in construction material costs	
	+/-2.5%	**+/-5%**
	HK$'000	*HK$'000*
Increase/Decrease in profit before tax		
FY2016	+/-111	+/-222
FY2017	+/-201	+/-402

	Hypothetical fluctuations in staff costs	
	+/-2.5%	**+/-5%**
	HK$'000	*HK$'000*
Increase/Decrease in profit before tax		
FY2016	+/-89	+/-178
FY2017	+/-107	+/-214

Collectability and timing of collection of our trade receivables and retention receivables

We receive progress payment from our customers pursuant to the respective contractual terms. In general, we normally submit payment applications to our customers on a monthly basis. Progress certificate will be issued to us and payment will subsequently be made by our customers, and a portion of such payment, which is in general up to 10% of the value of works done, subject to a maximum limit of 5% of the total contract sum, is usually withheld by our customers as retention monies. The release of retention monies vary from contract to contract, which may subject to, practical completion, the expiry of the defect liability period or a pre-agreed time period. As at 30 June 2017, our trade receivables and retention receivables were approximately HK$28.2 million and HK$5.5 million, respectively. Any failure by our customers to make payment to our Group on a timely basis may have a material adverse effect on our liquidity, cash flow and financial performance.

RESULTS OF OPERATIONS

The following table sets out the combined statements of comprehensive income for FY2016 and FY2017, as extracted from the Accountant's Report set forth in Appendix I to this document:

Combined statements of comprehensive income

	FY2016	**FY2017**
	HK$'000	*HK$'000*
Revenue	44,655	75,370
Cost of sales	(31,428)	(52,625)
Gross profit	13,227	22,745
Other income	122	558
Other gain	24	12
Administrative expenses	(3,192)	(10,831)
Operating profit	10,181	12,484
Finance costs	(45)	(33)
Profit before income tax	10,136	12,451
Income tax expense	(1,605)	(2,984)
Profit and total comprehensive income for the year and attributable to owners of our Company	8,531	9,467

DESCRIPTION OF SELECTED ITEMS FOR THE COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Our revenue was principally derived from the provision of specialised works and general building works in Hong Kong. The following table sets forth the breakdown of our revenue by type of works for the years indicated:

	FY2016		FY2017	
	HK$'000	*%*	*HK$'000*	*%*
Specialised works				
Foundation and site formation works	36,843	82.5	47,056	62.5
Demolition works	2,677	6.0	3,939	5.2
Ground investigation field works	929	2.1	1,834	2.4
Sub-total	40,449	90.6	52,829	70.1
General building works				
Superstructure building works	—	—	14,205	18.8
Others *(Note)*	4,206	9.4	8,336	11.1
Sub-total	4,206	9.4	22,541	29.9
Total	44,655	100.0	75,370	100.0

Note: Others include slope maintenance works, hoarding works, A&A works and other miscellaneous construction works which are ancillary in nature.

For FY2016 and FY2017, our Group generated total revenue of approximately HK$44.7 million and HK$75.4 million, respectively, among which, approximately HK$40.4 million and HK$52.8 million were derived from specialised works, representing approximately 90.6% and 70.1% of our total revenue for the respective years, while the remaining of approximately HK$4.2 million and HK$22.5 million were derived from the general building works, respectively, indicating approximately 9.4% and 29.9% of our total revenue for the respective years.

During the Track Record Period, we completed 17 projects, among which, 11 projects were specialised projects and six projects were general buildings works projects. For details, please refer to the paragraph headed "Business — Our Business Model and Our Projects" of this document.

During the Track Record Period, we undertook both (i) private sector projects as a main contractor or subcontractor, which comprise mostly residential and commercial building projects commissioned by privately-owned property developers, construction companies and property management companies, and (ii) public sector projects as subcontractor, which include projects commissioned by the Hong Kong Government, statutory bodies and public organisations. The following table sets forth the breakdown of our revenue by public and private sector projects for the years indicated:

	FY2016		**FY2017**	
	HK$'000	*%*	*HK$'000*	*%*
Private sector	41,169	92.2	68,692	91.1
Public sector	3,486	7.8	6,678	8.9
Total	44,655	100.0	75,370	100.0

For FY2016 and FY2017, approximately 92.2% and 91.1% of our total revenue were generated from the private sector, respectively.

The following table sets forth the breakdown of our revenue by types of building for the years indicated:

	FY2016		**FY2017**	
	HK$'000	*%*	*HK$'000*	*%*
Residential buildings	30,629	68.6	20,089	26.7
Commercial buildings	—	—	10,726	14.2
Others *(Note)*	14,026	31.4	44,555	59.1
Total	44,655	100.0	75,370	100.0

Note: Others include columbarium, retaining walls, slope maintenance, school campus, etc.

For FY2016 and FY2017, approximately 68.6% and 26.7% of our total revenue were generated from projects for residential buildings, respectively. Such decrease was mainly due to (i) the decrease in aggregated revenue of approximately HK$11.9 million recognised for foundation and site formation project in Kwai Fong; and (ii) the completion of one demolition project in To Kwa Wan and one foundation and site formation project in Stanley during FY2016.

We recorded nil and approximately 14.2% of our total revenue was generated from projects for commercial buildings for FY2016 and FY2017, respectively. Such increase mainly due to our engagement of four new projects during FY2017, especially one foundation and site formation project in Central and one demolition project in Hung Hom which recognised aggregated revenue of approximately HK$10.1 million.

For FY2016 and FY2017, approximately 31.4% and 59.1% of our total revenue were generated from projects for others, respectively. Such increase was mainly due to our engagement of one new foundation and site formation project and one new superstructure building works project in Tuen Mun which recognised aggregated revenue of approximately HK$30.2 million.

The table below sets out a breakdown of our revenue by our role as main contractor and subcontractor for the years indicated:

	FY2016		**FY2017**	
	HK$'000	*%*	*HK$'000*	*%*
Main contractor	40,449	90.6	71,012	94.2
Subcontractor	4,206	9.4	4,358	5.8
Total	44,655	100.0	75,370	100.0

We principally carry out our projects as a main contractor with approximately 90.6% and 94.2% of our total revenue generated for FY2016 and FY2017, respectively.

Cost of sales

Our cost of sales primarily consisted of subcontracting charges, construction material costs, staff costs, consultancy fees, testing and survey fees as well as insurance expenses. The table below sets forth a breakdown of our costs of sales for the years indicated:

	FY2016		**FY2017**	
	HK$'000	*%*	*HK$'000*	*%*
Subcontracting charges	19,447	61.7	29,845	65.0
Construction material costs	4,454	14.1	8,049	17.5
Staff costs	3,549	11.2	4,280	9.3
Others *(Note)*	4,103	13.0	3,769	8.2
Total actual costs	31,553	100.0	45,943	100.0
Add: Net movement of amounts due from/(to) customers for contract works	(125)		6,682	
Total	31,428		52,625	

Note: Others consists of consultancy fees, testing and survey fees as well as insurance expenses.

For FY2016 and FY2017, our principal actual costs incurred under the total cost of sales was subcontracting charges, with approximately 61.7% and 65.0% of our total actual costs incurred for the respective years. The net movement of amounts due from/(to) customers from contract work arises as a result of the timing difference between incurred cost and cost attributable to revenue, whereas both revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each the reporting year. Therefore, the cost of sales represents costs attributable to the revenue recognised during the respective years.

Subcontracting charges

Our subcontracting charges represented the fees paid to our subcontractors for certain construction works, including foundation works, such as ELS works and piling works and demolition works, which is a common industry practice in Hong Kong. We recorded subcontracting charges of approximately HK$19.4 million and HK$29.8 million for FY2016 and FY2017, respectively, representing approximately 61.7% and 65.0% of our actual costs incurred under total costs of sales for the respective years.

Construction material costs

Our construction materials mainly comprise structural steel, concrete and reinforcement steel. For FY2016 and FY2017, we recorded construction material costs of approximately HK$4.5 million and HK$8.0 million, respectively, representing approximately 14.1% and 17.5% of our total actual costs incurred under total cost of sales for the respective years.

Staff costs

Staff costs represent the salaries and other staff benefits for our staff which are directly incurred for the provision of our specialised works and general building works. For FY2016 and FY2017, we recorded staff costs of approximately HK$3.5 million and HK$4.3 million, respectively, representing approximately 11.2% and 9.3% of our total actual costs incurred under total cost of sales for the respective years.

Others

Others primarily consists of consultancy fees, testing and survey fees and insurance expenses. For FY2016 and FY2017, we recorded others of approximately HK$4.1 million and HK$3.8 million, respectively, representing approximately 13.0% and 8.2% of our total actual costs incurred under total cost of sales for the respective years.

Gross profit and gross profit margin

The following table sets forth our gross profits and gross profit margins by type of works for the years indicated:

	FY2016		FY2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*
Specialised works				
Foundation and site formation works	12,317	33.4	16,496	35.1
Demolition works	637	23.8	1,084	27.5
Ground investigation field works	104	11.2	312	17.0
Sub-total	13,058	32.3	17,892	33.9
General building works				
Superstructure building works	—	—	4,308	30.3
Others *(Note)*	169	4.0	545	6.5
Sub-total	169	4.0	4,853	21.5
Total	13,227	29.6	22,745	30.2

Note: Others include slope maintenance works, hoarding works, A&A works and other miscellaneous construction works which are ancillary in nature.

For FY2016 and FY2017, our overall gross profit was approximately HK$13.2 million and HK$22.7 million, respectively, and our overall gross profit margins were approximately 29.6% and 30.2% for the respective years, details of which are explained below:

Specialised works

- Foundation and site formation works — Our gross profit margin increased from approximately 33.4% for FY2016 to approximately 35.1% for FY2017. Such increase was primarily due to our engagement of a new project in Tuen Mun with higher gross profit margin. Our Directors believe that higher gross profit margin was primarily due to the project complexity and our fulfilment with regards to the specific working schedule required by such customer in order not to interrupt its daily operation at the work site during the course of our construction works.

- Demolition works — Our gross profit margin increased from approximately 23.8% for FY2016 to approximately 27.5% for FY2017. Such increase was primarily due to our engagement of two new projects in Hung Hom and Repulse Bay with aggregate awarded contract sum of approximately HK$3.8 million with a relatively higher gross profit margin. Our Directors believe that higher gross profit margin recorded for these projects was

primarily due to the project complexity, in particular, we have submitted alternative designs for our project in Repulse Bay, which led to cost saving to our overall actual costs incurred for such project.

- Ground investigation field works — Our gross profit margin increased from approximately 11.2% for FY2016 to approximately 17.0% for FY2017. Such increase was primarily due to the engagement of one new project in Tuen Mun with awarded contract sum of approximately HK$1.5 million leading to a higher level of gross profit during FY2017 as compared to our engagement of three projects with aggregate awarded contract sum of approximately HK$1.1 million during FY2016. Our Directors believe that such higher gross profit margin was primarily due to the project size and complexity of the new project.

General building works

- Superstructure building works — Our gross profit margin for a new project in Tuen Mun in FY2017 was approximately 30.3%, whilst no superstructure building works project was engaged during FY2016. Such new project was with an awarded contract sum of approximately HK$83.9 million, which we acted as main contractor for the provision of the superstructure building works with respect to a columbarium in Tuen Mun. Our Directors believe that the high gross profit margin was primarily due to the project complexity with the involvement of fitting out works.

- Others — Our gross profit margin increased from approximately 4.0% for FY2016 to approximately 6.5% for FY2017. Such increase was primarily due to our engagement of five new projects in FY2017 with aggregate awarded contract sum of approximately HK$15.7 million during FY2017 as compared to the engagement of a project with respect to the provision of slope maintenance works in Tsing Ma Control Area with an awarded contract sum of approximately HK$4.2 million during FY2016. Our other general building works recorded a lower gross profit margin than the gross profit margin of our other construction works mainly due to those projects were public sector projects which generally recorded a lower gross profit.

Our gross profit margin of each individual project depends on a number of factors, including but not limited to the scope and complexity of the project, site conditions, project time frame, estimated construction material costs and labour cost plus a mark-up margin at the time when we submit our tender proposal to our potential customer, and therefore varies from project to project. The foundation and site formation projects undertaken by us generally had a higher gross profit margin, with approximately 33.4% and 35.1% for FY2016 and FY2017, respectively, as our Directors believe that (i) our established relationship and track record with our suppliers and subcontractors, in particular, we generally settle payment in a timely manner, have enabled us to purchase construction materials and engage subcontracting services at a discounted price from some of our major suppliers and subcontractors during the Track Record Period; (ii) our established track record and the experience, expertise and technical capabilities of our executive Directors and senior management have enabled us to comply with our customers' requirements with alternative designs at a more cost efficient approach; and (iii) our capability in procurement of construction materials and engagement of subcontractors with competitive terms during the course of the project have enabled us to have a lower actual project execution costs than the budgeted costs under initial tender price.

The following table sets forth a breakdown of our Group's gross profit and gross profit margin by public and private sector projects for the years indicated:

	FY2016		FY2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*
Private sector	13,089	31.8	22,536	32.8
Public sector	138	4.0	209	3.1
	13,227	29.6	22,745	30.2

Our gross profit from private sector projects increased by approximately HK$9.5 million from approximately HK$13.2 million for FY2016 to approximately HK$22.7 million for FY2017, while our gross profit margin remain stable at approximately 31.8% and 32.8% for FY2016 and FY2017, respectively. On other hand, our gross profit from public sector projects increased from approximately HK$0.1 million for FY2016 to approximately HK$0.2 million for FY2017, while our gross profit margin remain stable at approximately 4.0% and 3.1% for FY2016 and FY2017, respectively.

The following table sets forth a breakdown of our Group's gross profit and gross profit margin by our role as main contractor and subcontractor for the years indicated:

	FY2016		FY2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*
Main contractors	13,058	32.3	22,353	31.5
Subcontractors	169	4.0	392	9.0
	13,227	29.6	22,745	30.2

Our gross profit from projects in which we act as main contractor increased from approximately HK$13.1 million for FY2016 to approximately HK$22.4 million for FY2017, while our gross profit margin remain stable at approximately 32.3% and 31.5% for FY2016 and FY2017, respectively. On the other hand, our gross profit from projects in which we act as subcontractor increased from approximately HK$0.2 million for FY2016 to approximately HK$0.4 million for FY2017, while our gross profit margin increased from approximately 4.0% for FY2016 to approximately 9.0% for FY2017. Such increase was mainly due to our engagement of a new project in Sai Ying Pun with respect to the provision of hoarding works with higher gross profit margin.

The following table sets forth a breakdown of our Group's gross profit and gross profit margin by type of contracts awarded for the years indicated:

	FY2016		FY2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*
Design and build contracts	12,985	32.3	16,525	34.6
Build only contracts	104	11.1	6,075	25.7
Others *(Note)*	138	4.0	145	3.7
	13,227	29.6	22,745	30.2

Note: Others include project supervision, slope maintenance, etc.

Our gross profit and gross profit margin from "design and build" contracts increased from approximately HK$13.0 million and 32.3% for FY2016 to approximately HK$16.5 million and 34.6% for FY2017, respectively.

Our gross profit and gross profit margin from "build only" contracts increased from approximately HK$0.1 million and 11.1% for FY2016 to approximately HK$6.1 million and 25.7% for FY2017, respectively. Such increase was mainly due to the engagement of a new superstructure building works project in Tuen Mun with an awarded contract sum of approximately HK$83.9 million with a higher gross profit during FY2017 as compared to our engagement of three projects with aggregate awarded contract sum of approximately HK$0.9 million. For details of this project, please refer to paragraph headed "Description of Selected Items for the Combined Statements of Comprehensive Income — Gross profit and gross profit margin" of this section above.

Other income

Our other income primarily consisted of compensation from a customer with respect to its termination of contract and sundry income. For FY2016 and FY2017, our other income were approximately HK$122,000 and HK$558,000, respectively, accounted for approximately 0.3% and 0.7% of our total revenue during the respective years.

Administrative expenses

Our administrative expenses mainly include salaries and benefits to our administrative staff and the directors' emoluments, motor vehicle expenses, depreciation and operating lease charges. The following table sets forth a breakdown of our administrative expenses for the years indicated:

	FY2016		FY2017	
	HK$'000	*%*	*HK$'000*	*%*
Employee benefit expenses	1,938	60.7	2,855	26.4
Motor vehicles expenses	364	11.4	372	3.4
Depreciation	292	9.1	353	3.3
Operating lease charges in respect of our Group's office	156	4.9	258	2.4
Legal and professional fees	124	3.9	222	2.0
Auditor's remuneration				
— Audit services	86	2.7	86	0.8
— Non-audit services	15	0.5	210	2.0
[REDACTED] expenses	—	—	6,006	55.4
Others *(Note)*	217	6.8	469	4.3
Total	3,192	100.0	10,831	100.0

Note: Others mainly include utility expenses and sundry expenses.

Our administrative expenses was approximately HK$3.2 million and HK$10.8 million for FY2016 and FY2017, respectively, representing approximately 7.1% and 14.4% of our total revenue for the respective years.

Finance costs

Our finance costs solely represent interest expenses on obligations under finance leases with approximately HK$45,000 and HK$33,000 for FY2016 and FY2017, respectively.

Income tax expense

Our operations in Hong Kong is subject to Hong Kong profits tax of 16.5% and we have no tax obligation arising from other jurisdictions during the Track Record Period. For FY2016 and FY2017, our Group incurred income tax expense of approximately HK$1.6 million and HK$3.0 million, respectively. Our effective tax rates, calculated as our income tax expense for the corresponding years divided by our profit before taxation for the years, were approximately 15.8% and 24.0% for FY2016 and FY2017, respectively. For details of our income tax expense, please refer to note 11 of the Accountant's Report set out in Appendix I to this document.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had fulfilled all our income tax obligations and had no material disputes or unresolved tax issues with the relevant tax authorities.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

FY2016 compared with FY2017

Revenue

Our revenue increased by approximately HK$30.7 million or 68.7%, from approximately HK$44.7 million for FY2016 to approximately HK$75.4 million for FY2017. Such increase was primarily due to (i) the increase in revenue generated from the provision of specialised works of approximately HK$12.4 million; and (ii) the increase in revenue generated from the provision of general building works of approximately HK$18.3 million, details of which are explained below.

Specialised works

- Foundation and site formation works — Our revenue increased by approximately HK$10.3 million or 28.0%, from approximately HK$36.8 million for FY2016 to approximately HK$47.1 million for FY2017. Such increase was mainly due to (i) our engagement of three new projects in Tuen Mun, Repulse Bay and Central with aggregate awarded contract sum of approximately HK$69.7 million, with approximately HK$26.8 million recognised revenue during FY2017; and (ii) approximately HK$1.8 million was recognised for a project in Sai Kung, which we have been negotiating with such customer for the final account payment and the final progress certificate were subsequently issued by the architect engaged by such customer during FY2017, which was partially netted off by the decrease in aggregated revenue of approximately HK$18.4 million recognised for (i) one project in Stanley which was completed during FY2016; and (ii) two projects in Tuen Mun and Kwai Fong which were completed during FY2017.

