

Super Strong Holdings Limited

宏強控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8262

PLACING



Sole Sponsor



Innovax Capital Limited

Sole Bookrunner and Sole Lead Manager



IMPORTANT

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

Super Strong Holdings Limited

宏強控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares : 240,000,000 Shares (comprising 160,000,000 New Shares and 80,000,000 Sale Shares, subject to the Offer Size Adjustment Option)

Placing Price : Not more than HK\$0.33 per Placing Share and expected to be not less than HK\$0.25 per Placing Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)

Nominal Value : HK\$0.01 per Share

Stock Code : 8262

Sole Sponsor



Innovax Capital Limited

Sole Bookrunner and Sole Lead Manager



元大證券(香港)有限公司
Yuantan Securities (Hong Kong) Co., Ltd.

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

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

The Placing Price is expected to be determined by an agreement between the Sole Lead Manager and our Company (for the Company and on behalf of the Selling Shareholder) on the Price Determination Date, which is expected to be on or before Tuesday, 22 March 2016 (Hong Kong time) and, in any event, no later than Tuesday, 29 March 2016 (Hong Kong time). If, for any reason, the Sole Lead Manager and our Company (for the Company and on behalf of the Selling Shareholder) are unable to agree on the Placing Price on or before Tuesday, 29 March 2016 (Hong Kong time), the Placing will not proceed and will lapse. The Placing Price will be not more than HK\$0.33 and is currently expected to be not less than HK\$0.25, unless otherwise announced.

The Sole Lead Manager may, with our consent, reduce the indicative Placing Price range stated in this prospectus at any time prior to the Price Determination Date. In such case, notice of such reduction will be published on our Company's website (www.wmcl.com.hk) and the Stock Exchange's website (www.hkexnews.hk) as soon as practicable but in any event not later than the Price Determination Date. Further details are set out in the section headed "Structure and Conditions of the Placing" in this prospectus.

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

Prospective investors of the Placing Shares should note that the obligations of the Underwriter under the Underwriting Agreement are subject to termination by the Sole Lead Manager upon the occurrence of any of the events set forth in the paragraph headed "Underwriting — Underwriting Arrangements, Commissions and Expenses — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of these termination provisions are set out in the section headed "Underwriting" in this prospectus. It is important that prospective investors refer to that section for further details.

17 March 2016

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.

EXPECTED TIMETABLE

(Notes 1 and 4)

Expected Price Determination Date (Note 2) Tuesday, 22 March 2016

Announcement of the Placing Price and the indication of
the level of interest in the Placing to be published on
the Stock Exchange's website (www.hkexnews.hk)
and our Company's website (www.wmcl.com.hk) on Tuesday, 29 March 2016

Allotment of the Placing Shares to placees on Tuesday, 29 March 2016

Deposit of share certificates for the Placing Shares into CCASS on
(Note 3) Tuesday, 29 March 2016

Dealings in Shares on GEM expected to commence at 9:00 a.m. on Wednesday, 30 March 2016

Notes:

1. All times and dates refer to Hong Kong times and dates.
2. The Placing Price is expected to be determined on or before Tuesday, 22 March 2016 and, in any event, no later than Tuesday, 29 March 2016. If the Sole Lead Manager and our Company (for the Company and on behalf of the Selling Shareholder) are unable to reach any agreement on the Placing Price on or before Tuesday, 29 March 2016, the Placing will not become unconditional and will lapse immediately.
3. The share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or before Tuesday, 29 March 2016 for credit to the relevant CCASS Participants' or CCASS Investor Participants' stock accounts designated by the Sole Lead Manager, the placees or their respective agents (as the case may be). No temporary documents or evidence of title will be issued by us. All share certificates will only become valid certificates of title when the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms prior to 8:00 a.m. of the Listing Date.
4. A separate announcement will be issued if there is any change to the above expected timetable.

For details of the structure of the Placing, including the conditions thereof, please refer to the section headed "Structure and Conditions of the Placing" in this prospectus.

TABLE OF CONTENTS

IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Selling Shareholder, the Sole Sponsor, the Sole Lead Manager and the Underwriter have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Selling Shareholder, the Sole Sponsor, the Sole Lead Manager, the Underwriter, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Placing.