- Demolition works — Our revenue increased by approximately HK$1.2 million or 44.4%, from approximately HK$2.7 million for FY2016 to approximately HK$3.9 million for FY2017. Such increase was mainly due to our engagement of two new projects in Repulse Bay and Hung Hom with aggregate awarded contract sum of approximately HK$3.8 million which were completed during FY2017, which was partially netted off by the decrease in revenue of approximately HK$2.7 million from a project in To Kwa Wan which was completed during FY2016.

- Ground investigation field works — Our revenue increased by approximately HK$0.9 million or 100.0%, from approximately HK$0.9 million for FY2016 to approximately HK$1.8 million for FY2017. Such increase was mainly due to our engagement of one new project with awarded contract sum of approximately HK$1.5 million in Tuen Mun.

General building works

- Superstructure building works — We recorded approximately HK$14.2 million revenue in FY2017 (FY2016: nil) solely due to our engagement of a new project in Tuen Mun with an awarded contract sum of approximately HK$83.9 million during FY2017.

- Others — Our revenue increased by approximately HK$4.1 million or 97.6%, from approximately HK$4.2 million for FY2016 to approximately HK$8.3 million for FY2017. Such increase was mainly due to our engagement of two new projects for the drilling and construction of gas wells in New Territories and the provision of slope maintenance works in Tsing Ma Control Area with aggregate awarded contract sum of approximately HK$6.8 million, both of which were completed during FY2017.

Cost of sales

Our cost of sales increased by approximately HK$21.2 million or 67.5%, from approximately HK$31.4 million for FY2016 to approximately HK$52.6 million for FY2017. Such increase was primarily due to the increase in subcontracting charges and construction material costs of approximately HK$10.4 million and HK$3.6 million, respectively, which was in line with the increase in our revenue as a result from the increased number and scale of construction projects undertaken by us for FY2017.

Gross profit and gross profit margin

Our overall gross profit increased by approximately HK$9.5 million or 72.0%, from approximately HK$13.2 million for FY2016 to approximately HK$22.7 million for FY2017. Our overall gross profit margin increased from approximately 29.6% for FY2016 to approximately 30.2% for FY2017. Such increase was primarily attributable to (i) the increase in gross profit margin of specialised works from approximately 32.3% for FY2016 to approximately 33.9% for FY2017; and (ii) the increase in gross profit margin of general building works from approximately 4.0% for FY2016 to approximately 21.5% for FY2017. The gross profit and gross profit margin of our Group are generally attributable to our tender price of the projects. Our Directors generally take into account various factors in considering the tender price and profit margin of a project, such as the scope and complexity of the project, site conditions, project time frame, estimated construction material costs and labour costs plus a mark-up margin at the time when we submit our tender proposal to our potential customers. As such, our Directors are of the view that there is no clear benchmark of profit margin on both general building works and specialised building works undertaken by our Group.

For detailed analysis regarding the fluctuations of our Group's gross profit margin for the Track Record Period, please refer the paragraph headed "Description of Selected Items for the Combined Statements of Comprehensive Income — Gross profit and gross profit margin" of this section above.

Other income

Our other income increased by approximately HK$0.5 million or 500%, from approximately HK$0.1 million for FY2016 to approximately HK$0.6 million for FY2017. Such increase was mainly due to the other income recorded with respect to the compensation from a customer with respect to its termination of contract of approximately HK$0.4 million.

Administrative expenses

Our administrative expenses increased by approximately HK$7.6 million or 237.5%, from approximately HK$3.2 million for FY2016 to approximately HK$10.8 million for FY2017. Such increase was primarily due to (i) the recognition of [REDACTED] expenses of approximately HK$6.0 million; and (ii) the increase in employee benefit expenses of approximately HK$0.9 million resulted from the increase in directors' emoluments.

Finance costs

Our finance costs remained stable at approximately HK$45,000 and HK$33,000 for FY2016 and FY2017, respectively.

Income tax expense

Our income tax expense increased by approximately HK$1.4 million or 87.5%, from approximately HK$1.6 million for FY2016 to approximately HK$3.0 million for FY2017. Such increase was primarily due to the increase in profit before tax by approximately HK$2.3 million or 22.6% as resulted from the aforementioned. Our effective income tax rate (calculated as income tax expenses divided by profit before tax) increased from approximately 15.8% for FY2016 to approximately 24.0% for FY2017 mainly due to the tax effect of the non-deductible [REDACTED] expenses of approximately HK$6.0 million recognised during FY2017.

Profit and total comprehensive income for the year and net profit margin

As a result of the foregoing, our profit and total comprehensive income for the period increased by approximately HK$1.0 million or 11.8%, from approximately HK$8.5 million for FY2016 to approximately HK$9.5 million for FY2017.

Our net profit margin decreased from approximately 19.1% for FY2016 to approximately 12.6% for FY2017. Such decrease was mainly due to the recognition of [REDACTED] expenses of approximately HK$6.0 million during FY2017. By excluding the [REDACTED] expenses, our net profit margin was approximately 20.5%.

NET CURRENT ASSETS

The following table sets forth the breakdown of our current assets and current liabilities as at the dates indicated:

	As at 30 June 2016 *HK$'000*	As at 30 June 2017 *HK$'000*	As at 31 October 2017 *HK$'000* (Unaudited)
Current assets			
Trade and retention receivables	9,374	33,702	30,447
Deposits, prepayments and other receivables	826	2,877	960
Amounts due from customers for contract works	3,318	1,073	—
Restricted cash	—	2,507	4,652
Cash and cash equivalents	16,748	14,328	2,388
	30,266	54,487	38,447
Current liabilities			
Trade and retention payables	3,871	8,114	945
Accruals and other payables	700	4,042	2,152
Amounts due to customers for contract works	2,019	6,456	1,627
Obligations under finance leases	246	327	146
Current income tax liabilities	2,598	1,807	—
	9,434	20,746	4,870
Net current assets	20,832	33,741	33,577

As at 30 June 2016 and 30 June 2017, our Group recorded net current assets which amounted to approximately HK$20.8 million and HK$33.7 million, respectively. Such increase was primarily due to (i) the increase in trade and retention receivables of approximately HK$24.3 million resulting from the increased number and scale of the construction projects undertaken by us; (ii) the increase in the restricted cash of approximately HK$2.5 million; and (iii) the increase in deposits, prepayments and other receivables of approximately HK$2.1 million, which was partially offset by (i) the increase in amounts due to customers for contract works of approximately HK$4.4 million; (ii) the increase in trade and retention payables of approximately HK$4.2 million; (iii) the increase in accruals and other payables of approximately HK$3.3 million; (iv) the decrease in cash and cash equivalents of approximately HK$2.4 million; and (v) the decrease in amounts due from customers for contract works of approximately HK$2.2 million.

As at 31 October 2017, our net current assets remained stable at approximately HK$33.6 million as compared with approximately HK$33.7 million as at 30 June 2017.

Trade and retention receivables

The following table sets forth the breakdown of trade and retention receivables as at the dates indicated:

	As at 30 June 2016	As at 30 June 2017
	HK$'000	*HK$'000*
Trade receivables	5,957	28,244
Retention receivables	3,417	5,458
	9,374	33,702

Trade receivables

Trade receivables primarily represent the amounts receivable from our customers in respect of our provision of specialised works and general building works. We receive progress payment from our customers pursuant to the terms of contract. In general, we submit payment applications to our customers on a monthly basis. If our customer is satisfied with the payment application, a payment certificate will be issued to us and payment will subsequently be made.

We have established relationships with customers who possess good credit standing and proven payment record. Before submitting a tender/quotation to any potential customer, we would first assess the credit worthiness and reputation of that customer. We regularly monitor the ageing of our trade debtors and would make specific provision for doubtful debts when there is objective evidence that we shall be unable to collect the amounts due. We did not make any provision for doubtful debt in respect of trade receivables and retention receivables during the Track Record Period.

We periodically monitor and review the credit conditions of our customers as well as the ageing of our trade receivables and all overdue trade receivables are followed up on a regular basis. In the event that evidence of impairment on trade receivables arises, for instance, when a customer is experiencing significant financial difficulty or will likely enter into liquidation, we may provide allowance for the amounts that are considered not recoverable.

As at 30 June 2016 and 30 June 2017, our trade receivables was approximately HK$6.0 million and HK$28.2 million, respectively. Such increase was in line with the increase in our revenue as resulted from the increased number and scale of construction projects undertaken by us for FY2017 and mainly due to the increase in value of works undertaken by our Group and certified in June 2017, with approximately (i) HK$14.8 million was attributable to a foundation and site formation project in Tuen Mun, which we granted a credit period of six months to such client having considered our potential business opportunities in the future; and (ii) HK$10.8 million was attributable to a superstructure building works project in Tuen Mun which we commenced works in November 2016, which was partially offset by (i) the decrease in trade receivables of approximately HK$2.4 million attributable to a foundation and site formation project in Kwai Fong which subsequently completed in May 2017 and

subsequently settled during FY2017; and (ii) the decrease in trade receivables of approximately HK$1.5 million attributable to a demolition project in Ho Man Tin which subsequently completed in June 2016 and subsequently settled during the FY2017.

The following table sets out the ageing analysis of the trade receivables, based on invoice date, as at the dates indicated:

	As at 30 June 2016	As at 30 June 2017
	HK$'000	*HK$'000*
Up to 30 days	4,450	25,235
31–60 days	1,507	43
61–90 days	—	46
91–120 days	—	41
Over 120 days	—	2,859
	5,957	28,244

We generally offer credit terms to our customers ranging from 30 days to 180 days following the issuance of payment certificate. As at 30 June 2016 and 30 June 2017, trade and retention receivables of approximately HK$1.9 million and HK$1.9 million, respectively, were past due but not impaired. These overdue balances related to a number of independent customers that have a good track record with our Group. Based on past experience, our Directors believe that no impairment allowance is necessary given that there has not been a significant change in credit quality of these customers and the balances are still considered fully recoverable.

As at the Latest Practicable Date, approximately HK$16.1 million, or 57.1%, of our trade receivables as at 30 June 2017 have been subsequently settled.

The following table sets forth the turnover days of the trade receivables for the years indicated:

	FY2016	FY2017
	days	*days*
Trade receivables turnover days *(Note)*	56	83

Note: Trade receivables turnover days equal average balance of trade receivables divided by revenue for the relevant years multiplied by the number of days in the relevant years. Average balance is calculated as the sum of the beginning balance and ending balance for the relevant year divided by two.

Our trade receivables turnover days for FY2016 and FY2017 was approximately 56 days and 83 days, respectively. Such increase was mainly attributable to the increase in trade receivables from approximately HK$6.0 million as at 30 June 2016 to approximately HK$28.2 million as at 30 June 2017 as a result of more works certified in June 2017, in particular, (i) approximately HK$14.8 million were due from a customer with credit period of six months with respect to a foundation and site formation project in Tuen Mun; and (ii) approximately HK$10.8 million were due from a customer with respect to a superstructure building project in Tuen Mun.

Retention receivables

Retention receivables represent the retention monies required by our customers to secure our Group's due performance of the contracts. Typically, the amount of retention monies depends on negotiation between the parties, which is at approximately 10% of the value of works certified in each progress payment and is subject to a maximum retention of approximately 5% of the total original contract value or a monetary cap. The terms and conditions in relation to the release of retention monies also vary from contract to contract, which may subject to, practical completion, the expiry of the defect liability period or a pre-agreed time period.

The following table sets out the ageing analysis of retention receivables, based on invoice date, as at the dates indicated:

	As at 30 June 2016	**As at 30 June 2017**
	HK$'000	*HK$'000*
Up to 1 year	2,594	3,817
Over 1 year	823	1,641
	3,417	5,458

Retention receivables were approximately HK$3.4 million and HK$5.5 million as at 30 June 2016 and 30 June 2017, respectively. Such increase was mainly due to the increased number and scale of construction projects undertaken by us for FY2017.

Deposits, prepayments and other receivables

Our deposits, prepayments and other receivables primarily represent the prepayments for the insurance with respect to our employees and the projects undertaken by us and the deposits made to the Environmental Protection Department with respect to the construction waste for our projects. As at 30 June 2016 and 30 June 2017, our deposits, prepayments and other receivables were approximately HK$0.8 million and HK$2.9 million in current portion, respectively. Such increase was primarily due to the increase in prepayments for insurance and prepayments for [REDACTED] expenses.

Amounts due from/(to) customers for contract works

Our revenue from the provision of specialised works and general building works is recognised based on the stage of completion of the construction contracts. The stage of completion is established by reference to the portion that the works performed to date as a percentage to the total estimated contract value. Generally, we submit progress payment applications to our customers on a monthly basis in accordance with the value of construction works undertaken by us, and the architects engaged by our customers will issue a progress certificate certifying the portion of works completed after inspection, which normally takes about one month from the date of progress payment application. Our Group normally will then issue the progress billing to our customers within five days upon receipt of such progress certificate. Therefore, there is normally a timing difference between completion of site works for a reporting period and the issuance of progress certificates. In such case, we recognise revenue based on the progress certificates (which would make reference to the amounts of our completed works during the relevant period) certified by the architects who are appointed by our customers. For details, please refer to the paragraph headed "Critical Accounting Policies and Estimates — Revenue recognition" in this section above.

Our Group records gross amounts due from customers of contract works when the sum of the contract costs incurred for a project and the attributable profits less foreseeable losses is greater than the amount of progress billings of such project. The amounts due from customers for contract works represent the value of works performed by our Group before the end of each reporting period, where the respective works have not yet been certified by the architects engaged by our customers in the progress certificate at the end of each reporting period. The amounts due from customers for contract works is generally affected by the value of works we performed close to the end of each reporting period and the timing of progress certificates from the architects engaged by our customers and thus vary from period to period.

On the other hand, our Group records amounts due to customers of contract works when the sum of the contract costs incurred for a project and the attributable profits less foreseeable losses is less than the amount of progress billings of the project.

The following table sets forth our amounts due from/(to) customers for contract works as at the dates indicated:

	As at 30 June 2016	As at 30 June 2017
	HK$'000	*HK$'000*
Contract costs incurred plus attributable profits less foreseeable losses	51,637	39,785
Less: progress billings *(Note)*	(50,338)	(45,168)
Balance at end of year	1,299	(5,383)
Included in current assets/(liabilities) are the followings:		
Amounts due from customers for contract works	3,318	1,073
Amounts due to customers for contract works	(2,019)	(6,456)
	1,299	(5,383)

Note: The amount represents the progress billings billed and contractually billable to customers for works performed.

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 progress certificates by the architects engaged by our customers for the progress of the project recorded by us, which can significantly vary from period to period.

For those contracts with recognised profits, since the contract costs are recognised as expense in the combined statements of comprehensive income by reference to the percentage of completion measured based on progress certificate issued by the architects engaged by our customers at the end of the reporting period (which is in line with the method used by a number of our industry peers to determine the stage of completion of their construction contracts) and since progress billings and payments are made based on such surveys of work performed, any excess of contract costs recognised to date as expense over the actual contract costs incurred to date will be the amounts due to customers for contract works. As the progress certificates will state the work performed as certified by our customers' architects, the excess of contract costs recognised as expense in accordance with percentage of completion over the actual contract costs incurred will thereby be recorded as amounts due to customers for contract works as liabilities (provisions) before such costs are actually incurred. Once the actual contract costs are incurred, it will be set off against amounts due to customers for contract works. After completion of all the contract works and upon expiry of the defects liability period which lasts for a period of approximately six to 12 months, our customers will then prepare the final accounts to confirm the final amount of the work done by our Group. The remaining contract revenue and costs will then be recognised in profit or loss upon receipt of the practical completion certificate. The outstanding amounts in final accounts appearing as trade receivables will then be settled based on the respective credit period specified in the contracts.

The amounts due to customers for contract works result from the timing difference between (i) the recognition of contract costs as expenses according to the percentage of completion when revenue was recognised by reference to the percentage of completion; and (ii) the actual costs incurred (which mainly represent the amount paid or payable to our suppliers and subcontractors) up to the end of each reporting period. Accordingly, the balance of our gross amounts due to customers for contract works will be reduced when more actual contract costs are incurred towards the completion of the contracts.

Our Group recorded amounts due from/(to) customers for contract works of approximately HK$1.3 million as at 30 June 2016 and (HK$5.4 million) as at 30 June 2017, respectively. Such decrease was mainly attributable to the difference between the contract costs recognised to date and the actual costs incurred to date, in particular for a foundation and site formation project in Tuen Mun and a superstructure building works project in Tuen Mun, which partially netted off by the completion of a foundation and site formation project in Kwai Fong.

Trade and retention payables

The following table sets forth the breakdown of trade and retention payables as at the dates indicated:

	As at 30 June 2016	**As at 30 June 2017**
	HK$'000	*HK$'000*
Trade payables	3,271	7,338
Retention payables	600	776
	3,871	8,114

Trade payables

The following table sets forth the ageing analysis of our trade payables based on invoice dates as at the dates indicated:

	As at 30 June 2016	**As at 30 June 2017**
	HK$'000	*HK$'000*
Up to 30 days	1,324	7,309
31–60 days	—	29
91–120 days	547	—
Over 120 days	1,400	—
Total	3,271	7,338

Trade payables primarily refers to the amounts payable to our suppliers for the purchase of construction materials and subcontractors for the provision of subcontracting services. Our suppliers of construction materials and subcontractors normally grant us a credit period within 30 days from the invoice date.

As at 30 June 2016 and 30 June 2017, our trade payables were approximately HK$3.3 million and HK$7.3 million, 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 progress of our construction works. Such increase was in line with the increase in the cost of sale as resulted from the increased in subcontracting charges and construction material costs, with (i) approximately HK$4.6 million was attributable to a new superstructure building works project in Tuen Mun; and (ii) approximately HK$2.6 million was attributable to our existing foundation and site formation project in Tuen Mun.

As at the Latest Practicable Date, approximately HK$7.3 million or 100.0%, of our trade payables as at 30 June 2017 has been subsequently settled.

The following table sets forth the turnover days of trade payables for the years indicated:

	FY2016	**FY2017**
	days	*days*
Trade payables turnover days *(Note)*	36	37

Note: Trade payables turnover days equal average balance of trade payables divided by cost of sales for the relevant years multiplied by the number of days in the relevant years. Average balance is calculated as the sum of the beginning balance and ending balance for the relevant year divided by two.

Our trade payables turnover days remain stable for FY2016 and FY2017 was approximately 36 days and 37 days, respectively, which was in line with the credit period granted by our suppliers and subcontractors.

Retention payables

Our retention payables refer to the retention monies withheld by us from our subcontractors. The following table sets forth the ageing analysis of our retention payables based on invoice date as at the dates indicated:

	As at 30 June 2016	**As at 30 June 2017**
	HK$'000	*HK$'000*
Within 1 year	600	776

Retention payables were approximately HK$0.6 million and HK$0.8 million as at 30 June 2016 and 30 June 2017, respectively.

Accruals and other payables

Accruals and other payables primarily consist of accruals for legal and professional fees and provision for unutilised annual leave. As at 30 June 2016 and 30 June 2017, our accruals and other payables amounted to approximately HK$0.7 million and HK$4.0 million, respectively. Such increase was mainly due to the increase in accruals for [REDACTED] expense of approximately HK$3.5 million.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our Group had met its liquidity requirements principally through a combination of cash and cash equivalents and cash generated from our operations during the Track Record Period. Following the completion of the [REDACTED], our Group expects its capital expenditure and working capital requirement to be funded principally through internal resources, obligations under finance leases and the net proceeds from the [REDACTED]. Our Directors believe that, in the long term, our Group's operations will be funded by internal resources and, if necessary, additional equity financing or bank borrowings.

The following table sets forth our cash flows for the years indicated:

	FY2016	**FY2017**
	HK$'000	*HK$'000*
Net cash generated from/(used in) operating activities	10,118	(4,964)
Net cash used in investing activities	(41)	(328)
Net cash (used in)/generated from financing activities	(8,698)	2,872
Net increase/(decrease) in cash and cash equivalents	1,379	(2,420)
Cash and cash equivalents at beginning of the year	15,369	16,748
Cash and cash equivalents at end of the year	16,748	14,328

Net cash generated from/(used in) operating activities

Our cash flow for operating activities is primarily generated from the receipt of trade receivables and retention receivables for the provision of general buildings works and specialised works. Our cash flow used in operating activities are primarily related to the payments of subcontracting charges, construction material costs, staff costs and administrative expenses.

Our cash generated from operating activities was approximately HK$10.1 million for FY2016, which was based on the profit before income tax of approximately HK$10.1 million adjusted for the changes in working capital including (i) the decrease in trade and retention receivables of approximately HK$1.6 million; (ii) the increase in trade and retention payables of approximately HK$1.0 million; and (iii) the decrease in restricted cash of approximately HK$1.1 million. This was partially offset by the decrease in accruals and other payables of approximately HK$1.4 million.

Our cash used in operating activities was approximately HK$5.0 million for FY2017, which was based on the profit before income tax of approximately HK$12.5 million adjusted for the changes in working capital resulted from the combined effects of (i) the increase in trade and retention receivables

of approximately HK$24.3 million due to the increased number and scale of the construction projects undertaken by us; (ii) the increase in restricted cash of approximately HK$2.5 million; (iii) the increase in deposits, prepayments and other receivables of approximately HK$1.4 million; and (iv) the income tax paid of approximately HK$3.8 million, which was partially offset by (i) the increase in amounts due from/(to) customers of contract works (net) of approximately HK$6.7 million; (ii) the increase in trade and retention payables of approximately HK$4.2 million; and (iii) the increase in accruals and other payables of approximately HK$3.3 million.

Net cash used in investing activities

Our cash flow for investing activities primarily consisted of purchase of property and equipment which was partially net off by the proceeds from disposal of property and equipment.

Our cash used in investing activities amounted to approximately HK$41,000 for FY2016, which was resulted from the purchase of furniture and equipment of approximately HK$65,000 which was partially net off by the proceeds from disposal of property and equipment of approximately HK$24,000.

Our cash used in investing activities amounted to approximately HK$0.3 million for FY2017, which was mainly resulted from the purchase of furniture and equipment of approximately HK$0.3 million which was partially net off by the proceeds from disposal of property and equipment of approximately HK$12,000.

Net cash (used in)/generated from financing activities

Our cash flow for financing activities primarily consisted of dividends paid to our then shareholders and the repayments of finance lease liabilities.

Our cash used in financing activities amounted to approximately HK$8.7 million for FY2016 which was primarily consisted of (i) the dividends paid to our then Shareholders of approximately HK$8.4 million; and (ii) the repayments of finance lease liabilities of approximately HK$0.2 million.

Our cash generated from financing activities amount to approximately HK$2.9 million for FY2017 which was primarily consisted of proceeds from issuance of ordinary shares by a company now comprising our Group of approximately HK$10.0 million, which was partially offset by (i) the dividends paid to our then shareholders of approximately HK$5.7 million; and (ii) the [REDACTED] expenses paid of approximately HK$1.1 million.

CAPITAL EXPENDITURE

Our capital expenditure was funded by our internal resources during the Track Record Period. During the Track Record Period, we incurred capital expenditure of approximately HK$65,000 and HK$0.3 million, respectively, mainly for the purchase of furniture and equipment for our operations.

CAPITAL COMMITMENTS

During the Track Record Period and as at the Latest Practicable Date, we did not have any material capital commitments.

OPERATING LEASE COMMITMENTS

During the Track Record Period, our Group leases office premise under operating lease. The leases run for an initial period of one to two years and are non-cancellable. The total future minimum lease payments under these leases, which fall due as follow:

	As at 30 June 2016	As at 30 June 2017
	HK$'000	*HK$'000*
No later than one year	313	534
Later than one year and no later than five years	110	183
	423	717

PROPERTY INTERESTS

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Chapter 8 of the GEM Listing Rules. As at the Latest Practicable Date, our property interests did not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

INDEBTEDNESS

The following table sets forth the amount of indebtedness as at 30 June 2016, 30 June 2017 and including 31 October 2017, being the latest practicable date for determining our Group's indebtedness:

Obligations under finance leases

Certain motor vehicles of our Group were under finance leases. The lease obligations are secured by the leased assets. The following table sets forth our finance lease payments as of the dates indicated:

	As at 30 June 2016	As at 30 June 2017	As at 31 October 2017
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)
Present value of finance lease liabilities			
No later than 1 year	246	327	146
Later than 1 year and no later than 5 years	269	576	424
	515	903	570

The original lease term entered by our Group for the lease outstanding as at 30 June 2016, 30 June 2017 and 31 October 2017 ranged from 3.5 to 4.5 years, 3.5 to 5 years and 3.5 to 5 years, respectively.

As at 30 June 2016 and 30 June 2017, finance leases with the amount of HK$515,000, HK$287,000, respectively, were guaranteed by Mr. Yip and Mr. Kung, details of which are set out in note 21 to the Accountant's Report set out in Appendix I to this document. The said finance leases have been fully paid in September 2017 and the personal guarantees provided by Mr. Yip and Mr. Kung have been released accordingly.

Contingent liabilities

As at 31 October 2017, our Group has given guarantees of HK$4,882,000 in respect of three construction contracts. The performance bonds are expected to be released in accordance with the terms of the respective construction contracts.

As at the Latest Practicable Date, our Group did not have any unutilised banking facilities.

Save for the aforesaid or otherwise disclosed herein, our Group did not have, at the close of business on 31 October 2017, any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowings including overdrafts, liabilities under acceptance, acceptance credit, debentures, charges, mortgages, hire purchase and finance lease commitments, any guarantees or other material contingent liabilities. Our Directors also confirmed that we did not have any further plan for material debt financing as the Latest Practicable Date. Since 31 October 2017 and up to the Latest Practicable Date, there has been no material adverse change in our indebtedness.

WORKING CAPITAL

As at 30 June 2016 and 30 June 2017, our cash and cash equivalents were approximately HK$16.7 million and HK$14.3 million, respectively.

Taking into account the financial resources available to our Group, including cash and cash equivalents, cash flows generated from the operating activities and the expected net proceeds from the [REDACTED], and in the absence of unforeseen circumstances, our Directors are of the view, and the Sole Sponsor concurs, that our Group has sufficient working capital for our present requirements for at least the next 12 months from the date of this document.

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 Accountant's Report of Appendix I to this document for further details regarding our financial risk management.

Interest rate risk

Other than the finance lease liabilities which carry interest at prevailing market interest rates, our Group has no other significant interest-bearing assets or liabilities. Therefore, the interest rate risk mainly arises from finance lease liabilities.

However, the interest expenses derived therefrom are relatively insignificant to our Group's operations. Therefore, our Group's income and operating cash flows are less dependent on changes in market interest rates. Accordingly, our Directors are of the opinion that our Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed.

Credit risk

Our Group is exposed to credit risk in relation to its trade and retention receivables, deposits and other receivables, and cash and cash equivalents. The credit risk on cash and cash equivalents are limited because deposits are in banks with sound credit ratings. Our Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

Our Group trades only with recognised and creditworthy third parties. It is our Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that our Group's exposure to bad debts is not significant.

Our Group is exposed to concentration of credit risk as at 30 June 2016 and 30 June 2017 on trade and retention receivables from our Group's top five customers amounting to approximately HK$8.8 million and HK$32.8 million respectively, accounting for approximately 94% and 97% 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

We principally provide specialised works and general building works services as a main contractor in Hong Kong. However, our Group is exposed to foreign exchange risk, primarily with respect to Taiwan Dollar ("**TWD**") denominated transactions arising from engagement with a subcontractor.

As at 30 June 2017, if TWD has strengthened/weakened by 5% with all other variables held constant, the post-tax profit for the year would have been approximately HK$143,000 lower/higher, mainly as a result of foreign exchange loss as at 30 June 2017 on revaluation of TWD denominated trade payable. As at 30 June 2016, there is no TWD denominated assets and liabilities.

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.

POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIOD

The Hong Kong Institute of Certified Public Accountants has issued a number of amendments and new standards which are not yet effective for the Track Record Period and our Group does not plan to early adopt the amendments or new standards. Our Group does not expect the adoption of HKFRS 9 "financial instruments", HKFRS 15 "Revenue from contracts with customers" and HKFRS 16 "Leases" will have a significant impact on our Group's result of operations and financial position. For further details, please refer to note 2 to the Accountant's Report set out in Appendix I to this document.

KEY FINANCIAL RATIOS

The following table sets forth our selected key financial ratios for the years indicated and as at each of the dates indicated:

	FY2016	**FY2017**
Profitability ratios		
Gross profit margin[(1)]	29.6%	30.2%
Net profit margin[(2)]	19.1%	12.6%
Return on equity[(3)]	40.3%	27.1%
Return on total assets[(4)]	27.7%	16.8%
	As at 30 June 2016	**As at 30 June 2017**
Liquidity ratio		
Current ratio[(5)]	3.2	2.6
Capital sufficiency ratios		
Interest coverage[(6)]	226.2	378.3
Gearing ratio[(7)]	2.4%	2.6%
Debt to equity ratio[(8)]	Net cash	Net cash

Notes:

1. The gross profit margin is calculated by dividing the gross profit by the revenue for the respective years multiplied by 100%.

2. The net profit margin is calculated by dividing the net profit by the revenue for the respective years multiplied by 100%.

3. Return on equity equals to the profit and total comprehensive income for the respective years attributable to owners of our Company divided by the total equity as at the end of the respective years multiplied by 100%.

4. Return on assets is calculated by the profit and total comprehensive income for the respective years attributable to owners of our Company for the year divided by the total assets as at the end of the respective years multiplied by 100%.

5. The current ratio is calculated by dividing current assets with current liabilities as at the end of the respective dates.

6. Interest coverage is calculated by the profit and total comprehensive income for the respective years attributable to owners of our Company before finance costs and income tax expense divided by finance costs for the respective years.

7. The gearing ratio is calculated by dividing total obligations under finance leases with total equity as at the end of respective years multiplied by 100%.

8. Debt to equity ratio is calculated by total obligations under finance leases minus cash and cash equivalents as at the end of the respective years divided by total equity as at the respective years and multiplied by 100%.

Please refer to the paragraph headed "Year to Year Comparison of Results of Operations" of this section above for a discussion of the factors affecting our gross profit margin and net profit margin for FY2016 and FY2017.

Return on equity

Our return on equity was approximately 40.3% and 27.1% for FY2016 and FY2017, respectively. Such decrease was primarily attributable to the increase in total equity as at 30 June 2017 as a result from the issuance of ordinary shares by a company now comprising our Group.

Return on asset

Our return on asset recorded approximately 27.7% and 16.8% for FY2016 and FY2017, respectively. Such decrease was primarily attributable to the increase in total assets from (i) the increase in trade and retention receivables of approximately HK$24.3 million mainly due to the increased number and scale of the construction projects undertaken by us; and (ii) the increase in deposits, prepayments and other receivables of approximately HK$2.1 million.

Current ratio

Our current ratio as at 30 June 2016 and 30 June 2017 was approximately 3.2 and 2.6, respectively. Such decrease was primarily attributable to the combined effects of (i) the increase in amounts due from/(to) customers of contract works, net of approximately HK$6.7 million; (ii) the increase in trade and retention payables of approximately HK$4.2 million; (iii) the increase in accruals and other payables of approximately HK$3.3 million, which partially netted off by the increase in trade and retention receivables of approximately HK$24.3 million mainly due to the increased number and scale of the construction projects undertaken by us.

Interest coverage ratio

Our interest coverage was approximately 226.2 times and 378.3 times for FY2016 and FY2017, respectively. Such increase was mainly due to the larger effect of a lower level of finance costs incurred despite a higher level of profit before interest and tax recorded for FY2017.

Gearing ratio

Our gearing ratio remained stable at approximately 2.4% and 2.6% for FY2016 and FY2017.

Debt to equity ratio

Our debt to equity ratio were in net cash position as at 30 June 2016 and 30 June 2017.

RELATED PARTY TRANSACTIONS

Our Directors confirm that our Group's transactions with related parties set out in note 24 of the Accountant's Report in Appendix I to this document.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Group had not entered into any material off-balance sheet commitments and arrangements.

FINANCIAL INSTRUMENT

Our Group has not entered into any financial instruments for hedging purposes during the Track Record Period and as at the Latest Practicable Date.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Our unaudited pro forma adjusted consolidated net tangible assets was prepared for illustrative purposes only and may not give a true picture of our financial position due to its hypothetical nature. Please refer to the section headed ''Unaudited Pro Forma Financial Information'' set out in Appendix II to this document for further details.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 11 July 2017 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at 30 June 2017.

DIVIDENDS

For FY2016 and FY2017, Wai Tat declared and paid dividends of approximately HK$8.4 million and HK$5.7 million to our then shareholders, respectively. On 1 December 2017, our Company declared a dividend of HK$3 million and such amount will be settled by cash prior to the [REDACTED].

After completion of the [REDACTED], while we currently have no plans to pay dividends to our Shareholders in the foreseeable future, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial condition, working capital, capital requirements and other factors our Board may deem relevant. The dividend distribution records in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

[REDACTED] EXPENSES

Our total [REDACTED] expenses, consisting of fees paid or payable to professional parties and [REDACTED] commission, are estimated to be approximately HK$[REDACTED] million, of which approximately (i) HK$6.0 million was charged to our combined statements of comprehensive income for FY2017; (ii) HK$[REDACTED] million will be further charged to our consolidated statements of comprehensive income for the year ending 30 June 2018; and (iii) HK$[REDACTED] million will be recognised as a deduction in equity directly.

In view of the above, our Directors are of the view that the one-off [REDACTED] expenses, which are non-recurring in nature, will have a material adverse effect on the financial results of our Group for the year ending 30 June 2018. We wish to emphasise that the aforesaid amount of [REDACTED] expenses is a current estimate for reference only and the final amount to be recognised in our combined statements of comprehensive income for the year ending 30 June 2018 will be subject to adjustments based on audit and changes in variables and assumptions.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Please refer to the paragraphs headed "Recent Developments" and "Material Adverse Change" in the section headed "Summary and Highlights" of this document for details.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

As at the Latest Practicable Date, our Directors confirmed that there were no circumstances that would give rise to a disclosure requirement under Rule 17.15 to 17.21 of the GEM Listing Rules.

OUR FUTURE PLANS

Please refer to the paragraph headed "Business — Business Strategies" of this document for our Group's business objectives and strategies.

BASES AND KEY ASSUMPTIONS

Investors should note that our implementation plans set out in the paragraph headed "Implementation Plans" in this section below are formulated on the bases and key assumptions set out below:

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no material change in the funding requirement for each of our Group's future plans described in this document from the amount as estimated by our Directors;
- there will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no change in the effectiveness of the licences, permits and qualifications obtained by our Group;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- our Group will not be materially affected by the risk factors as set out under the section headed "Risk Factors" of this document; and
- our Group will be able to continue our business operation substantially the same way as it has been operating and there will be no disasters, natural, political or otherwise, which would materially disrupt our business or operations of our Group and the implementation of our development plans.