	<i>Page(s)</i>
Characteristics of GEM	i
Expected Timetable	ii
Table of Contents	iii
Summary	1
Definitions	12
Glossary of Technical Terms	19
Forward-looking Statements	22
Risk Factors	24
Information about this Prospectus and the Placing	39
Directors and Parties Involved in the Placing	43
Corporate Information	45
Industry Overview	47
Laws and Regulations	60
History, Development and Reorganisation	75
Business	86
Relationship with the Controlling Shareholders	161

TABLE OF CONTENTS

	<i>Page(s)</i>
Connected Transactions	166
Directors, Senior Management and Staff	169
Substantial Shareholders	179
Share Capital	181
Financial Information	184
Future Plans and Use of Proceeds	238
Underwriting	244
Structure and Conditions of the Placing	252
Appendix I — Accountants' Report	I-1
Appendix II — Unaudited Pro Forma Financial Information	II-1
Appendix III — Summary of the Constitution of the 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

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information which may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Placing Shares.

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

Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of Technical Terms” in this prospectus.

OUR BUSINESS AND OPERATIONS

As a contractor in the Hong Kong construction industry, we are principally engaged in general building works and specialist building works in Hong Kong. WM Construction, the first member and principal operating subsidiary of our Group, was incorporated in October 1988 and has participated in the construction industry for more than 27 years. We have been undertaking 48 projects during the Track Record Period and up to the Latest Practicable Date. Our works are generally categorised into two types:

- (a) General building works: we primarily act as main contractor in building projects of residential and commercial buildings, and projects of alterations and additions, renovation, and fitting-out for existing buildings such as multi-storey car park, hostel, hotels, elderly centre and factory building.
- (b) Specialised building works: these mainly include demolition, foundation and site formation works.

The number of projects handled by our Group and the revenue, gross profit and gross profit margin attributable to the two categories of building works during the Track Record Period are as follows:

	FY2014			FY2015			Three months ended 30 September 2015		
	No. of projects (note)	Revenue HK\$'000	Proportion %	No. of projects (note)	Revenue HK\$'000	Proportion %	No. of projects (note)	Revenue HK\$'000	Proportion %
General building works	15	330,861	77.8	23	488,220	86.2	10	90,427	72.9
Specialised building works	10	94,498	22.2	9	77,974	13.8	4	33,682	27.1
Total	25	425,359	100.0	32	566,194	100.0	14	124,109	100.0

Note: The number of projects refers to the number of projects which generated revenue recognised by our Group during the financial year/period.

SUMMARY

	FY2014		FY2015		Three months ended 30 September 2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%
General building works	15,432	4.7	28,405	5.8	5,683	6.3
Specialised building works	14,663	15.5	7,185	9.2	3,714	11.0
Total	30,095	7.1	35,590	6.3	9,397	7.6

QUALIFICATIONS

WM Construction, being our major operating subsidiary, is a registered general building contractor and a registered specialist contractor for three types of specialised building works, namely demolition, foundation and site formation. WM Construction is also an Approved Contractor for Public Works — Buildings Category. For further details of our major qualifications, please refer to the paragraph headed “Business — Qualifications” in this prospectus.

BUSINESS MODEL

We undertake general building works and specialised building works which are contracted by our customers on project-by-project basis. We generally act as main contractor and secure our projects from the customers through the tendering process in which we are invited to submit our tender. We receive progress payments from the customers based on the site work done, pursuant to the contracts for the relevant projects.