IMPLEMENTATION PLANS

Our Group's implementation plans are set forth below for each of the six-month periods until 30 June 2020. Investors should note that the implementation plans and their scheduled times for attainment are formulated on the bases and key assumptions referred to in the paragraph headed "Bases and Key Assumptions" in this section above. These bases and key assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed "Risk Factors" of this document. Our Group's actual course of business may vary from the business objectives set out in this document. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objectives of our Group will be accomplished at all. Our Directors intend to carry out the following implementation plans to achieve our Group's business objectives:

From the Latest Practicable Date to 30 June 2018

Business strategies	Implementation activities	Source of funding
Continue to expand our market share and compete for more foundation and site formation projects and superstructure building works projects	• We have submitted tenders for (i) Project A i.e. a project with a contract period of approximately 12 months involving demolition works, foundation works and superstructure building works relating to construction of columbarium in Tuen Mun with a notional contract sum of approximately HK$25 million; and (ii) Project B i.e. a project with a contract period of approximately 20 months involving redevelopment of school campus in Tai Po Road involving demolition works, A&A works, hoarding works, foundation and site formation works with a notional contract sum of approximately HK$61 million, both of which we plan to secure.	Net proceeds of approximately HK$[REDACTED] million for taking out surety bonds Net proceeds of approximately HK$[REDACTED] million to finance the upfront costs and working capital requirements at the early stage of our projects

Business strategies	Implementation activities	Source of funding
	• Project A and Project B are expected to commence in the first quarter of 2018. To prepare for the commencement of Project A and Project B, we plan to (i) take out surety bonds issued by banks in an aggregate amount of approximately HK$[REDACTED] million, representing approximately 10% of the total notional contract sums of these projects in favour of the customers; and (ii) take out insurance, purchase major construction materials, appoint subcontractors, arrange for machinery and other site set-up preparation. The upfront costs and working capital requirements for Project A and Project B will be financed by the proceeds from the [REDACTED].	
Further strengthening our manpower	• Hire (i) one project manager and one assistant project manager to enhance our project implementation capabilities; and (ii) one assistant accountant to support accounting functions • Provide training to our existing and newly recruited staff and/or sponsor our staff to attend training courses on occupational health and safety	Net proceeds of approximately HK$[REDACTED] million

From 1 July 2018 to 31 December 2018

Business strategies	Implementation activities	Source of funding
Continue to expand our market share and compete for more foundation and site formation projects and superstructure building works projects	• Continue to identify suitable business opportunities and review our tendering strategies to compete for more foundation and site formation projects and superstructure building works projects	N/A
Further strengthening our manpower	• Hire one assistant project manager to enhance our project implementation capabilities • Provide training to our existing and newly recruited staff and/or sponsor our staff to attend training courses on occupational health and safety	Net proceeds of approximately HK$[REDACTED] million

From 1 January 2019 to 30 June 2019

Business strategies	Implementation activities	Source of funding
Continue to expand our market share and compete for more foundation and site formation projects and superstructure building works projects	• Continue to identify suitable business opportunities and review our tendering strategies to compete for more foundation and site formation projects and superstructure building works projects	N/A
Further strengthening our manpower	• Hire one site foreman to enhance our project implementation capabilities • Provide training to our existing and newly recruited staff and/or sponsor our staff to attend training courses on occupational health and safety	Net proceeds of approximately HK$[REDACTED] million

From 1 July 2019 to 31 December 2019

Business strategies	Implementation activities	Source of funding
Continue to expand our market share and compete for more foundation and site formation projects and superstructure building works projects	• Continue to identify suitable business opportunities and review our tendering strategies to compete for more foundation and site formation projects and superstructure building works projects	N/A
Further strengthening our manpower	• Continue to assess our needs to recruit additional staff in view of our business development • Provide training to our existing and newly recruited staff and/or sponsor our staff to attend training courses on occupational health and safety	N/A

From 1 January 2020 to 30 June 2020

Business strategies	Implementation activities	Source of funding
Continue to expand our market share and compete for more foundation and site formation projects and superstructure building works projects	• Continue to identify suitable business opportunities and review our tendering strategies to compete for more foundation and site formation projects and superstructure building works projects	N/A
Further strengthening our manpower	• Continue to assess our needs to recruit additional staff in view of our business development • Provide training to our existing and newly recruited staff and/or sponsor our staff to attend training courses on occupational health and safety	N/A

USE OF PROCEEDS

Based on the [REDACTED] of HK$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] ranged from HK$[REDACTED] to HK$[REDACTED] per [REDACTED], the net proceeds from the [REDACTED] are estimated to be approximately HK$[REDACTED] million, after deducting the related [REDACTED] fees and estimated expenses in connection with the [REDACTED]. The following table sets forth a breakdown of how the net proceeds to be received by us from the [REDACTED] are intended to be applied and the timing of application:

	From the Latest Practicable Date to 30 June 2018	From 1 July 2018 to 31 December 2018	From 1 January 2019 to 30 June 2019	From 1 July 2019 to 31 December 2019	From 1 January 2020 to 30 June 2020	Total	Approximate % of the total net proceeds
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*%*
Take out surety bonds for Project A and Project B	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance the upfront costs and working capital requirements at the early stage of:							
— Project A	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— Project B	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— Other projects	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sub-total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further strengthening our manpower	[REDACTED] *(Notes 1 and 4)*	[REDACTED] *(Notes 2 and 4)*	[REDACTED] *(Notes 3 and 4)*	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General working capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. Such amount is calculated based on the estimated salary payment we expect to incur for our employment of one project manager, one assistant project manager and one assistant accountant for the period from 1 January 2018 to 31 December 2019.

2. Such amount is calculated based on the estimated salary payment we expect to incur for our employment of one assistant project manager for the period from 1 July 2018 to 30 June 2020.

3. Such amount is calculated based on the estimated salary payment we expect to incur for our employment of one site foreman for the period from 1 January 2019 to 30 June 2020.

4. The estimated salary payment is calculated with reference to the prevailing market salary level and the current salary we paid to our existing employees with similar qualifications and years of experience.

We plan to use approximately [REDACTED]% of the net proceeds from the [REDACTED] to support the relevant costs expected to be incurred for Project A and Project B. In July 2017, the potential customer has entered into a legally binding memorandum of agreement with us to engage our Group to carry out all necessary preparatory works and submissions to the Buildings Department for Project B. We have submitted all necessary submissions to the Buildings Department in September and October 2017 and such approvals are expected to be granted within 60 days after our submission under regulation 30 of the Building (Administration) Regulations (Chapter 123A of the Laws of Hong Kong). It is expected that we will be granted the letter of award for Project B, subject to all necessary approvals on building plans (including demolition works, site formation works, ELS works and foundation works) having been granted by the Buildings Department. Our Directors believe that barring any unforeseen circumstances, we expect to obtain all such necessary approvals given that we have already obtained approval in respect of building plans of the foundation works, ELS works and site formation works from the Buildings Department. It is expected that the tender results of both Project A and Project B will be available in or around December 2017 and the award of the Projects are therefore uncertain.

Our Directors intend to apply such net proceeds as follows:

- Approximately HK$[REDACTED] million, representing approximately [REDACTED]% of the net proceeds, will be earmarked to take out surety bonds in favour of the potential customers to ensure our due performance and observance of Project A and Project B we plan to secure. The surety bond requirement is one of the tender conditions as set out in the tender invitations for Project A and Project B. In this connection, we plan to spend approximately HK$[REDACTED] million and HK$[REDACTED] million to finance the surety bond requirements for Project A and Project B, respectively, representing approximately 10% of the notional contract sum of Project A and Project B, respectively. In July 2017, the potential customer has entered into a legally binding memorandum of agreement with us to engage our Group to carry out all necessary preparatory works and submissions to the Buildings Department for Project B. We will be granted the letter of award for Project B subject to all necessary approvals having been granted by the Buildings Department. It is expected that the tender results for both Projects will be available in or around December 2017 and both Projects are tentatively scheduled to commence in early 2018. Although the award of Project A is uncertain, having considered our Group's stable and established relationship with the customer of Project A (for which we currently work for a foundation and site formation project on the construction site in the vicinity of Project A), our proven track record of providing quality foundation and superstructure building works as demonstrated by the previous projects with those customers and our strong project management capability, our Directors are confident about the likelihood and outcome of Project A. We have been shortlisted by the potential customer for tender interview in August 2017 and were shortlisted for several rounds of post tender queries after the tender interview for Project A. The award of both Projects are not subject to the completion of the [REDACTED] and in the event that the [REDACTED] is postponed or does not materialise, we will seek additional financing through a combination of bank borrowings which require personal guarantees or any collateral provided by the Controlling Shareholders, internal resources and financial support from our Controlling Shareholders.

  Furthermore, in addition to Project A and Project B, as at the Latest Practicable Date, our Directors expected that there were 12 other potential projects involving surety bond requirements with an aggregate notional contract sum of approximately HK$382.0 million for

which we have tendered and the tender results are still pending. Our Directors are confident about the outcome of the tender particularly for two potential projects, with a total surety bond requirement of approximately HK$0.9 million, representing 10% of the total notional contract sum of approximately HK$8.9 million, having considered that our Group has been either shortlisted for tender interviews and/or addressed rounds of tender queries. If we do not secure Project A, it is our strategy to secure any of these alternative projects and utilise the unused net proceeds from the [REDACTED] to finance the surety bond requirement, subject to our capacity and resources level at that time, cost effectiveness, complexity and the profitability of the project. That said, there is no assurance that our Group will succeed in these tenders as stated in the paragraph headed "Risk Factors — Risks relating to Our Business — We may be unable to secure the Projects" of this document.

During the Track Record Period and up to the Latest Practicable Date, we had undertaken two foundation and site formation works projects and one demolition project which involved surety bonds with restricted cash held for those projects in aggregate of approximately HK$2.5 million in view of the financial resources available to our Group at that time. Going forward, notwithstanding that we plan to take out the surety bonds in the total amount of approximately HK$[REDACTED] million for the Projects for which we plan to secure as described above, we consider that there is no change in our Group's project focus because:

(a) the nature of projects requiring surety bonds are related to specialised works and general building works in which our Group has undertaken for over 15 years;

(b) it is not uncommon for customers to require contractors to take out surety bonds by a bank or an authorised insurer in the amount of certain percentage (usually up to 10%) of the contract sum to their customers to ensure a contractor's due performance and observance of a contract; and

(c) as disclosed above, for FY2016 and FY2017, approximately 19% and 30% of tender invitations involved surety bond requirements, respectively and for most of these tender invitations, we had either declined the invitations or submitted a less competitive tender price by factoring a higher profit margin in costs estimation to maintain our presence in the market, given that we did not have sufficient financial resources to meet these surety bond requirements at that time.

- Approximately HK$[REDACTED] million, representing approximately [REDACTED]% of the net proceeds, will be used to finance our upfront costs and working capital requirements at the early stage of our projects, including:

  — approximately HK$[REDACTED] and HK$[REDACTED] as insurance expenses for Project A and Project B, respectively

  — approximately HK$[REDACTED] million and HK$[REDACTED] million as costs of major construction materials for Project A and Project B, respectively

  — approximately HK$[REDACTED] million and HK$[REDACTED] million as subcontracting fees for Project A and Project B, respectively

— approximately HK$[REDACTED] and HK$[REDACTED] as staff costs for Project A and Project B, respectively

— approximately HK$[REDACTED] as machinery rental for Project A

— approximately HK$[REDACTED] and HK$[REDACTED] as site utilities for Project A and Project B, respectively

— approximately HK$[REDACTED] and HK$[REDACTED] as site office cost for Project A and Project B, respectively

— approximately HK$[REDACTED] and HK$[REDACTED] as other site set-up expenses to meet the net cash outflow at the early stage of our projects for Project A and Project B, respectively

— approximately HK$[REDACTED] to finance the working capital requirements for other potential projects we plan to secure

Our customers generally make the first payment around two to three months after the commencement of the projects. In particular, for Project A, we are required to offer credit term of 180 days to the potential customer based on our experience in previous project with such potential customer. As such, although the notional contract sum of Project B is larger than that of Project A, we plan to allocate more net proceeds as upfront project expenses for Project A since we are expected to incur more net cash outflows at the early stage of carrying out our works for upfront project expenses in Project A as disclosed above before we receive the first payment from the potential customer. In anticipation of Project A with an notional contract sum of approximately HK$25 million and Project B with an notional contract sum of approximately HK$61 million that are tentatively scheduled to commence in the first quarter of 2018, we estimate that our upfront costs and working capital requirements at the early stage of Project A (being a period of around 180 days after the commencement of works of Project A and before we receive the first payment from the relevant customer) and Project B (being a period of around three months after the commencement of works of Project B and before we receive the first payment from the relevant customer) will amount to approximately HK$[REDACTED] million which is determined with reference to our management's estimation based on our previous projects of similar scale and quotations obtained from relevant suppliers, subcontractors and other service providers as disclosed above. We expect that the net cash outflow at the early stage of Project A and Project B can be met by the net proceeds from the [REDACTED] as described above and our liquidity position will therefore be strengthened.

- Approximately HK$[REDACTED] million, representing approximately [REDACTED]% of the net proceeds, will be used for expansion of our workforce both at office level and worksite level. To ensure that we have sufficient manpower for our contracts on hand and contracts we plan to secure (i.e. Project A and Project B) and to strengthen our project implementation capabilities and enhance our tender success rate, we intend to recruit five additional staff, including one project manager, two assistant project managers, one site foreman and one assistant accountant.

We consider that it is imperative to expand our workforce as described above on the following grounds:

(i) We need to strengthen our manpower resources in view of the growth drivers and business opportunities in the foundation, site formation and superstructure building industries in Hong Kong. According to the Frost & Sullivan Report, it is estimated that (a) the market size of the foundation industry will continue to expand from HK$27.3 billion in 2017 to HK$32.3 billion in 2021, at a CAGR of 4.3%; (b) the market size of the site formation industry will continue to expand from HK$4.1 billion in 2017 to HK$5.3 billion in 2021, at a CAGR of 6.6%; and (c) the market size of the superstructure building industry will continue to expand from HK$103.5 billion in 2017 to HK$131.4 billion in 2021, at a CAGR of 6.1%. For further details of our growth drivers, please refer to the paragraph headed "Industry Overview — Market Overview of the Key Construction Segments in Hong Kong — Market drivers" of this document. In addition, subsequent to the Track Record Period and up to the Latest Practicable Date, our Group has continued to receive tender invitations for foundation, site formation and superstructure building works projects. These business opportunities further fuel our Group's momentum to expand our business since the first quarter of 2017 and it is therefore our strategy to continue to be proactive to tender for new projects. In tendering for new projects, availability of manpower resources is among the key assessment criteria. For FY2016 and FY2017, we had four and five employees at office level and eight and 10 employees at worksite level working on our projects, respectively, with the total number of 13 and 22 projects that our Group had worked on for the respective years. To increase our tender success rate for the projects to be tendered, it is necessary for us to enhance our competitiveness by expanding our workforce for the projects for which we plan to tender. Our Directors consider that our existing workforce may not be sufficient to cope with our need to tender for future projects.

(ii) Although we were only awarded one large-scale superstructure building works project with a contract sum of approximately HK$83.9 million in November 2016 relating to the construction of columbarium in Tuen Mun and completed a residential project involving foundation and site formation works with a contract sum of approximately HK$38.0 million in May 2017, our Directors consider that the number of large-scale projects we are able to undertake is directly affected by the availability of our manpower resources as they are critical to quality execution of a construction project of larger scale and higher complexity. Due to the limit on our workforce, we could be restricted to undertaking a limited number of large-scale construction projects if the size of our workforce does not catch up with our business growth.

(iii) It is expected that Project A and Project B will be awarded to us and tentatively scheduled to commence in the first quarter of 2018. In view of the scale, scope and complexity of the Projects, which are of significantly larger scale than most of the projects undertaken by us during the Track Record Period, we need sufficient manpower resources to meet our operational need for the sizeable Projects and our Directors consider our existing project management staff may not be sufficient to cope with our operational need. During the Track Record Period, we have undertaken eight projects

with awarded contract sum of over HK$10 million, four of which have an awarded contract sum of over HK$20 million. As at the Latest Practicable Date, we had ten projects on hand with aggregate awarded contract sum of approximately HK$165.5 million with approximately HK$100.8 million and HK$12.0 million expected to be recognised as revenue for the two financial years ending 30 June 2018 and 2019, respectively, (a) four of which have an awarded contract sum of over HK$10 million and three of which have an awarded contract sum of over HK$20 million; and (b) one of which is scheduled to be completed in the first half of 2018 and two of which are scheduled to be completed in the second half of 2018 (of which approximately HK$68.9 million is expected to be recognised as revenue for the financial year ending 30 June 2018). Our Directors are of the view that our Group experienced tight manpower during the Track Record Period and in particular in FY2017, we have undertaken seven projects with awarded contract sum of over HK$10 million as compared to three projects with awarded contract sum of over HK$10 million in FY2016. Although seven projects on hand are scheduled to be completed before the end of 2017 (of which approximately HK$34.5 million is expected to be recognised as revenue for the financial year ending 30 June 2018), there is no assurance that there will not be any further delay for the project schedule or we will not be required to perform additional works which may tighten up our manpower at the relevant time. In addition, our Group generally requires more worksite-level personnel at construction site for projects with a more sizeable operational scale and more complex and complicated work scope than usual. In this connection and having considered that the Projects have similar working schedules, our Directors, based on their knowledge and experience, are of the view that we will require (a) three staffs, including one project manager, one assistant project manager and one site foreman to be solely designated for the execution of Project A; and (b) four staffs, including one project manager, one assistant project manager, one site foreman and one site engineer to be solely designated for the execution of Project B, once we commence the relevant construction works which are tentatively scheduled to take place in the first quarter of 2018.

Furthermore, in addition to Project A and Project B, there are 32 other potential projects with an aggregate notional contract sum of approximately HK$487.3 million which we have tendered for and the tender results were still pending as at the Latest Practicable Date. Our Directors are confident about the outcome of the tender particularly for four potential projects, with a total contract sum of approximately HK$25.7 million, having considered that our Group has been either shortlisted for tender interviews and/or addressed rounds of tender queries. It is our strategy to tender for projects from time to time, subject to our capacity and resources at the relevant time, cost effectiveness, complexity and profitability of the projects. If our Group is awarded these potential projects, we may not have sufficient manpower to cope with the relevant construction works for those projects. Thus, our Directors are of the view that it is imperative for us to enhance our workforce in order to cope with our operational need and undertake projects of higher contract sum and larger operational scale.

Our Directors believe that we have sufficient experience and knowledge to handle Project A and Project B for the following reasons:

(i) Our management team has the experience and industry knowledge to undertake large-scale projects given that each of Mr. Kung, Mr. Yip and Mr. Kam, our executive Directors and our Controlling Shareholders, has an average of over 35 years of experience, industry knowledge and project exposure in the construction industry in Hong Kong. Our management capability has translated into quality services which have increasingly been recognised by our customers as demonstrated by the fact that (a) we were awarded one large scale superstructure building works project with a contract sum of approximately HK$83.9 million in late 2016 relating to the construction of columbarium in Tuen Mun; (b) we completed a residential project involving foundation and site formation works with a contract sum of approximately HK$38.0 million in May 2017; (c) for Project A with a notional contract sum of HK$25 million, we were shortlisted for tender interview that enhances our likelihood of success for obtaining this project; and (d) for Project B, we expect this project will be awarded to us as evidenced by the legally binding memorandum of agreement between the potential customer and us, which is another large-scale project involving redevelopment of school campus in Tai Po Road with a notional contract sum of approximately HK$61 million. We expect to continue to receive further tender invitations for large-scale projects in future driven by the growth drivers as described above. Our Directors consider that it is in the interest of our Group to capture the business opportunities emerging from such industry trend. Leveraging on years of experience in foundation and site formation and superstructure building works projects, we have developed sufficient experience and knowledge to undertake projects of higher contract sum and larger operational scale.

(ii) Due to the limit on our workforce as stated above, historically, we were inclined to undertake limited number of large-scale projects during the Track Record Period. If we are able to expand our manpower resources, we will be in a better position to compete for more large-scale projects. Therefore, to further strengthen our manpower resources and management capabilities for large-scale projects, we plan to utilise approximately HK$[REDACTED] million from the net proceeds to recruit four additional project management staff and an accounting staff to further enhance our competitiveness to tender for new projects of larger scale and complexity. Furthermore, our Directors believe that we are able to recruit qualified manpower given our established reputation in the construction industry in Hong Kong and by deploying additional manpower resources in project management, we are in a better position to take up certain project coordination duties which would otherwise be carried out by main contractors. Our Directors believe that this will enable our Group to reduce subcontracting fee, monitor our cost control more effectively, and hence yield a higher profit margin.

Our Directors consider that we are well-positioned to compete for large-scale projects which represent a logical direction for our business development and we will have sufficient experience and knowledge to handle Project A and Project B after the [REDACTED].

- Approximately HK$[REDACTED] million or approximately [REDACTED]% of net proceeds will be used as general working capital of our Group.

If the [REDACTED] is fixed at the high-end of the indicative [REDACTED] range, being HK$[REDACTED] per [REDACTED], and assuming the [REDACTED] is not exercised, the net proceeds we receive from the [REDACTED] will increase by approximately HK$[REDACTED]. If the [REDACTED] is set at the low-end of the indicative [REDACTED] range, being HK$[REDACTED] per [REDACTED], and assuming the [REDACTED] is not exercised, the net proceeds we receive from the [REDACTED] will decrease by approximately HK$[REDACTED].

If the [REDACTED] is exercised in full, we estimate that we will receive additional net proceeds of approximately HK$[REDACTED] million, based on an [REDACTED] of HK$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] ranged from HK$[REDACTED] to HK$[REDACTED] per [REDACTED]. In the event any of the [REDACTED] is exercised in full, we intend to apply the additional net proceeds for the above purposes in the proportions stated above.

To the extent that the net proceeds are not immediately applied to the above purposes due to any factors, and to the extent permitted by applicable laws and regulations, we will carefully evaluate the situations and it is our present intention to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, our Group will issue an announcement in accordance with the GEM Listing Rules.

REASONS FOR THE [REDACTED]

Our Directors believe that the [REDACTED] will greatly benefit our Group for the following reasons:

- **We need a listing status to enhance our competitiveness to compete with our listed competitors**

  Our Directors consider achieving a listing status to be a crucial and critical way to compete with our Group's major competitors in the construction industry. Since 2002, Wai Tat, our key operating subsidiary, has been registered as a specialist contractor in the categories of foundation works, site formation works and ground investigation field works with the Buildings Department. We are also a registered general building contractor with the Buildings Department undertaking superstructure building works projects and other general building works in Hong Kong. According to the Frost & Sullivan Report, among our competitors which possess the qualifications and experience to compete for foundation, site formation and superstructure building contracts, over 10 of them have achieved a listing status. Our Directors believe that a public listing status, transparent financial disclosures and regulatory supervision are definite competitive advantage to which our customers would give due weight in a competitive tendering process nowadays. Our Directors consider that a lack of a listing status could be a hindrance to our Group's success to tender for new projects in the foundation, site formation and superstructure building industries. Therefore, our Directors believe that it is of critical and strategic importance to our Group to achieve a listing status in order to enhance our competitiveness to compete with the other listed construction contractors. Our Directors consider the [REDACTED] would bring about the above intangible benefit which justifies the costs, the risks and uncertainties involved in a listing application.

- **Our Group has genuine funding needs for expansion of our business**

  It is necessary for us to raise funds through the [REDACTED] for the following reasons:

  (i) *Business opportunities and growth drivers in view of the industry outlook:* Our Group's business is expected to expand steadily taking into account our contracts on hand and the tenders we plan to submit for the year ending 30 June 2018 coupled with the continuous growth in the construction industry. According to the Frost & Sullivan Report, it is expected that the revenue of the construction works in Hong Kong will grow at a CAGR of approximately 5.6%, from about HK$201.2 billion in 2017 to about HK$250.4 billion in 2021. Our Directors envisage that there would be considerable business opportunities and growth drivers which justify our Group's expansion plan to compete for more foundation and site formation works, and superstructure building works project. These business opportunities and drivers include the Hong Kong Government's policy to increase land supply and to continue its investment in infrastructure, increasing number of residential and commercial development projects and the Hong Kong Government's policy for urban renewal and development of rock caverns and underground spaces, which are expected to drive up total construction activities and hence more business opportunities for foundation and site formation projects and superstructure building works projects in Hong Kong, and the corresponding growth of the construction industry in the near future. Please refer to the paragraph headed "Industry Overview — Market Overview of the Key Construction Segments in Hong Kong" of this document for further details.

  (ii) *We need funding to finance our contracts on hand and need additional capital required to grasp the business opportunities and consolidate our Group's market position:* As at the Latest Practicable Date, we had ten projects on hand with a total awarded contract sum of approximately HK$165.5 million with approximately HK$43.7 million was recognised as revenue during the Track Record Period. Our Group continued to receive invitations for tender for projects subsequent to the Track Record Period and up to the Latest Practicable Date. For the period from 1 July 2017 to the Latest Practicable Date, there were 17 tender applications submitted by our Group. This demonstrates our Group's growing momentum to expand our business to capture the emerging business opportunities. Moreover, our Directors consider that given our well-established reputation in the construction industry and our stable business relationship with our customers, our Group has the ability to grasp the continuous growth in these industries and further increase our market share, which hinges on the availability of our then available operational resources including financial resources and manpower resources to support our future business growth. In addition, for FY2016 and FY2017, approximately 19% and 30% of tender invitations involved surety bond requirements and for most of these tender invitations, we had either declined the invitations or submitted a less competitive tender price by factoring a higher profit margin in cost estimations to maintain our presence in the market, given that we did not have sufficient financial resources to meet these surety bond requirements. Historically, we were more inclined to take on projects without surety bond requirements as we capitalise on our mutual trust and stable business relationship with our major customers. During the Track Record Period and up to the Latest Practicable Date, based on the financial resources

available to our Group at that time, we only managed to undertake two foundation and site formation works projects and one demolition project which involved surety bonds with restricted cash held for those projects in aggregate amounted to approximately HK$4.7 million. Hence, the number of projects we are able to take on could be limited by our availability of financial resources for taking out surety bonds. Our Directors consider that if we are to expand our business and undertake more foundation and site formation works and superstructure building works projects, we must continue to enhance our available financial resources and strengthen our liquidity position to satisfy the surety bond requirement for projects that we plan to secure, thereby enhancing our capacity to take up contracts with larger contract sums.

(iii) *We have capital input and upfront costs and therefore incur net cash outflow at the early stage of the project:* We have to pay the start-up costs such as insurance expenses, costs of major construction materials, subcontracting fees, staff costs, machinery rental, site utilities, site office cost and other site set-up costs. Prior to receiving payment from our customers, the cash flow requirement at the initial stage of our projects could constraint the number of projects that we could take under our then available resources. Our customers make the first payment around two to three months after the commencement of the projects and we would therefore incur net cash outflows of usually 15% to 25% of the contract sum at an early stage of carrying out our works. Furthermore, the progress payments from our customer will not always be paid to us on time and in full and we may experience a mismatch of our cash flow when there is any timing difference between making payments to our suppliers and subcontractors and receiving payments from our customers.

(iv) *We do not have sufficient surplus cash for our business expansion:* As at 30 June 2016 and 30 June 2017, we recorded cash and cash equivalents of approximately HK$16.7 million and HK$14.3 million, which demonstrated a downward trend and was mainly due to the increased number and size of the projects undertaken by us with 16 new projects with aggregate awarded contract sum of approximately HK$157.2 million that were awarded to us during FY2017, which represented over 150% as compared with the aggregate contract sum of projects awarded to us during FY2016. Further, we required an average monthly operating costs for our projects of approximately HK$2.6 million and HK$3.8 million (primarily including subcontracting charges, construction material costs and staff costs) during the Track Record Period based on our total cost of sales in FY2016 and FY2017, respectively. In view of our Group's cash outflow exposure and to capture the potential business opportunities arising from the prospects of the construction industry in Hong Kong, our Directors consider that the current financial resources available to our Group is only sufficient for our Group's daily operations for at least the next 12 months after the [REDACTED], and our Company will need to raise fund through the [REDACTED] to facilitate implementation of our future plans as set out in the paragraph headed ''Business — Business Strategies'' of this document.

Our Directors consider that it is necessary to keep surplus cash in our Group for any unexpected inflation of costs due to unstable labour supply in construction industry. As such, in view of our significant cash outflow exposure including payment to suppliers, subcontractors and labour, our Directors believe that our Group needs to generate funds to finance its expansion plan while maintaining sufficient working capital for our Group's operations.

(v) *We consider it would be difficult for our Group to obtain bank borrowings without personal guarantees and/or other collateral provided by our Controlling Shareholders:*

Our Directors consider that it would not be in the interest of our Group to rely on debt financing that involve personal guarantee or any collateral provided by the Controlling Shareholders and their associates for the following reasons:

(a) It is our long-term strategy to minimise connected transactions and related party transactions in order to carry out our business independently from our Controlling Shareholders, Directors and their associates.

(b) Continuous reliance on our Controlling Shareholders, Directors and their associates for provision of personal guarantee and other form of financial assistance is a hindrance to our Group in achieving financial independence.

As at 30 June 2016 and 30 June 2017, our Group had a low gearing ratio of approximately 2.4% and 2.6%, respectively. Our Directors genuinely believe that it is necessary to (a) maintain a disciplined financial strategy without exposing our Group to aggressive gearing in order to achieve sustainable growth in the long run; and (b) maintain a cash level sufficient to support our Group's existing operations. In view of our Group's initial cash outflow exposure with respect to the upfront payment, including payment to suppliers, subcontractors, staff costs and payment for surety bonds, our Directors believe that our Group does not have sufficient internal generated funds to finance our expansion plan while maintaining sufficient working capital for our Group's operations. Our Directors consider that it is in the interest of our Group to proceed with the equity financing by way of the [REDACTED] for the purpose of our business expansion as opposed to a debt financing in view of the increasing borrowing costs of debt financing. Our Directors considered that as part of a group of private companies, our Company, without a listing status, would be difficult to obtain bank borrowings at a more commercially favourable term without personal guarantee or other form of collateral provided by our Controlling Shareholders. Furthermore, whilst our operation had not rely on funding from bank borrowings during the Track Record Period, our Group's financial performance and liquidity may be negatively affected if market uncertainty suddenly occurred, such as increase in interest rate in the United States and any unexpected deterioration in the prevailing market condition in the construction industry resulting in the imposition of further stringent requirements on debt financing. As such, our Directors consider that it is in the interest of our Group to proceed with the equity financing by way of the [REDACTED] for the purpose of our business expansion as opposed to a debt financing in the long run.

- **Other commercial rationale for the [REDACTED]**

  — Our Directors believe that a listing status will enhance our credibility with our subcontractors, suppliers and customers and thus, enhance our level of competitiveness in competing for and carrying out our projects. With such status, our Group can be differentiated from other competitors during the tendering process, enhancing our success rate in competing for sizable and profitable projects.

  — The [REDACTED], which allows us to access the capital market for fund raising, will assist our future business development and strengthen our competitiveness. Following the [REDACTED], we will be able to use secondary fund raising after listing for our future growth and expansion plans, and when necessary, through the issuance of equity and/or debt securities. Such platform would allow our Company to gain direct access to the capital market for equity and/or debt financing to fund its existing operations and future expansion, which would be instrumental to our expansion and improving our operating and financial performance for maximum Shareholders' return. While we will continue to obtain certain amount of banking facilities after [REDACTED] alongside with equity financing, our Directors believe that we would be in a better position to negotiate with banks and financial institutions if we are a listed company with enlarged capital structure.

  — By strengthening our financial position through fund-raising, we will also have more bargaining power when negotiating terms with our suppliers and subcontractors, and with other business partners, if any. Hence, our Group will then be able to maintain a lower level of gearing ratio, which benefits our Group and Shareholders as a whole, and enhance our capital structure. Our Directors therefore believe that the use of equity financing would avoid the risk of high interest rate generally associated with debt financing which exposes our Group to increasing financial costs in the future.

  — Our Directors also believe that the [REDACTED] will enhance the liquidity of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of the shares that are privately held before the [REDACTED]. Hence, our Directors consider that the [REDACTED] will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the trading of our Shares.

  — Although the estimated [REDACTED] expenses represents a certain proportion of the gross proceeds from the [REDACTED], such expenses are non-recurring in nature for which we would not have to repay following completion of the [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

The following is the text of a report set out on pages I-1 to I-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountant's Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of PricewaterhouseCoopers] [Draft]

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WT GROUP HOLDINGS LIMITED AND TITAN FINANCIAL SERVICES LIMITED

Introduction

We report on the historical financial information of WT Group Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-3 to I-34, which comprises the combined balance sheets as at 30 June 2016 and 2017, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years then ended (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-3 to I-34 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the "**Document**") in connection with the proposed [REDACTED] of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountant's Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the combined financial position of the Group as at 30 June 2016 and 2017 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 23 to the Historical Financial Information which states that no dividends have been paid by WT Group Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[REDACTED]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in HK dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 30 June	
		2016	**2017**
	Note	*HK$'000*	*HK$'000*
Revenue	*6*	44,655	75,370
Cost of sales	*8*	(31,428)	(52,625)
Gross profit		13,227	22,745
Other income	*6*	122	558
Other gain	*7*	24	12
Administrative expenses	*8*	(3,192)	(10,831)
Operating profit		10,181	12,484
Finance costs	*10*	(45)	(33)
Profit before income tax		10,136	12,451
Income tax expense	*11*	(1,605)	(2,984)
Profit and total comprehensive income for the year and attributable to owners of the Company		8,531	9,467
Earnings per share attributable to owners of the Company for the year (expressed in HK$ per share)			
Basic and diluted	*12*	N/A	N/A

COMBINED BALANCE SHEETS

	Note	As at 30 June 2016 HK$'000	As at 30 June 2017 HK$'000
ASSETS			
Non-current assets			
Property and equipment	*13*	559	1,316
Deposits and prepayments	*16*	21	429
		580	1,745
Current assets			
Trade and retention receivables	*15*	9,374	33,702
Deposits, prepayments and other receivables	*16*	826	2,877
Amounts due from customers for contract works	*18*	3,318	1,073
Restricted cash	*17*	—	2,507
Cash and cash equivalents	*17*	16,748	14,328
		30,266	54,487
Total assets		30,846	56,232
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Capital	*22*	100	100
Reserves	*22*	21,043	34,810
Total equity		21,143	34,910
LIABILITIES			
Non-current liability			
Obligations under finance leases	*21*	269	576
		269	576
Current liabilities			
Trade and retention payables	*19*	3,871	8,114
Accruals and other payables	*20*	700	4,042
Amounts due to customers for contract works	*18*	2,019	6,456
Obligations under finance leases	*21*	246	327
Current income tax liabilities		2,598	1,807
		9,434	20,746
Total liabilities		9,703	21,322
Total equity and liabilities		30,846	56,232

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company			
	Capital	**Capital reserve**	**Retained earnings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 22)	*(Note 22)*		
At 1 July 2015	100	—	20,912	21,012
Comprehensive income:				
Profit and total comprehensive income for the year	—	—	8,531	8,531
Transactions with owners in their capacity as owners:				
Dividends *(Note 23)*	—	—	(8,400)	(8,400)
At 30 June 2016	100	—	21,043	21,143
At 1 July 2016	100	—	21,043	21,143
Comprehensive income:				
Profit and total comprehensive income for the year	—	—	9,467	9,467
Transactions with owners in their capacity as owners:				
Issuance of ordinary shares by a company now comprising the Group *(Note 1.2(c))*	—	10,000	—	10,000
Dividends *(Note 23)*	—	—	(5,700)	(5,700)
At 30 June 2017	100	10,000	24,810	34,910

COMBINED STATEMENTS OF CASH FLOWS

		Year ended 30 June	
		2016	2017
	Note	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Cash generated from/(used in) operations	*25(a)*	12,047	(1,189)
Income tax paid		(1,929)	(3,775)
Net cash generated from/(used in) operating activities		10,118	(4,964)
Cash flows from investing activities			
Purchases of property and equipment		(65)	(340)
Proceeds from disposals of property and equipment	*25(b)*	24	12
Net cash used in investing activities		(41)	(328)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares by a company now comprising the Group		—	10,000
Repayments of finance lease liabilities		(253)	(345)
Interest paid		(45)	(33)
Dividends paid		(8,400)	(5,700)
[REDACTED] expenses paid		—	(1,050)
Net cash (used in)/generated from financing activities		(8,698)	2,872
Increase/(decrease) in cash and cash equivalents		1,379	(2,420)
Cash and cash equivalents at beginning of the year		15,369	16,748
Cash and cash equivalents at end of the year		16,748	14,328

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information, reorganisation and basis of presentation

1.1 General information

The Company was incorporated in the Cayman Islands on 11 July 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries comprising the group (together the "**Group**") are principally engaged in the business of specialised works and general building works in Hong Kong (the "**[REDACTED] Business**").

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "**Reorganisation**") as described below, the [REDACTED] Business was carried out by Wai Tat Foundation & Engineering Limited ("**Wai Tat**" or the "**Operating Company**"). Before the completion of the Reorganisation, the Operating Company was controlled by Mr. Kung Cheung Fai, Patrick ("**Mr. Kung**"), Mr. Yip Shiu Ching ("**Mr. Yip**") and Mr. Kam Kin Bun ("**Mr. Kam**") (collectively, the "**Controlling Shareholders**") who owned 34%, 33% and 33%, respectively, of the shareholdings of the Operating Company throughout the Track Record Period.

In preparation for the listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**[REDACTED]**"), the Group underwent the Reorganisation which principally involved the following steps.

(a) On 22 May 2017, Vision Perfect Ventures Limited ("**Vision Perfect**") was incorporated in the British Virgin Islands ("**BVI**"). On 6 June 2017, 34 shares, 33 shares and 33 shares were allotted and issued to Mr. Kung, Mr. Yip and Mr. Kam, respectively, all credited as fully paid at par value of US$1. As a result, Vision Perfect was owned as to 34% by Mr. Kung, as to 33% to Mr. Yip and as to 33% by Mr. Kam.

(b) On 6 June 2017, Mr. Kung, Mr. Yip and Mr. Kam transferred 34,000 shares, 33,000 shares and 33,000 shares in the Operating Company to Vision Perfect and as consideration of such share transfers, Vision Perfect issued and allotted an aggregate of 800 shares, credited as fully paid, as to 272 shares to Mr. Kung, as to 264 shares to Mr. Yip and as to 264 shares to Mr. Kam. Since then, the Operating Company became a wholly-owned subsidiary of Vision Perfect which was owned as to 34% by Mr. Kung, as to 33% to Mr. Yip and as to 33% by Mr. Kam.

(c) On 9 June 2017, pursuant to a subscription agreement entered into between Excel Jumbo Limited ("**Excel Jumbo**"), an independent third party, and Vision Perfect, Vision Perfect allotted and issued, and Excel Jumbo subscribed for, 100 new shares in Vision Perfect, all credited as fully paid, at a consideration of HK$10,000,000 (the "**Subscription**"). Upon completion of the Subscription, Vision Perfect was owned as to 30.6% by Mr. Kung, as to 29.7% by Mr. Yip, as to 29.7% by Mr. Kam and as to 10% by Excel Jumbo.

(d) On 1 June 2017, Talent Gain Ventures Limited ("**Talent Gain**") was incorporated in the BVI. On 11 July 2017, 34 shares, 33 shares and 33 shares were allotted and issued to Mr. Kung, Mr. Yip and Mr. Kam respectively, all credited as fully paid at par value of US$1. As a result, Talent Gain was owned as to 34% by Mr. Kung, as to 33% to Mr. Yip and as to 33% by Mr. Kam.