The table below sets out the number of projects tendered for and won by our Group for the Track Record Period by project nature:

	General building works			Specialised building works			
	Erection of architectural superstructure	Renovation, fitting-out, alteration and addition	Demolition	Site Formation	Foundation	Site Formation and Foundation	Total
FY2014							
Total number of projects tendered for	15	23	16	0	34	2	90
Total number of projects won	1	3	2	0	2	0	8
Success rate	6.7%	13.0%	12.5%	N/A	5.9%	0%	8.9%
FY2015							
Total number of projects tendered for	17	42	11	1	29	3	103
Total number of projects won	2	10	0	0	3	0	15
Success rate	11.8%	23.8%	0%	0%	10.3%	0%	14.6%
Three months ended 30 September 2015 and up to the Latest Practicable Date							
Total number of projects tendered for	11	13	5	0	16	0	45
Total number of projects won	1	2	1	0	1	0	5
Success rate	9.1%	15.4%	20%	N/A	6.3%	0%	11.1%

SUMMARY

When we acted as the main contractor in the projects we undertook during the Track Record Period, we delegated works to the subcontractors under supervision of our project management team. Our role as a main contractor generally includes overall project management and supervision of works conducted by the subcontractors to ensure execution and completion of projects within budget and time schedule as well as in compliance with specifications in the main contracts.

Customers

We provide general building and specialised building services to customers from both the public and private sectors in Hong Kong. During the Track Record Period, the majority of our revenue was derived from projects for customers in the private sector, and our major customers include companies engaged in property investment and development, social service organisation and education organisation. The following tables set out the revenue, gross profit and gross profit margin attributable to our customers as categorised by public sector (including the Hong Kong Government and its related organisations) and private sector during the Track Record Period:

	FY2014			FY2015			Three months ended 30 September 2015		
	No. of projects (note)	Revenue HK\$'000	Proportion %	No. of projects (note)	Revenue HK\$'000	Proportion %	No. of projects (note)	Revenue HK\$'000	Proportion %
Private	24	421,894	99.2	30	565,370	99.9	13	120,110	96.8
Public	1	3,465	0.8	2	824	0.1	1	3,999	3.2
Total	25	425,359	100.0	32	566,194	100.0	14	124,109	100.0

Note: The number of projects refers to the number of projects which generated revenue recognised by the Group during the financial year/period.

	FY2014		FY2015		Three months ended 30 September 2015	
	Gross profit HK\$'000	Gross profit margin %	Gross profit/ (loss) HK\$'000	Gross profit/ (loss) margin %	Gross profit HK\$'000	Gross profit margin %
Private	30,012	7.1	35,699	6.3	9,332	7.8
Public (<i>Note</i>)	83	2.4	(109)	(13.2)	65	1.6
Total	30,095	7.1	35,590	6.3	9,397	7.6

Note: Our gross profit and gross profit margin from public sector remained to be lower than our gross profit and gross profit margin from private sector during the Track Record Period. In order to keep our Group in the public sector market, we have made a competitive tender price for those projects in the public sector undertaken by us during the Track Record Period which allowed us to have a more secured chance of success for the tender. Therefore, we generated a gross profit of approximately HK\$83,000 and HK\$65,000 in FY2014 and the three months ended 30 September 2015 respectively and incurred a gross loss of HK\$0.1 million in FY2015 for those projects in the public sector.

SUMMARY

For FY2014, FY2015 and the three months ended 30 September 2015, revenue derived from our Group's five largest customers amounted to approximately HK\$278.2 million, HK\$480.3 million and HK\$101.6 million, representing approximately 65.4%, 84.8% and 81.7% of our total revenue, respectively, whereas revenue derived from our Group's largest customer amounted to approximately HK\$108.2 million, HK\$202.4 million and HK\$32.4 million, representing approximately 25.4%, 35.7% and 26.1% of our total revenue, respectively.

Subcontractors

For the purpose of maximising our cost efficiency and utilising expertise of other contractors, we generally subcontract the works to our subcontractors by trade and are responsible for the overall management, implementation and supervision of the building projects. For FY2014, FY2015 and the three months ended 30 September 2015, total subcontracting fees paid by our Group accounted for approximately HK\$305.7 million, HK\$434.8 million and HK\$84.4 million, representing approximately 77.3%, 81.9% and 73.6% of our Group's total direct costs, respectively, whereas our Group's five largest subcontractors accounted for approximately 42.7%, 42.6% and 42.8% of our Group's total subcontracting fees, respectively, and our largest subcontractor accounted for approximately 12.7%, 12.9% and 16.1% of our Group's total subcontracting fees, respectively. All of our five largest subcontractors during the Track Record Period are Independent Third Parties.