(e) On 11 July 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. The authorised share capital of the Company was HK$380,000 consisting of 38,000,000 Shares with a par value of HK$0.01 each. On the date of incorporation, one Share was allotted and issued to the initial subscriber, credited as fully paid at par, which was transferred to Talent Gain on the same date.

(f) On 24 November 2017, Mr. Kung, Mr. Yip, Mr. Kam and [REDACTED] transferred 306 shares, 297 shares, 297 shares and 100 shares, respectively, of Vision Perfect to the Company, and in consideration of such share transfers, the Company issued and allotted an aggregate of 999 Shares, credited as fully paid at par, as to 899 Shares to Talent Gain and as to 100 Shares to [REDACTED]. Since then, Vision Perfect became a wholly-owned subsidiary of the Company which was owned as to 90% by Talent Gain and as to [REDACTED]% by Excel Jumbo.

Upon completion of the Reorganisation, the Company had direct or indirect interests in the following subsidiaries:

Name	Place and date of incorporation	Principal activities	Type of legal status	Issued and paid up/registered capital	Effective interest held As at 30 June 2016	2017	Note
Directly held							
Vision Perfect Ventures Limited	BVI, 22 May 2017	Investment holding	Limited liability company	US$1,000	N/A	100%	(b)
Indirectly held							
Wai Tat Foundation & Engineering Limited	Hong Kong, 25 January 2002	Engaged in business of foundation works, site formation works, superstructure works, demolition works and ground investigation field works	Limited liability company	HK$100,000	100%	100%	(c)

Notes:

(a) All companies comprising the Group have adopted 30 June as their financial year end date.

(b) No audited financial statements were issued for this subsidiary as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

(c) The statutory financial statements for the years ended 30 June 2016 and 2017 were audited by Cheng & Cheng Limited, certified public accountant in Hong Kong.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the [REDACTED] Business has been held by and conducted through Wai Tat which is ultimately controlled by the Controlling Shareholders. Pursuant to the Reorganisation, Wai Tat and the [REDACTED] Business are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the [REDACTED] Business with no change in management of such business and the ultimate owners of the [REDACTED] Business. Accordingly, the Historical Financial Information of the companies now comprising the Group is presented using the carrying values of the [REDACTED] Business for all periods presented as if the current group structure has been in existence throughout the Track Record Period.

Intercompany transactions, balances, unrealised gains/losses on transactions between group companies are eliminated on combination.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the HKICPA and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The Historical Financial Information has been prepared under the historical cost convention.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

The following new standards and amendments to existing standards have been issued but are not yet effective and have not been early adopted by the Group.

		Effective for accounting period beginning on or after
HKAS 7 (Amendment)	Statement of cash flows — disclosure initiative	1 January 2017
HKAS 12 (Amendment)	Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 12 (Amendment)	Disclosure of interest in other entities	1 January 2017
HKFRS 1 (Amendment)	First time adoption of HKFRS	1 January 2018
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (Amendment)	Insurance contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 15 (Amendment)	Classifications to HKFRS 15	1 January 2018
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2018
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 10, HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Management is in the process of assessing the impact of these standards, amendments and interpretations to existing HKFRS and set out below are the expected impact on the Group's financial performance and position:

(i) HKFRS 9 "Financial instruments"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. HKFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses ("**ECL**") model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a "three stage" approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using

lifetime ECL rather than 12-month ECL. The Group has commenced a preliminary assessment of the potential impact of the application of the new model for the recognition of impairment losses. Up to this stage, the implementation of the new ECL model is not expected to result in any significant impact on the Group's financial results and position except that it may result in an earlier recognition of credit losses.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

HKFRS 9 must be applied for financial year commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

(ii) HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including HKAS 18, Revenue, HKAS 11, Construction contracts and HK(IFRIC)-Interpretation 13, Customer Loyalty Programmes. It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

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 customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group is currently evaluating the impact of adopting HKFRS 15 on the Group's financial statements and the new standard will likely have an impact on the amounts reported and disclosures made in the Group's financial statements. Under HKFRS 15, the Group is required to identify separate performance obligations in recognising the amount of revenue and recognise the amount of cost related to satisfied performance obligations and fulfilment costs.

Based on the preliminary assessment, the continual use of output method under HKFRS 15 in measuring the percentage of completion is not expected to significantly affect the timing and amount of revenue recognition upon adoption. On the other hand, HKFRS 15 includes contract cost guidance that could result in a change in the measurement and recognition of contract costs as compared to the accounting policy currently adopted by the Group. For the incremental costs of obtaining a contract with a customer and the cost related directly to a contract or an anticipated contract, such as set up costs, that generate or enhance resources to fulfill the future performance, the Group shall recognise this as an asset and amortise such asset over the period of contract performance. The Group will no longer be able to defer costs if the performance obligation qualifies for over-time recognition unless such costs qualify for capitalisation based on either the

costs to obtain or costs to fulfill the contract guidance, meaning costs relating to the satisfied performance obligation will be expensed as incurred. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity in accordance to the current standard while costs incurred in satisfying a performance obligation are charged to expense as incurred under HKFRS 15.

Since the Group will continue to use output method to measure progress, which is other than cost-to-cost method, this will likely result in uneven margins in individual reporting periods over the life of the contract. The Group is not yet in a position to provide quantified information and the new standard is not expected to apply until the financial year ending 30 June 2019.

(iii) HKFRS 16 "Leases"

HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The Group is a lessee of various properties which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.20 with the Group's future operating lease commitments, which are not reflected in the combined balance sheets, set out in Note 26. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the balance sheet. Instead, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's combined balance sheets. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the combined balance sheets. As for the financial performance impact in the combined statements of comprehensive income, the operating lease expenses will decrease, while depreciation and amortisation and the interest expense will increase. The new standard is not expected to apply until the financial year 2019, and the management expects the impacts on the Group's financial results and position upon the adoption of HKFRS 16 are not material. The Group's future aggregate minimum lease payments under non-cancellable operating leases as at 30 June 2016 and 2017 are HK$423,000 and HK$717,000 respectively.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has the control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interests in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interests 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 interests 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 statements of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who make strategic decisions.

2.4 Foreign currency translation

Functional and presentation currency

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Historical Financial Information is presented in Hong Kong dollars ("**HK$**"), which is the Company's functional and the Group's presentation currency.

2.5 Property and equipment

Property and equipment is 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 are charged to the combined statements of comprehensive income during the financial period in which they are incurred.

Motor vehicles classified as finance lease commences depreciation from the time when the assets become available for its intended use. Depreciation of property and equipment is calculated using the straight line method to allocate their cost to their residual values over its estimated useful lives, as follows:

Furniture and equipment	20%
Motor vehicles under finance leases	20% or over the lease term, whichever is shorter

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 (Note 2.6).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gain" in the combined statements of comprehensive income.

2.6 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs 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.

2.7 Financial assets

(a) Classification

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 retention receivables", "amounts due from customers for contract works", "deposits and other receivables", "restricted cash" and "cash and cash equivalents" in the combined balance sheets (Notes 2.10 and 2.11).

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date-the date on which the Group commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method, less provision for impairment. Loans and receivables are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the combined balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.9 Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "**loss event**") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables 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 the combined statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the combined statements of comprehensive income.

2.10 Trade and other receivables

Trade and retention 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. See Note 2.7 for further information about the Group's accounting for trade and other receivables and Note 2.9 for a description of the Group's impairment policies.

2.11 Cash and cash equivalents

In the combined statements of cash flows, cash and cash equivalents include deposits held at call with banks and cash on hand.

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade and other payables

Trade and retention payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and retention 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.

2.14 Finance costs

Finance costs are recognised in profit or loss in the period in which they are incurred.

2.15 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the combined statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at each balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by each balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Employee benefits

(i) Pension obligations

The Group participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("**MPF Scheme**") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income up to a maximum of HK$1,500 per employee per month. The assets of this pension scheme are held separately from those of the Group in independently administered funds. Other than the contributions, the Group has no further obligation for the payment of retirement and other postretirement benefits of its employees in Hong Kong.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(ii) Bonus plans

The expected costs of bonus payment are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are measured at the amounts expected to be paid when they are settled.

(iii) 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 each balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time to leave.

2.17 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to anyone 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 obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Construction contract

A construction contract is defined by HKAS 11, "Construction contracts", as a contract specifically negotiated for the construction of an asset.

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 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 balance sheets, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

2.19 Contingent liabilities

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 resources will be required or the amount of obligation cannot be measured reliably.

2.20 Leases

(a) Operating lease — as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the combined statements of comprehensive income on a straight-line basis over the period of the lease.

(b) Finance leases — as a lessee

The Group leases certain motor vehicles. Leases of motor vehicles where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the combined statements of 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. The motor vehicles acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Historical Financial Information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk and capital risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, cash flow and fair value interest rate risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

(i) Foreign exchange risk

The Group operates solely in Hong Kong and is exposed to foreign exchange risk, primarily with respect to Taiwan Dollar ("TWD") denominated transactions arising from engagement with a subcontractor.

As at 30 June 2017, if TWD has strengthened/weakened by 5% with all other variables held constant, the post-tax profit for the year would have been approximately HK$143,000 lower/higher, mainly as a result of foreign exchange loss as at 30 June 2017 on revaluation of TWD denominated trade payable. As at 30 June 2016, there is no TWD denominated assets and liabilities.

(ii) Credit risk

The Group is exposed to credit risk in relation to its trade and retention receivables, amounts due from customers for contract works, deposits and other receivables, restricted cash, and cash and cash equivalents. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

It is the Group's policy that all customers who wish to have credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group is exposed to concentration of credit risk as at 30 June 2016 and 2017 on trade and retention receivables from the Group's top five debtors amounting to approximately HK$8,843,000 and HK$32,799,000, respectively and accounted for 94% and 97%, respectively. These customers have no significant financial difficulty and historical default experience.

The credit risk on restricted cash and cash and cash equivalents are limited because cash are placed in banks and insurance companies with sound credit ratings.

(iii) Cash flow and fair value interest rate risk

Other than the finance lease liabilities which carry interest at fixed interest rates, the Group has no other significant interest-bearing assets or liabilities. Therefore, the interest rate risk mainly arises from finance lease liabilities.

However, the interest expenses derived therefrom are relatively insignificant to the Group's operations. Therefore, the Group's income and operating cash flows are less dependent on changes in market interest rates. Accordingly, the directors are of the opinion that the Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The Group's liquidity risk is further mitigated through the availability of financing through its own cash resources to meet its financial commitments. In the opinion of the directors, the Group does not have any significant liquidity risk.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on contractual undiscounted cash flows and the earliest date the Group can be required to pay. Balances due within 12 months equal their carrying balances (including both interest and principal) as the impact of discounting is not significant.

	On demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2016				
— Obligations under finance leases	261	197	99	557
— Accruals and other payables (excluding provision for unutilised annual leave)	586	—	—	586
— Trade and retention payables	3,871	—	—	3,871
	4,718	197	99	5,014
As at 30 June 2017				
— Obligations under finance leases	358	261	351	970
— Accruals and other payables (excluding provision for unutilised annual leave)	3,893	—	—	3,893
— Trade and retention payables	8,114	—	—	8,114
	12,365	261	351	12,977

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the debt-to-asset ratio, the ratio is calculated as total debts divided by total assets. Total debts represent finance lease liabilities.

	As at 30 June	
	2016	2017
	HK$'000	*HK$'000*
Total debts	515	903
Total assets	30,846	56,232
Debt-to-asset ratio	1.7%	1.6%

3.3 Fair value estimation

The carrying amounts of the Group's current financial assets, including trade and retention receivables, amounts due from customers for contract works, deposits and other receivables, restricted cash and cash and cash equivalents, and current financial liabilities, including trade and retention payables, accruals and other payables, and finance lease liabilities, approximate their fair values as at the reporting date due to their short maturities. The nominal value less estimated credit adjustments for financial assets and liabilities with maturities of less than one year are assumed to approximate their fair values. The carrying value of non-current finance lease liabilities is assumed to approximate its fair value as the amount bears interest at commercial rate.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Construction contracts

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

The Group recognised 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 periods. The Group reviews and revises the estimate of the contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract in progress. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

(b) Impairment of trade and retention receivables

Management reviews regularly the recoverable amount of each individual trade and retention receivables to ensure that adequate impairment is made for the balances. Management assesses the recoverable amount of each individual receivable whether there is objective evidence that the receivables are impaired. This evidence may include observable data indicating that there has been an adverse change in the payment status of the debtors and the local economic conditions that correlate with the potential risk of impairment on the transactions. Management reassesses the provision at each balance sheet date.

5 Segment information

The CODM has been identified as the executive directors who review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM assesses the performance based on a measure of profit after income tax and considers all businesses to be included in a single operating segment.

The Group is principally engaged in the business of specialised works and general building works in Hong Kong. Information reported to CODM for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

All of the Group's activities are carried out in Hong Kong and all of the Group's assets and liabilities are located in Hong Kong. Accordingly, no analysis by geographical basis is presented.

The Group is domiciled in Hong Kong and revenue are all derived from external customers in Hong Kong for the Track Record Period. During the years ended 30 June 2016 and 2017, revenue from 2 and 4 customers, respectively, individually contributed over 10% of the Group's revenue. The revenue from each of these customers during the Track Record Period are summarised below:

	Year ended 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Customer A	23,930	12,064
Customer B	9,595	20,596
Customer C	N/A[(a)]	15,994
Customer D	N/A[(a)]	8,578

Note:

(a) The corresponding customers did not contribute over 10% of the total revenue of the Group for the specific year.

6 Revenue and other income

Revenue and other income recognised during the years ended 30 June 2016 and 2017, are as follows:

	Year ended 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Revenue:		
Contract revenue	44,655	75,370
Other income:		
Compensation income received from a customer	—	400
Sundry income	122	158
	122	558

7 Other gain

	Year ended 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Gain on disposal of property and equipment	24	12

8 Expenses by nature

Expenses included in cost of sales and administrative expenses are analysed as follows:

	Year ended 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Construction costs recognised in cost of sales *(Note a)*	31,428	52,625
Employee benefits expenses, including directors' emoluments *(Note b)*	1,938	2,855
Depreciation *(Note 13)*	292	353
[REDACTED] expenses	—	6,006
Legal and professional fees	124	222
Auditors' remuneration		
— Audit services	86	86
— Non-audit services	15	210
Operating lease charges in respect of the Group's office	156	258
Motor vehicle expenses	364	372
Utility expenses	58	101
Others	159	368
Total cost of sales and administrative expenses	34,620	63,456

Notes:

(a) Construction contracts costs included costs of construction materials, staff costs (refer to note (b) below), subcontracting charges, insurance and transportation.

(b)

	Year ended 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Wages, salaries, bonuses and other benefits	5,324	6,934
Pension costs — defined contribution plans	163	201
Less: amount included in construction contracts costs or capitalised in work-in-progress	(3,549)	(4,280)
	1,938	2,855

(c) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group include 3 and 3 directors for the years ended 30 June 2016 and 2017 respectively, whose remuneration are reflected in the analysis presented in Note 9(a) below.

The remuneration paid to the remaining 2 and 2 individuals are as follows:

	Year ended 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Wages, salaries, bonuses and other benefits	1,171	1,163
Pension costs — defined contribution plans	36	36
	1,207	1,199

The emoluments of these individuals fell within the band of nil — HK$1,000,000 during the years ended 30 June 2016 and 2017.

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any for the five highest paid individuals during the years ended 30 June 2016 and 2017.

9 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of the directors of the Company paid and payable by the Group for the years ended 30 June 2016 and 2017 are set out below:

For the year ended 30 June 2016:

Name	**Fees** *HK$'000*	**Salary** *HK$'000*	**Discretionary bonuses** *HK$'000*	**Allowances and benefits in kind** *(Note)* *HK$'000*	**Employer's contribution to pension scheme** *HK$'000*	**Total** *HK$'000*
Executive directors:						
Mr. Kung Cheung Fai, Patrick	—	756	—	—	18	774
Mr. Yip Shiu Ching *(Chairman)*	—	746	—	—	18	764
Mr. Kam Kin Bun	—	601	—	292	18	911
	—	2,103	—	292	54	2,449

For the year ended 30 June 2017:

Name	Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind *(Note)*	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Mr. Kung Cheung Fai Patrick	—	1,030	—	—	18	1,048
Mr. Yip Shiu Ching *(Chairman)*	—	1,030	—	—	18	1,048
Mr. Kam Kin Bun	—	738	—	292	18	1,048
	—	2,798	—	292	54	3,144

Note: The allowances and benefits in kind represent the operating lease charge paid for a director's quarter.

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Operating Company and no directors waived any emolument during the years ended 30 June 2016 and 2017.

No director fees were paid to these directors in their capacity as directors of the Company or the Operating Company and no emoluments were paid by the Company or the Operating Company to the directors as an inducement to join the Company or the Operating Company, or as compensation for loss of office during the years ended 30 June 2016 and 2017.

Mr. Leung Chi Hung, Ms. Wong Lai Na and Ms. Hung Siu Woon Pauline were appointed as the Company's independent non-executive directors on 1 December 2017. During the Track Record Period, the independent non-executive directors had not been appointed and had not received any remuneration.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the Track Record Period.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during Track Record Period.

(d) Consideration provided to third parties for making available directors' services

During the Track Record Period, the Group did not pay consideration to any third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the Track Record Period, there is no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly to indirectly; subsisted at the end of the year or at any time during the Track Record Period.

10 Finance costs

	Year ended 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Finance costs on:		
— Finance lease liabilities	45	33

11 Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the years ended 30 June 2016 and 2017.

The amount of income tax expense charged to the combined statements of comprehensive income represents:

	Year ended 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	1,641	2,984
Deferred income tax	(36)	—
Income tax expense	1,605	2,984

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the group entities as follows:

	Year ended 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Profit before income tax	10,136	12,451
Tax calculated at a tax rate of 16.5%	1,672	2,054
Expenses not deductible for tax purposes	—	1,000
Income not subject to tax	(47)	(50)
Tax concession	(20)	(20)
Tax charge	1,605	2,984

12 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the years ended 30 June 2016 and 2017 on a combined basis as disclosed in Note 1.3 above.

13 Property and equipment

	Furniture and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2015			
Cost	353	1,395	1,748
Accumulated depreciation	(321)	(1,131)	(1,452)
Net book amount	32	264	296
Year ended 30 June 2016			
Opening net book amount	32	264	296
Additions	65	490	555
Disposals *(Note 25(b))*	—	—	—
Depreciation	(45)	(247)	(292)
Closing net book amount	52	507	559
At 30 June 2016			
Cost	418	1,634	2,052
Accumulated depreciation	(366)	(1,127)	(1,493)
Net book amount	52	507	559
Year ended 30 June 2017			
Opening net book amount	52	507	559
Additions	340	770	1,110
Disposals *(Note 25(b))*	—	—	—
Depreciation	(54)	(299)	(353)
Closing net book amount	338	978	1,316
At 30 June 2017			
Cost	404	1,834	2,238
Accumulated depreciation	(66)	(856)	(922)
Net book amount	338	978	1,316

Depreciation expense of approximately HK$292,000 and HK$353,000 for the years ended 30 June 2016 and 2017 respectively, has been recorded in administrative expenses.

Motor vehicles include the following amounts where the Group is a lessee under finance leases:

	As at 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Cost — capitalised finance leases	1,634	1,834
Accumulated depreciation	(1,127)	(856)
Net book amount	507	978

The Group leases various motor vehicles under finance lease arrangements. As at 30 June 2016 and 2017, the lease terms ranged from 3.5 to 4.5 years and 3.5 to 5 years respectively, and ownership of assets lie within the Group.

14 Financial instruments by category

The Group's financial instruments include the following:

	As at 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Financial assets:		
Loans and receivables:		
Trade and retention receivables	9,374	33,702
Amounts due from customers for contract works	3,318	1,073
Deposits and other receivables	412	356
Restricted cash	—	2,507
Cash and cash equivalents	16,748	14,328
	29,852	51,966
Financial liabilities:		
Financial liabilities at amortised cost:		
Trade and retention payables	3,871	8,114
Accruals and other payables	586	3,893
Obligations under finance leases	515	903
	4,972	12,910

15 Trade and retention receivables

	As at 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Trade receivables	5,957	28,244
Retention receivables	3,417	5,458
	9,374	33,702

The Group's credit terms granted to third-party customers other than those retention receivables range from 30 days to 180 days. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

The Group adopts output method for revenue recognition. Revenue, trade and retention receivables are recognised based on work completed up to the end of the reporting periods which are certified by architects.

As at 30 June 2016 and 2017, the ageing analysis of the third-party trade receivables, based on invoice date, are as follows:

	As at 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Up to 30 days	4,450	25,235
31–60 days	1,507	43
61–90 days	—	46
91–120 days	—	41
Over 120 days	—	2,879
	5,957	28,244

In the combined balance sheets, retention receivables were classified as current assets based on operating cycle. The ageing of the retention receivables, based on invoice date, are as follows:

	As at 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Up to 1 year	2,594	3,817
Over 1 year	823	1,641
	3,417	5,458

As at 30 June 2016 and 2017, the trade and retention receivables of approximately HK$1,941,000 and HK$1,854,000, respectively, were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade and retention receivables, based on due date, are as follows:

	As at 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Overdue		
Up to 30 days	1,507	1,854
Over 120 days	434	—
	1,941	1,854

As at 30 June 2016 and 2017, the carrying amounts of trade and retention receivables are denominated in HK$ and approximate their fair values.

16 Deposits, prepayments and other receivables

	As at 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Deposits and other receivables	412	356
Prepayments	435	1,069
Prepayments for [REDACTED] expenses	—	1,881
	847	3,306
Less: non-current portion:		
Deposits and prepayments	(21)	(429)
	826	2,877

As at 30 June 2016 and 2017, the carrying amounts of deposits and other receivables are denominated in HK$ and approximate their fair values.

17 Restricted cash and cash and cash equivalents

	As at 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Restricted cash	—	2,507

As at 30 June 2017, restricted cash represented deposits of HK$2,507,000 (30 June 2016: Nil) placed in insurance companies as collateral for performance bonds. Restricted cash is interest-free.

	As at 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Cash and cash equivalents	16,748	14,328

As at 30 June 2016 and 2017, the carrying amounts of cash and cash equivalents are denominated in HK$ and approximate their fair values.

18 Contracting work-in-progress

	As at 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Contract costs incurred plus attributable profits less foreseeable losses	51,637	39,785
Less: progress billings *(Note)*	(50,338)	(45,168)
Balance at end of the year	1,299	(5,383)
Included in current assets/(liabilities) are the following:		
Amounts due from customers for contract works	3,318	1,073
Amounts due to customers for contract works	(2,019)	(6,456)
	1,299	(5,383)

Note: The amount represents the progress billings billed and contractually billable to customers for works performed.

19 Trade and retention payables

Trade and retention payables at the end of each reporting period comprise amounts outstanding to contract creditors and suppliers. The average credit period taken for trade purchase is generally 30 days.

	As at 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Trade payables	3,271	7,338
Retention payables	600	776
	3,871	8,114

As at 30 June 2016 and 2017, the ageing analysis of the trade payables, based on invoice date, are as follows:

	As at 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Up to 30 days	1,324	7,309
31–60 days	—	29
91–120 days	547	—
Over 120 days	1,400	—
	3,271	7,338

In the combined balance sheets, retention payables were classified as current liabilities. The ageing of the retention payables by invoice date was as follows:

	As at 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Within 1 year	600	776

As at 30 June 2016 and 2017, the carrying amounts of trade and retention payables are denominated in the following currencies:

	As at 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
HK$	3,871	4,679
TWD	—	3,435
	3,871	8,114

As at 30 June 2016 and 2017, the carrying amounts of trade and retention payables approximate their fair values.

20 Accruals and other payables

	As at 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Accruals for legal and professional fees	330	159
Accruals for [REDACTED] expenses	—	3,511
Other accruals and other payables	256	223
Provision for unutilised annual leave	114	149
	700	4,042

As at 30 June 2016 and 2017, the carrying amounts of accruals and other payables are denominated in HK$ and approximate their fair values.

21 Obligations under finance leases

	Minimum lease payments As at 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
No later than 1 year	261	358
Later than 1 year and no later than 5 years	296	612
	557	970
Less: future finance charges on finance leases	(42)	(67)
Present value of finance lease liabilities	515	903
The present value of finance lease liabilities is as follows:		
No later than 1 year	246	327
Later than 1 year and no later than 5 years	269	576
	515	903

The Group leases its motor vehicles under finance leases. The original lease term entered by the Group for the leases outstanding as at 30 June 2016 and 2017 ranged from 3.5 to 4.5 years and 3.5 to 5 years, respectively. The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

As at 30 June 2016 and 2017, finance leases with the amount of HK$515,000 and HK$287,000 were guaranteed by the directors of the Company.

22 Capital and reserves

As mentioned in Note 1.3 above, the Historical Financial Information has been prepared as if the current group structure had been in existence throughout the years ended 30 June 2016 and 2017, or since the respective dates of incorporation/establishment of the combining companies, or since the date when the combining companies first came under the control of the Controlling Shareholders, whichever is the shorter period. For the purpose of this report, the Historical Financial Information of the Group has been prepared in a combined basis and the capital represents the share capital of Wai Tat even though Vision Perfect has become the holding company of Wai Tat during the Track Record Period. Reserves represents the equities of Wai Tat and the shares allotted to Excel Jumbo. The movements in capital and reserves during the Track Record Period mainly comprised profit for the year, dividends paid and capital injection from Excel Jumbo. Please see Note 23 for more details on the dividends.

23 Dividends

Wai Tat declared and paid dividends of HK$8,400,000 and HK$5,700,000 to its then shareholders for the years ended 30 June 2016 and 2017, respectively.

The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

24 Related parties transactions

(a) For the purposes of these Historical Financial Information, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following individuals were related parties that had transactions or balances with the Group during the Track Record Period:

Name	Relationship with the Group
Mr. Kung	Shareholder and Executive Director
Mr. Yip	Shareholder and Executive Director
Mr. Kam	Shareholder and Executive Director

(b) As at 30 June 2017, Wai Tat, Mr. Kung and Mr. Yip had entered into indemnity agreements with an insurance company in order to secure for performance bond amounting to HK$2,860,000 in respect of a construction contract of the Group in its ordinary course of business.

(c) *Key management compensation*

Key management includes executive and non-executive directors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	3,373	4,052
Retirement benefit costs — defined contribution plans	81	85
	3,454	4,137

25 Notes to the combined statements of cash flows

(a) Reconciliation of profit before income tax to cash generated from/(used in) operations

	Year ended 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Cash flows from operating activities		
Profit before income tax	10,136	12,451
Adjustments for:		
Finance costs	45	33
Gain on disposals of property and equipment	(24)	(12)
Depreciation of property and equipment	292	353
	10,449	12,825
Changes in working capital		
Trade and retention receivables	1,587	(24,328)
Deposits, prepayments and other receivables	(706)	(1,446)
Amounts due from/(to) customers for contract works, net	38	6,682
Restricted cash	1,070	(2,507)
Trade and retention payables	988	4,243
Accruals and other payables	(1,379)	3,342
Net cash generated from/(used in) operations	12,047	(1,189)

(b) In the combined statements of cash flows, proceeds from disposals of property and equipment comprise:

	Year ended 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
Net book amount of disposed property and equipment *(Note 13)*	—	—
Gain on disposals of property and equipment *(Note 7)*	24	12
Net proceeds from disposals of property and equipment	24	12

26 Commitments

Operating lease commitments — as lessee

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 30 June	
	2016	**2017**
	HK$'000	*HK$'000*
No later than one year	313	534
Later than one year and no later than five years	110	183
	423	717

27 Contingent liabilities

As at 30 June 2017, the Group has given guarantees on performance bonds issued by insurance companies of HK$4,882,000 in respect of three construction contracts of the Group in its ordinary course of business (30 June 2016: nil). The performance bonds are expected to be released in accordance with the terms of the respective construction contracts.

28 Subsequent events

(a) The Reorganisation was completed on 24 November 2017 and the details are summarised in Note 1.2.

(b) On 1 December 2017, the Company declared a special dividend amounting to HK$3,000,000 to the shareholders. Such dividend will be reflected in the Group's financial statements for the year ending 30 June 2018.

(c) On 1 December 2017, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$50,000,000 divided into 5,000,000,000 Shares of HK$0.01 each by creation of additional 4,962,000,000 Shares.

(d) By a shareholder's resolution dated 1 December 2017 and conditional on the share premium account of the Company being credited as a result of the [REDACTED], the Company will issue additional [REDACTED] shares, credited as fully paid, to the existing shareholders of the Company, by way of capitalisation of HK$[REDACTED] standing to the credit of our Company's share premium account.

III HISTORICAL FINANCIAL INFORMATION OF THE COMPANY

As at 30 June 2017, the Company had not been incorporated and, accordingly, it had no assets, liabilities and distributable reserves as at that date.

IV SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2017 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2017.

The information sets out in this Appendix does not form part of the Accountant's Report prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of our Company, as set out in Appendix I to this document, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the "Accountant's Report" set out in Appendix I to this document.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

[REDACTED]

[REDACTED][REDACTED]

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

[REDACTED]

[REDACTED]

[REDACTED]

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 company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 July 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and its Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 1 December 2017 with effect from the [REDACTED] Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting

two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is

due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with

regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in

proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year other than the year of the Company's adoption of the Articles within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic

form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 19 July 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from

time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V to this document. 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 GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 11 July 2017. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 7 August 2017 and our principal place of business in Hong Kong is at Flat A, 6/F, Evernew Commercial Centre, 33 Pine Street, Tai Kok Tsui, Kowloon, Hong Kong. Mr. Yip Shiu Ching, who resides at Flat A, 1/F, Block 9, The Woodsville, 18 Hung Shun Road, Hung Shui Kiu, Yuen Long, New Territories, Hong Kong, has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Company Law and certain provisions of the Articles is set out in Appendix III to this document.

2. Changes in share capital of our Company

(a) As at the date of incorporation of our Company, the authorised share capital was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. On the date of incorporation, one Share fully paid at par was allotted to the subscriber to the memorandum and articles of association of our Company, and such Share was transferred to Talent Gain on the same day.

(b) Pursuant to a share purchase agreement dated 24 November 2017 entered into between our Company, Mr. Kung, Mr. Yip, Mr. Kam and Talent Gain, our Company acquired 306 shares, 297 shares and 297 shares in Vision Perfect from Mr. Kung, Mr. Yip and Mr. Kam, respectively, and in consideration of such share transfers, our Company allotted and issued an aggregate of 899 Shares, credited as fully paid, to Talent Gain (at the direction of each of Mr. Kung, Mr. Yip and Mr. Kam). On the same day, pursuant to a share purchase agreement entered into between our Company and the [REDACTED], our Company acquired 100 shares in Vision Perfect from the [REDACTED], and in consideration of such share transfer, our Company allotted and issued 100 Shares, credited as fully paid, to the [REDACTED]. After the aforesaid acquisition, Vision Perfect became a direct wholly-owned subsidiary of our Company, which was owned as to [REDACTED]% by Talent Gain and as to [REDACTED]% by the [REDACTED].

(c) On 1 December 2017, our Shareholders resolved to increase the authorised share capital of our Company from HK$380,000 to HK$50,000,000 by the creation of an additional 4,962,000,000 Shares of HK$0.01 each, each ranking pari passu with our Shares then in issue in all respects.

(d) Immediately following completion of the [REDACTED] and the [REDACTED], and taking no account of any Shares which may be issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme, [REDACTED] Shares will be issued fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued.

(e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "A. Further Information about Our Group — 3. Written resolutions of our Shareholders passed on 1 December 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 but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

(f) Save as disclosed in this document, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of our Shareholders passed on 1 December 2017

By written resolutions of our Shareholders passed on 1 December 2017:

(a) our Company approved and adopted the Memorandum and the Articles with effect from the [REDACTED] Date, the material terms of which are summarised in Appendix III to this document;

(b) the authorised share capital of our Company was increased from HK$380,000 (divided into 38,000,000 Shares of HK$0.01 each) to HK$50,000,000 (divided into 5,000,000,000 Shares of HK$0.01 each) by the creation of an additional 4,962,000,000 Shares, of HK$0.01 each ranking pari passu with our existing Shares in all respects;

(c) conditional on the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and our Shares to be issued as mentioned in this document (including any Shares to be allotted and issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme) and on the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms of the [REDACTED] or otherwise, in each case on or before the date falling 30 days after the date of the issue of this document:

(i) the [REDACTED] and the grant of the [REDACTED] were approved and our Directors were authorised to allot and issue the [REDACTED] pursuant to the [REDACTED] and the exercise of the [REDACTED] to rank pari passu with the Shares then in issue in all respects;

(ii) conditional on the share premium account of our Company being credited as a result of the [REDACTED] or otherwise having sufficient balance, the [REDACTED] was approved, and our Directors were authorised to capitalise an amount of HK$[REDACTED] standing to the credit of the share premium account of our Company to pay up in full at par [REDACTED] Shares for allotment and issue to Talent Gain and the [REDACTED], being the Shareholders as at 1 December 2017 (or to their respective nominees) in proportion to (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) their then existing shareholdings in our Company on 1 December 2017, 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

(iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" in this appendix, were approved and adopted, and our Directors were authorised to, at their absolute discretion but subject to the terms and conditions of the Share Option Scheme to grant options to subscribe for our Shares under the Share Option Scheme and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme and to do such acts and things as they may consider necessary or desirable to implement the Share Option Scheme;

(d) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issues 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 our Shareholders at general meeting or pursuant to the [REDACTED], Shares or securities convertible into Shares or options, notes, warrants or bonds, debentures, 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, which shall not exceed 20% of the number of Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] and the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(iii) the date of passing an ordinary resolution of the members of our Company in general meeting revoking or varying the authority given to our Directors;

(e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares, representing up to 10% of the total number of Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Shares to be issued upon exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(iii) the date of passing an ordinary resolution of the members of our Company in general meeting revoking or varying the authority given to our Directors; and

(f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the [REDACTED] and [REDACTED] but excluding any Shares to be issued upon exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the [REDACTED] of our Shares on the Stock Exchange, pursuant to which our Company became the holding company of our Group. The key steps of the Reorganisation are set out in the paragraph headed "History and Development — Reorganisation" of this document.

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 document.

Save as disclosed in the paragraphs headed "Corporate History" and "Reorganisation" of the section headed "History and Development" of this document, 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 document.

6. Repurchase of our Shares by our Company

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The GEM Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our Shareholders passed on 1 December 2017, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares

representing up to 10% of the total number of Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Share to be issued upon exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, 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 date when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits, out of our Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if 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 or, if authorised by the Articles and subject to the provisions of the Companies Law, out of capital.