Suppliers

Our suppliers primarily supply us with construction materials (such as concrete, steel reinforcement bar, H-steel pile and tiles). We generally order relevant construction materials on a project-by-project basis. For FY2014, FY2015 and the three months ended 30 September 2015, our construction materials costs amounted to approximately HK\$38.5 million, HK\$51.8 million and HK\$19.6 million, representing approximately 9.7%, 9.8% and 17.1% of our total direct costs whereas our five largest suppliers accounted for approximately 65.9%, 72.7% and 61.2% of our total material costs, respectively, and our largest supplier accounted for approximately 30.4%, 31.1% and 35.4% of our total material costs, respectively. All of our five largest suppliers during the Track Record Period are Independent Third Parties.

COMPETITIVE LANDSCAPE

According to the IPSOS Report, the top five contractors in the building construction industry accounted for approximately 23.0% of the total revenue of the industry in 2014, whereas the top five contractors in the foundation and site formation industry accounted for approximately 43.3% of the total revenue of the industry in 2014. As in December 2015, there were about 694 registered general building contractors and 136, 174 and 105 registered specialist contractors for foundation, site formation and demolition, respectively. Our Directors consider that efficiency in fulfilling project requirements and timeline, service pricing and quality of work are the determinants of competitiveness of a contractor in the building construction industry in Hong Kong.

SUMMARY

COMPETITIVE STRENGTHS

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

- Our diverse qualifications allow us to capture business opportunities
- We have long operational history and good reputation in the construction industry
- We have well established relationship with our subcontractors and suppliers
- We have experienced and professional management and provide our staff with quality training

BUSINESS OBJECTIVES AND STRATEGIES

We plan to accomplish our business expansion through implementing the following strategies:

- Enhance our participation in undertaking construction works from both the private sector and the public sector
- Strengthen our manpower
- Establish an integrated management system for quality, environment, occupational health and safety management
- Adhere our one-stop-shop strategy and prudent financial management

RISK FACTORS

Our Directors consider that the business of our Group and our performance are subject to a number of risk factors which can be categorised into (i) risks relating to the business of our Group; (ii) risks relating to the industry; (iii) risks relating to the Placing; and (iv) risks relating to the statements made in this prospectus. A detailed discussion of the risks factors is set forth in the section headed “Risk Factors” in this prospectus.

Some of the major risks relating to the business of our Group and the industry include the following:

- Our Group’s business is project-based. We may not be able to sustain growth rate and profit margin similar to those we achieved during the Track Record Period, or maintain our cash flow position or financial performance in the future
- Our business relies on successful tenders that determine the award of our projects contracts and is non-recurring in nature
- We rely on subcontractors to help complete our projects and to supply the machinery required

SUMMARY

- We make estimation of our project costs in our tenders and any failure to properly estimate the costs involved in the implementation of a project and delay in completion of any project may lead to cost overruns or even result in losses in our projects
- Our performance depends on market conditions and trends in the construction industry and in the overall economy and there is no assurance that if the property market in Hong Kong further deteriorates, there will be no material adverse impact on the Group's operation or at all, or the Group will be able to take appropriate measures to minimise the adverse impact on it

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Mr. Kwok, who is the chairman of the Board and an executive Director, and Best Brain Investments Limited, which is wholly owned by Mr. Kwok, are our Controlling Shareholders. Best Brain Investments Limited will become interested in 50% of our enlarged issued share capital upon completion of the Placing and the Capitalisation Issue (without taking into account the issue of Shares upon exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme).

After Listing, Mr. Kwok and his associates will be interested in certain exempted continuing connected transactions, which relate to the employment contracts with the associates of Mr. Kwok. Particulars of such transactions are set out in the section headed "Connected Transactions" in this prospectus.

SUMMARY FINANCIAL INFORMATION

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

	FY2014	FY2015	Three months ended 30 September 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	425,359	566,194	124,109
Gross profit	30,095	35,590	9,397
Profit before taxation	14,932	21,903	4,426
Profit and total comprehensive income for the year/period attributable to the owners of the Company	12,544	18,469	3,679

SUMMARY

	As at 30 June 2014 <i>HK\$'000</i>	As at 30 June 2015 <i>HK\$'000</i>	As at 30 September 2015 <i>HK\$'000</i>
Non-current assets	8,675	8,682	8,721
Current assets	157,108	188,962	202,174
Current liabilities	90,379	106,771	108,934
Net current assets	66,729	82,191	93,240
Net assets	75,404	90,873	101,961
			Three months ended 30 September 2015 <i>HK\$'000</i>
	FY2014 <i>HK\$'000</i>	FY2015 <i>HK\$'000</i>	
Net cash (used in) from operating activities	(5,218)	17,098	16,002
Net cash (used in) from investing activities	(23,443)	147	(10,253)
Net cash (used in) from financing activities	(1,067)	(5,332)	9,972
Net (decrease) increase in cash and cash equivalents	(29,728)	11,913	15,721
Cash and cash equivalents at beginning of the year/period	46,362	16,634	28,547
Cash and cash equivalents at the end of the year/ period	16,634	28,547	44,268
			As at/For the three months ended 30 September 2015
	As at/For the year ended 30 June 2014	2015	
Gross profit margin	7.1%	6.3%	7.6%
Net profit margin	2.9%	3.3%	3.0%
Gearing ratio	9.5%	5.5%	4.9%
Current ratio	1.7x	1.8x	1.9x
Return on equity	17.6%	22.2%	3.8%
Return on assets	7.6%	9.3%	1.7%

During the Track Record Period, our Group's revenue was principally generated from the provision of general building works and specialised building works in Hong Kong. The revenue from general building works represented the construction works performed by us at construction sites for residential buildings, commercial buildings, industrial buildings and general superstructure erection, which include erection of architectural superstructures, and renovation, fitting out, alteration and addition works while the revenue from specialised building works represented the work undertaken by us for demolition, site

SUMMARY

formation and foundation works, which are designated by the Building Authority as specialised works and required to be carried out by registered specialist contractors. Revenue recognised from our construction work contracts is based on the stage of completion of the contracts. The stage of completion is established by the cost incurred to date proportional to the total contract cost.

For FY2014, FY2015 and the three months ended 30 September 2015, our revenue amounted to approximately HK\$425.4 million, HK\$566.2 million and HK\$124.1 million, respectively, whereas our profit amounted to HK\$12.5 million, HK\$18.5 million and HK\$3.7 million, respectively.

The increases in total revenue and profit was mainly attributable to an increase in revenue from general building works of approximately HK\$330.9 million for FY2014 to approximately HK\$488.2 million for FY2015, which is in line with the increase in number of general building projects with revenue contribution to us from 15 projects for FY2014 to 23 projects for FY2015. The effect was partially offset by the decrease in revenue from specialised building works of approximately HK\$94.5 million for FY2014 to approximately HK\$78.0 million for FY2015, which is in line with the decrease of number of specialised building projects with revenue contribution to us from 10 projects for FY2014 to 9 projects for FY2015.

Our direct costs increased from approximately HK\$395.3 million for FY2014 to approximately HK\$530.6 million for FY2015, representing an increase of approximately HK\$135.3 million or 34.2%. Such increase was as a result of the combined effects of (i) the increases in our subcontracting fees and material costs and (ii) the decrease of site overheads. Such increases in our subcontracting fees and material costs were primarily due to the increase in amount of works outsourced to subcontractors as a result of our growth in business in the period as illustrated by the increase in our revenue.

For further details and analysis of the financial information of our Group, please refer to the section headed “Financial Information” in this prospectus.

LISTING EXPENSES

The estimated total listing expenses to be borne by our Group in relation to the Placing, which is non-recurring in nature, are estimated to be approximately HK\$13.0 million (including the underwriting commission assuming an Placing Price of HK\$0.29 per Placing Share, being the mid-point of the indicative Placing Price range), of which approximately HK\$3.4 million is directly attributable to the issue of the New Shares and is to be accounted for as a deduction from equity upon the Listing. The remaining amount of approximately HK\$9.6 million, of which approximately HK\$1.1 million was charged to our combined statement of profit or loss and other comprehensive income for the three months ended 30 September 2015 and approximately HK\$8.5 million is expected to be incurred before or upon completion of the Placing. For further details, please refer to the section headed “Financial Information — Listing Expenses” in this prospectus.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to focus on our principal business of provision of general building works and specialised building works services in Hong Kong and our business model and cost structure remained unchanged. Our projects on

SUMMARY

hand continued to contribute revenue subsequent to the Track Record Period and our Directors do not note any material interruption of progress works, material delay or any other exceptional situation for such existing contracts.