(iii) Connected parties

The GEM Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "core connected person", which includes a director, chief executive or substantial shareholder of our Company or any of our subsidiaries or a close associate (as defined in the GEM Listing Rules) of any of them, and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Exercise of the Repurchase Mandate

On the basis of [REDACTED] Shares in issue after completion of the [REDACTED] and the [REDACTED] but excluding any Shares to be issued upon exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme,

exercise in full of the Repurchase Mandate could accordingly result in up to [REDACTED] Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

In repurchasing 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 from time to time in force in the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations from time to time in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes 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 our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequence that may arise under the Takeovers Code as a result of a repurchase 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 of our Company has notified our Company that he or 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 OUR BUSINESS

1. Summary of material contracts

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years immediately preceding the date of this document, and are or may be material:

(a) an instrument of transfer dated 6 June 2017 entered into between Mr. Kung (as transferor) and Vision Perfect (as transferee) for the transfer of 34,000 ordinary shares of Wai Tat from Mr. Kung to Vision Perfect in consideration of Vision Perfect allotting and issuing 272 ordinary shares of US$1.00 each in Vision Perfect, credited as fully paid at par, to Mr. Kung;

(b) bought and sold notes dated 6 June 2017 executed by Mr. Kung (as seller) and Vision Perfect (as buyer) for the transfer of 34,000 ordinary shares of Wai Tat as referred to in paragraph (a) above;

(c) an instrument of transfer dated 6 June 2017 entered into between Mr. Yip (as transferor) and Vision Perfect (as transferee) for the transfer of 33,000 ordinary shares of Wai Tat from Mr. Yip to Vision Perfect in consideration of Vision Perfect allotting and issuing 264 ordinary shares of US$1.00 each in Vision Perfect, credited as fully paid at par, to Mr. Yip;

(d) bought and sold notes dated 6 June 2017 executed by Mr. Yip (as seller) and Vision Perfect (as buyer) for the transfer of 33,000 ordinary shares of Wai Tat as referred to in paragraph (c) above;

(e) an instrument of transfer dated 6 June 2017 entered into between Mr. Kam (as transferor) and Vision Perfect (as transferee) for the transfer of 33,000 ordinary shares of Wai Tat from Mr. Kam to Vision Perfect in consideration of Vision Perfect allotting and issuing 264 ordinary shares of US$1.00 each in Vision Perfect, credited as fully paid at par, to Mr. Kam;

(f) bought and sold notes dated 6 June 2017 executed by Mr. Kam (as seller) and Vision Perfect (as buyer) for the transfer of 33,000 ordinary shares of Wai Tat as referred to in paragraph (e) above;

(g) the [REDACTED] dated 9 June 2017 entered into between Vision Perfect (as issuer) and the [REDACTED] (as subscriber) pursuant to which Vision Perfect allotted and issued, and the [REDACTED] subscribed for, 100 ordinary shares in Vision Perfect at a total subscription price of HK$10,000,000;

(h) a sale and purchase agreement dated 24 November 2017 entered into among Mr. Kung, Mr. Yip and Mr. Kam (as sellers), our Company (as buyer) and Talent Gain pursuant to which our Company acquired from Mr. Kung, Mr. Yip and Mr. Kam 306, 297 and 297 ordinary shares in Vision Perfect of US$1.00 each, respectively, and in consideration of

such share transfers, 899 Shares were issued and allotted by our Company to Talent Gain, all credited as fully paid (at the direction of each of Mr. Kung, Mr. Yip and Mr. Kam);

(i) a sale and purchase agreement dated 24 November 2017 entered into between the [REDACTED] (as seller) and our Company (as buyer) pursuant to which our Company acquired from the [REDACTED] 100 ordinary shares in Vision Perfect of US$1.00 each, and in consideration of such share transfer, 100 Shares were issued and allotted by our Company to the [REDACTED], all credited as fully paid;

(j) an instrument of transfer dated 24 November 2017 entered into between Mr. Kung (as transferor) and our Company (as transferee) for the transfer of 306 ordinary shares of Vision Perfect from Mr. Kung to our Company in consideration of our Company allotting and issuing 305 Shares, credited as fully paid, to Talent Gain (at the direction of Mr. Kung);

(k) an instrument of transfer dated 24 November 2017 entered into between Mr. Yip (as transferor) and our Company (as transferee) for the transfer of 297 ordinary shares of Vision Perfect from Mr. Yip to our Company in consideration of our Company allotting and issuing 297 Shares, credited as fully paid, to Talent Gain (at the direction of Mr. Yip);

(l) an instrument of transfer dated 24 November 2017 entered into between Mr. Kam (as transferor) and our Company (as transferee) for the transfer of 297 ordinary shares of Vision Perfect from Mr. Kam to our Company in consideration of our Company allotting and issuing 297 Shares, credited as fully paid, to Talent Gain (at the direction of Mr. Kam);

(m) an instrument of transfer dated 24 November 2017 entered into between the [REDACTED] (as transferor) and our Company (as transferee) for the transfer of 100 ordinary shares of Vision Perfect from the [REDACTED] to our Company in consideration of our Company allotting and issuing 100 Shares, credited as fully paid, to the [REDACTED];

(n) the Deed of Non-competition dated 1 December 2017 executed by Mr. Kung, Mr. Yip, Mr. Kam and Talent Gain in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) in respect of certain non-competition undertakings given by our Controlling Shareholders in favour of us, details of which are set out in the paragraph headed "Relationship with our Controlling Shareholders — Non-competition Undertaking" of this document;

(o) the Deed of Indemnity dated 1 December 2017 executed by Mr. Kung, Mr. Yip, Mr. Kam and Talent Gain in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) containing the indemnities referred to in the paragraph headed "E. Other Information — 1. Tax and other indemnities" in this appendix; and

(p) the [REDACTED] dated 12 December 2017 entered into among our Company, our executive Directors, our Controlling Shareholder, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] and the [REDACTED] relating to the [REDACTED], particulars of which are summarised in the paragraph headed "[REDACTED] — [REDACTED] Arrangements and Expenses — The [REDACTED] — [REDACTED]" of this document.

2. Intellectual property rights

(a) Trademark

As at the Latest Practicable Date, our Group had applied for registration of the following trademark in Hong Kong:

Trademark	Trademark application number	Applicant	Place of application	Class(es)	Application date
WT 維達地基工程有限公司 WAI TAT FOUNDATION & ENGINEERING LTD.	304212305	Wai Tat	Hong Kong	37 and 42	19 July 2017

(b) Domain Name

As at the Latest Practicable Date, our Group had applied for registration of the following domain name:

Domain name	Applicant	Expiry date
http://www.wtgholdings.com	Wai Tat	11 July 2018

Information contained in the above website does not form part of this document.

Save as disclosed above, there are no other trade or service marks, registered designs, patents or other intellectual or industrial property rights which are material to the business of our Group.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT, STAFF AND EXPERTS

1. Disclosure of interests

So far as our Directors are aware, immediately following completion of the [REDACTED] and the [REDACTED] but taking no account of any Shares to be issued upon exercise of the [REDACTED] and 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 our 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 our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short 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 Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transaction by our Directors, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

Long position in our Shares

Name of Director/ chief executive	Capacity/Nature	Number of Shares held/ Interested	Percentage of interest
Mr. Kung	Interest in controlled corporation *(Note)*	[REDACTED]	[REDACTED]
Mr. Yip	Interest in controlled corporation *(Note)*	[REDACTED]	[REDACTED]
Mr. Kam	Interest in controlled corporation *(Note)*	[REDACTED]	[REDACTED]

Note: Talent Gain, which beneficially owns [REDACTED]% of the issued shares of our Company, is owned as to 34% by Mr. Kung, 33% by Mr. Yip and 33% by Mr. Kam. Since Mr. Kung is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Talent Gain, Mr. Kung is deemed to be interested in the Shares in which Talent Gain is interested under the SFO. Further, pursuant to the Concert Party Deed, details of which are set out in the paragraph headed "History and Development — Concert Party Deed" of this document, immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares to be issued upon exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme), Mr. Yip, Mr. Kam and Mr. Kung are acting in concert with one another and each of them is deemed to exercise or control the exercise of [REDACTED]% of the voting power at general meetings of Talent Gain, and is therefore deemed to be interested in the Shares in which Talent Gain is interested under the SFO.

So far as is known to our Directors, immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account (i) any Shares which may be allotted and issued by our Company pursuant to the exercise of the [REDACTED] and the exercise of any options which may be granted under the Share Option Scheme, and (ii) any Shares which may be allotted and issued or bought back by our Company under the General Mandate and the Repurchase Mandate), the following persons (not being a Director or chief executive of our Company) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Name	Capacity/ Nature of interest	Number of Shares held/ Interested	Percentage of interest
Talent Gain	Beneficial owner	[REDACTED]	[REDACTED]
Ms. Szeto Sin Fun	Family interest *(Note 1)*	[REDACTED]	[REDACTED]
Ms. Chiu Wai King	Family interest *(Note 2)*	[REDACTED]	[REDACTED]
Mr. Yip Pak Lam	Family interest *(Note 3)*	[REDACTED]	[REDACTED]
Mr. Yip Hon Lam	Family interest *(Note 3)*	[REDACTED]	[REDACTED]
Ms. Chan Kit Yee	Family interest *(Note 4)*	[REDACTED]	[REDACTED]
[REDACTED]	Beneficial owner	[REDACTED]	[REDACTED]
Mr. Ho Kwan Chuen	Interest in controlled corporation *(Note 5)*	[REDACTED]	[REDACTED]
Ms. Tsang Kwong Chee	Family interest *(Note 6)*	[REDACTED]	[REDACTED]

Notes:

1. Ms. Szeto Sin Fun is Mr. Kung's spouse and is deemed to be interested in the Shares in which Mr. Kung is interested under the SFO.

2. Ms. Chiu Wai King is Mr. Yip's spouse and is deemed to be interested in the Shares in which Mr. Yip is interested under the SFO.

3. Mr. Yip Pak Lam and Mr. Yip Hon Lam are both Mr. Yip's children aged below 18 and are deemed to be interested in the Shares in which Mr. Yip is interested under the SFO.

4. Ms. Chan Kit Yee is Mr. Kam's spouse and is deemed to be interested in the Shares in which Mr. Kam is interested under the SFO.

5. The [REDACTED] is wholly owned by Mr. Ho Kwan Chuen.

6. Ms. Tsang Kwong Chee is Mr. Ho Kwan Chuen's spouse and is deemed to be interested in the Shares in which Mr. Ho Kwan Chuen is interested under the SFO.

2. Particulars of services contracts

No Director 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. Directors' emoluments

The aggregate amount of remuneration paid to our Directors by our Group in respect of FY2016 and FY2017 were approximately HK$2.4 million and HK$3.1 million, respectively:

(a) 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 30 June 2018 will be approximately HK$3.6 million.

(b) Under the arrangements currently proposed, conditional upon the [REDACTED], 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:

Executive Directors	*HK$*
Mr. Yip	1,184,040
Mr. Kung	1,184,040
Mr. Kam	1,184,040
Independent non-executive Directors	
Mr. Leung Chi Hung	180,000
Ms. Wong Lai Na	180,000
Ms. Hung Siu Woon Pauline	180,000

(c) Each of our Directors has entered into a service contract (in the case of executive Directors) and an appointment letter (in the case of independent non-executive Directors) with our Company for a term of three years (in the case of executive Directors) and one year (in the case of independent non-executive Directors) commencing from the [REDACTED] Date, which may be terminated by not less than three months' notice (in the case of executive Directors) and one month's notice (in the case of independent non-executive Directors) served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles.

4. Agency fees or commissions received

Save as disclosed in the section headed "[REDACTED]" of this document and this appendix, none of our Directors or the experts named in the paragraph headed "E. Other Information — 7. Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this document.

5. Related party transactions

Details of the related party transactions are set out under note 24 to the Accountant's Report set out in Appendix I to this document.

6. Disclaimers

Save as disclosed in this document:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;

(b) none of our Directors or the experts named in the paragraph headed "E. Other Information — 7. Consents of experts" in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, 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;

(c) none of our Directors or the experts named in the paragraph headed "E. Other Information — 7. Consents of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(d) taking no account of our Shares which may be issued pursuant to exercise of the [REDACTED] and options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [REDACTED] and the [REDACTED], have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;

(e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of

the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required pursuant to the GEM Listing Rules, to be notified to our Company and the Stock Exchange; and

(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 suppliers of our Group.

D. SHARE OPTION SCHEME

(a) Definitions

"Adoption Date"	1 December 2017, the date on which the Share Option Scheme is conditionally adopted by our Shareholders by way of written resolutions
"Board"	the board of Directors or a duly authorised committee of the board of Directors
"business day"	any day on which the Stock Exchange is open for the business of dealings in securities
"Group"	our Company and any entity in which our Company, directly or indirectly, holds any equity interest

(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 our Shareholders passed on 1 December 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 or service providers of our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, our 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 our 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 our 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. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five business days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any business day fall within the period before [REDACTED].

(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$1.0.

(v) Maximum number of Shares

(aa) Subject to sub-paragraphs (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of our Shares in issue as at the [REDACTED] Date (taking no account of any Shares may be issued upon the exercise of the [REDACTED]). Therefore, it is expected that our Company may grant options in respect of up to [REDACTED] Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such [REDACTED] 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 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 our 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 and any other share

option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the GEM Listing Rules in this regard.

(cc) Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all 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 our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(vi) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) Grant of options to certain connected persons

(aa) Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective associates) must be approved by our 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 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 our Shares in issue; and

(ii) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK$5 million,

such further grant of options is required to be approved by our Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the GEM Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant and his intention to do so has been stated in the aforesaid circular). Any change in the terms of an option granted to a substantial shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by our Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

(aa) Our Company may not grant any options after inside information has come to its knowledge until such inside information has been announced. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or 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:

(i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine, which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with our 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 our Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of 12 months following his death, then his legal 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 or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or

(if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(xv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of member of our Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (xiv) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment of an employee or engagement of a consultant or an adviser (as the case may be) (which date will be, in the case of an employee, the last actual working day on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not, and, in the case of a consultant or an adviser (as the case may be), the last actual day of providing consultancy or advisory services to the relevant member of our Group).

(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, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or 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 our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall on the same date as, or soon after it 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 days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement, and the options (to the extent not already lapsed or 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 (the "**Suspension Date**") by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, 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. The Board shall endeavour to procure that our Shares issued as a result of the exercise of options hereunder shall, for the purposes of such compromise or arrangement, form part of the issued share capital of our Company on the effective date thereof, and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall, with effect from the date of the making of the order by the court, be restored in full but only up to the extent not already exercised, and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company, and no claim shall lie against our Company or any

of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

(xx) Lapse of options

An option shall lapse automatically on the earliest of:

(aa) the expiry of the period referred to in paragraph (ix) above;

(bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);

(cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xiv), (xv), (xvii), (xviii) or (xix) above;

(dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;

(ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;

(ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or

(gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee as the Board may in its absolute discretion sees fit and in a 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 the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 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 and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme, must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the GEM Listing Rules and the notes thereto and the supplementary guidance on the interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time or any guidelines issued by the Stock Exchange from time to time.

(xxiv) Termination to the Share Option Scheme

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme, and, in such event, no further options will be offered, but options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

(xxv) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon the Stock Exchange granting the listing of, and permission to deal in, our Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and commencement of dealings in the Shares on the Stock Exchange.

(c) Present status of the Share Option Scheme

Application has been made to the Stock Exchange for the listing of and permission to deal in [REDACTED] Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this document, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Talent Gain, Mr. Yip, Mr. Kung and Mr. Kam (collectively, the "**Indemnifiers**") have, under a deed of indemnity referred to in the paragraph headed "B. Further Information about Our Business — 1. Summary of material contracts" in this appendix, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things,

(a) any taxation which might be payable by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the date on which the [REDACTED] becomes unconditional;

(b) any and all expenses, payments, sums, outgoings, fees, demands, claims, actions, proceedings, judgments, damages, losses, costs (including but not limited to legal and other professional costs), charges, contributions, liabilities, fines and penalties which any member of our Group may incur, suffer or accrue, directly or indirectly from:

(i) 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 [REDACTED] becomes unconditional;

(ii) the implementation of the Reorganisation and/or disposal or acquisition of the equity interest in any member of our Group since the date of incorporation of each member of our Group and up to the date on which the [REDACTED] becomes unconditional;

(iii) any failure, delay or defects of corporate or regulatory compliance under, or any breach of any provision of, the applicable laws, rules, regulations and agreements by any member of our Group on or before the date on which the [REDACTED] becomes unconditional;

(iv) any failure to obtain the necessary licences, consents or permits under applicable laws and regulations for any member of our Group's valid and legal establishment and/or operation on or before the date on which the [REDACTED] becomes unconditional;

(v) any errors, discrepancies or missing documents in the statutory record of any member of our Group on or before the date on which the [REDACTED] becomes unconditional; and

(vi) the incidents referred to in the paragraphs headed "Business — Litigation and Potential Claims" and "Business — Non-compliance" of this Document.

The Indemnifiers will, however, not be liable under the Deed of Indemnity in respect of taxation to the extent that, among others:

(a) full provision has been made for such taxation liability in the audited combined financial statements of any member of our Group for the Track Record Period; or

(b) such taxation or liability would not have arisen but for any act or omission by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected after the date on which the [REDACTED] becomes unconditional without the prior written consent or agreement of the Indemnifiers, otherwise than in the ordinary course of business after the date on which the [REDACTED] becomes unconditional, or carried out, made or entered into pursuant to a legally binding commitment created on or before the date on which the [REDACTED] becomes unconditional; or

(c) the taxation liability arises or is incurred as a result of a retrospective change in law or the interpretation or practice thereof or a retrospective increase in tax rates coming into force after the date on which the [REDACTED] becomes unconditional; or

(d) any provision or reserve made for taxation in the audited combined financial statements of any member of our Group which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied pursuant to the terms of the Deed of Indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Save as disclosed in the paragraph headed "Business — Litigation and Potential Claims" of this document, no member of our Group was engaged in any litigation or arbitration of material importance, and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group as at the Latest Practicable Date.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein, including any Shares to be issued upon exercise of the [REDACTED] and any options to be granted under the Share Option Scheme.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 6A.07 of the GEM Listing Rules.

Our Company has entered into an agreement with the Sole Sponsor, pursuant to which our Company agreed to pay a financial advisory and documentation fee of HK$4 million to the Sole Sponsor in respect of the [REDACTED], and will reimburse the Sole Sponsor for their expenses properly incurred in connection with the [REDACTED].

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK$30,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualifications
Titan Financial Services Limited	licensed corporation holding a licence to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Mr. Chan Chung	Barrister-at-law of Hong Kong
Frost & Sullivan Limited	Independent market consultant

7. Consents of experts

Each of Titan Financial, PricewaterhouseCoopers, Conyers Dill & Pearman, Mr. Chan Chung and Frost & Sullivan has given and has not withdrawn its/his written consent to the issue of this document with the inclusion of its/his reports and/or letter and/or opinion and/or summary thereof (as the case may be), all of which are dated the date of this document, and/or reference to its/his name included herein in the form and context in which it is respectively included.

8. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. 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 transfer 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 our 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 our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the [REDACTED] 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.

10. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 30 June 2017.

11. Miscellaneous

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) no share or loan capital of our Company or any of the subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of the 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 the subsidiaries;

(iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of our Company or our subsidiaries; and

(iv) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) Neither our Company nor any of the subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.

(c) Save as disclosed in the section headed "[REDACTED]" of this document, none of the parties listed in the paragraph headed "E. Other Information — 7. Consents of experts" in this appendix is interested legally or beneficially in any securities of our Company or any of our subsidiaries, or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.

(d) The branch register of members of our Company will be maintained in Hong Kong by [REDACTED], our Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.

(e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this document.

(f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(g) We have no outstanding convertible debt securities.

(h) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name (which has been entered on the register of companies in the Cayman Islands as evidenced by our Company's certificate of incorporation) by our Company in conjunction with the English name does not contravene Cayman Islands law.

(i) The English text of this document shall prevail over the Chinese text.

12. Bilingual Document

The English language and Chinese language versions of this document 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).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration pursuant to section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) were (i) copies of the [REDACTED]; (ii) the written consents referred to in the paragraph headed "Statutory and General Information — E. Other Information — 7. Consents of experts" in Appendix IV to this document; and (iii) copies of the material contracts referred to in the paragraph headed "Statutory and General Information — B. Further Information about our Business — 1. Summary of material contracts" in Appendix IV to this document.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of D. S. Cheung & Co. at 29th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

1. the Memorandum of Association and Articles of Association of our Company;

2. the Accountant's Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this document;

3. the audited combined financial statements of our Group for the years ended 30 June 2016 and 2017;

4. the report from PricewaterhouseCoopers on the [REDACTED] financial information of our Group, the text of which is set out in Appendix II to this document;

5. the rules of the Share Option Scheme;

6. the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix III to this document;

7. the legal opinions issued by Mr. Chan Chung, our Legal Counsel, in respect of certain aspects of Hong Kong laws and regulations applicable to our Group;

8. the Companies Law;

9. copies of the material contracts referred to in the paragraph headed "Statutory and General Information — B. Further Information about our Business — 1. Summary of material contracts" in Appendix IV to this document;

10. the written consents referred to in the paragraph headed "Statutory and General Information — E. Other Information — 7. Consents of experts" in Appendix IV to this document;

11. the Frost & Sullivan Report; and

12. the service contracts and letters of appointment in relation to our executive Directors and independent non-executive Directors.