As at the Latest Practicable Date, we had ten projects which are in progress and one project which was awarded but not commenced, among which five, three and three of the eleven projects are expected to be completed in each of the years ending 30 June 2016, 2017 and 2018, respectively. Revenue of approximately HK\$426.3 million, HK\$587.4 million and HK\$157.4 million is estimated to be recognised for these projects in the nine months ending 30 June 2016 and each of the years ending 30 June 2017 and 2018, respectively.

According to the IPSOS Report, a slowdown has shown in Hong Kong's property market recently. According to the Land Registry, the total number of sale and purchase agreements for building units in January 2016 decreased by around 41.0% as compared with December 2015 and decreased by around 62.4% as compared with January 2015. In addition, according to Rating and Valuation Department, the price index of private residential building by all classes has been in decline since July 2015, at 304.1, falling to 285.2 in December 2015. During the same time, the price index of overall private office dropped from 457.0 to 450.1. Apart from the fallen residential transaction and price index, the total floor area of completion of overall private office is expected to decrease by 22.4% from 219,000 m² in 2015 to 170,000 m² in 2016 and the completion of private residential building (large units) is expected to decrease by 41.6% from 3,100 units in 2015 to 1,810 units in 2016. However, with the government's supporting policy on increasing private housing supply as well as land for private housing use, the demand for building construction works as well as foundation and site formation works in Hong Kong may not be impacted. Please also refer to the sub-paragraphs headed "Opportunities" and "Threats" in the paragraph headed "Competitive Landscape" in the "Industry Overview" section of this prospectus for further discussion on the opportunities and threats faced by the building industry in Hong Kong. With reference to our Group's revenue during the Track Record Period and expected to be recognised from, and the number of tenders we have submitted up to the Latest Practicable Date for, the building projects relating to residential properties and non-residential properties, the business and operation of the Group did not and will not have a sole reliance on buildings works relating to residential properties. Please refer to the paragraph headed "Business — Competitive Strengths — Our diverse qualifications allow us to capture business opportunities" in this prospectus for the further discussion on our Group's diverse qualifications and experience as one of our competitive strengths. As far as our Directors are aware, save as mentioned above, there have been no other changes in the general economic or market conditions or in the construction market in Hong Kong as a whole, which would have a material and adverse impact on our business operations or financial condition since 30 September 2015 and up to the Latest Practicable Date.

Save as disclosed above and in the paragraph headed "Financial Information — Listing expenses" in this prospectus, our Directors confirmed that since 30 September 2015 and up to the date of the Latest Practicable Date, (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 Accountants' Report set out in Appendix I to this prospectus.

SUMMARY

STATISTICS OF THE PLACING *(Note 1)*

	Based on a Placing Price of HK\$0.25 per Placing Share	Based on a Placing Price of HK\$0.33 per Placing Share
Market capitalisation of the Shares <i>(Note 2)</i>	HK\$200 million	HK\$264 million
Unaudited pro forma adjusted combined net tangible assets per Share <i>(Note 3)</i>	HK\$0.163	HK\$0.178

Notes:

- (1) All statistics in this table are on the assumption that the Offer Size Adjustment Option is not exercised.
- (2) The calculation of the market capitalisation of the Shares is based on the respective Placing Prices of HK\$0.25 and HK\$0.33 per Placing Share and 800,000,000 Shares in issue immediately after completion of the Placing and the Capitalisation Issue, but takes no account of (i) any Share which may fall to be allotted and issued pursuant to the general mandate for the allotment and issue of Shares or any Shares which may be repurchased by our Company pursuant to the general mandate for repurchase of Shares referred to in the paragraph headed “A. Further Information about Our Company and Our Subsidiaries — 3. Written resolutions of our then Shareholders passed on 9 March 2016” in Appendix IV to this prospectus; and (ii) any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share has been arrived at after the adjustments referred to in the section headed “Financial Information” in this prospectus, and on the basis of the respective Placing Prices of HK\$0.25 and HK\$0.33 per Placing Share and 800,000,000 Shares in issue immediately following completion of the Placing and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme.

DIVIDEND

For FY2014 and FY2015, our Group declared and paid dividends of HK\$2 million and HK\$3 million respectively to the shareholders of the companies now comprising our Group. In October 2015 and February 2016, our Group declared and paid a dividend of HK\$5 million and HK\$2 million respectively to the then shareholder(s) of our Group by our Group’s internal resources.

After completion of the Placing, while we currently have no plans to pay dividends to the 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 will re-evaluate our dividend policy annually. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

SUMMARY

REASONS FOR LISTING AND USE OF PROCEEDS

The Directors believe that the listing of the Shares on GEM will enable our Group to have access to capital market for raising funds both at the time of Listing and at later stages, enhance our corporate profile and brand image which could generate reassurance among the Group's customers, suppliers and subcontractors. Furthermore, a public listing status on GEM may offer our Company a broader shareholder base which could potentially lead to a more liquid market in the trading of the Shares.

Assuming a Placing Price of HK\$0.29 per Placing Share, being the mid-point of the indicative Placing Price range of HK\$0.25 to HK\$0.33 per Placing Share, the net proceeds from the Placing of New Shares, after deducting related expenses, are estimated to amount to approximately HK\$33.4 million (assuming the Offer Size Adjustment Option is not exercised and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). Our Group intends to apply such net proceeds from the Placing as follows:

Use	Approximate percentage or amount of net proceed to be applied
Further developing our general building and specialised building business	55.0% or HK\$18.4 million
Application for promotion to the confirmation status in Group B in the category of buildings in the List of Approved Contractors for Public Works	17.9% or HK\$6.0 million
Further strengthening our manpower	10.2% or HK\$3.4 million
Improvement of computer equipment, system and software	5.4% or HK\$1.8 million
Establishing an integrated management system for environmental management, and occupational health and safety management	1.5% or HK\$0.5 million
General working capital	10% or HK\$3.3 million

For details, please refer to the section headed "Future Plans and Use of Proceeds".

DEFINITIONS

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

“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 9 March 2016 and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Building Authority”	Building Authority of Hong Kong
“Buildings Department”	Buildings Department of the Hong Kong Government
“Buildings Ordinance”	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”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“Cap. 622 Companies Ordinance” or “Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which became effective on 3 March 2014 (whose predecessor is the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, prior to its implementation on 3 March 2014), as amended, supplemented or otherwise modified from time to time
“Capitalisation Issue”	the issue of 639,999,600 new 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 Company and Our Subsidiaries — 3. Written resolutions of our then Shareholders passed on 9 March 2016” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	The People’s Republic of China, which excludes, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“close associates”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law (2013 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Super Strong Holdings Limited (宏強控股有限公司), an exempted company incorporated in the Cayman Islands on 22 September 2015 with limited liability
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the GEM Listing Rules and, unless the context requires otherwise, collectively refers to Mr. Kwok and Best Brain Investments Limited
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 9 March 2016 entered into between the Controlling Shareholders and our Company in favour of our Group in respect of taxation and other indemnities referred to in the paragraph headed “E. Other Information — 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 9 March 2016 made by our Controlling Shareholders in favour of our Group, which contains certain non-competition undertakings given in favour of our Group

DEFINITIONS

“Development Bureau”	Development Bureau of the Hong Kong Government
“Director(s)”	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”	Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Environmental Impact Assessment Ordinance” or “EIA 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” or “EPD”	Environmental Protection Department of the Hong Kong Government
“FY2014” and “FY2015”	each financial year ended 30 June 2014 and 30 June 2015, respectively
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Government” or “Hong Kong Government”	the government of Hong Kong
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries and the businesses carried on by such subsidiaries or (as the case may be) their predecessors, the present subsidiaries of our Company, some or any of them at the relevant time
“HK\$” or “Hong Kong dollar(s)” or “HKD” or “cents”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“HKAS(s)”	Hong Kong Accounting Standard(s)
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Housing Authority”	Hong Kong Housing Authority
“Independent Third Party(ies)”	individual(s) or a company(ies) who is (or are) not a connected person (within the meaning of the GEM Listing Rules)
“IPSOS”	Ipsos Limited, a market research company incorporated in Hong Kong on 21 August 1998 which is an Independent Third Party
“IPSOS Report”	an independent market research report in respect of the construction industry in Hong Kong, prepared by IPSOS commissioned by our Company
“Labour Department”	the Labour Department of the Hong Kong Government
“Latest Practicable Date”	8 March 2016, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its printing
“Listing”	the listing of our Shares on GEM
“Listing Date”	the date on which dealings in the Shares first commence on GEM
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted on 9 March 2016, as amended from time to time
“Mr. Kwok”	Mr. Kwok Tung Keung, the chairman of the Board, an executive Director and a Controlling Shareholder
“New Shares”	160,000,000 new Shares being offered by our Company for subscription under the Placing
“Offer Size Adjustment Option”	the option to be granted by our Company to the Sole Lead Manager under the Underwriting Agreement to require our Company to issue up to an aggregate of 36,000,000 new Shares, representing 15% of the Placing Shares initially available, at the Placing Price, details of which are described in paragraph headed “Structure and Conditions of the Placing — Offer Size Adjustment Option” in this prospectus

DEFINITIONS

“Placing”	the conditional placing of the Placing Shares by the Underwriter on behalf of our Company and the Selling Shareholder for cash at the Placing Price, with individual, professional and institutional investors as described in the section headed “Structure and Conditions of the Placing” in this prospectus
“Placing Price”	the final price per Placing Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Placing Shares are to be offered under the Placing, to be determined in the manner further described in the section headed “Structure and Conditions of the Placing” in this prospectus
“Placing Shares”	the 240,000,000 Shares comprising 160,000,000 New Shares being offered by our Company for subscription and 80,000,000 Sale Shares being offered by the Selling Shareholder for purchase at the Placing Price pursuant to the Placing subject to Offer Size Adjustment Option as described in the section headed “Structure and Conditions of the Placing” in this prospectus
“Pre-IPO Investor”	NEO Paramount Limited, particulars of which are set out in the section entitled “History, Development and Reorganisation — Pre-IPO Investment” in this prospectus
“Price Determination Agreement”	the agreement to be entered into between our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Lead Manager on the Price Determination Date to record and fix the Placing Price
“Price Determination Date”	the date, expected to be on or before Tuesday, 22 March 2016, on which the Placing Price is expected to be fixed for the purpose of the Placing and, in any event, no later than Tuesday, 29 March 2016
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reorganisation”	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the paragraph headed “A. Further Information about Our Company and Our Subsidiaries — 4. Corporate reorganisation” in Appendix IV to this prospectus
“Repurchase Mandate”	the general unconditional mandate granted to our Directors by our Shareholders in relation to the repurchase of our Shares, further information on which is set forth in the paragraph under “A. Further information about our Company — 6. Repurchase of Shares by our Company” in Appendix IV to this prospectus

DEFINITIONS

“Sale Shares”	80,000,000 Shares being offered for sale by the Selling Shareholder, at the Placing Price under the Placing
“Selling Shareholder”	Best Brain Investments Limited, particulars of which are set out in the paragraph headed “E. Other Information — 9. Particulars of the Selling Shareholder” in Appendix IV to this prospectus
“SFC” or “Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 9 March 2016, the principal terms of which are summarised under the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of Share(s)
“Sole Bookrunner” or “Sole Lead Manager”	Yuanta Securities (Hong Kong) Company Limited, a corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contract), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, acting as the sole bookrunner and the sole lead manager of the Placing
“Sole Sponsor”	Innovax Capital Limited, a corporation licensed under the SFO and permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, acting as the sole sponsor to our Company’s application for the Listing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Cap. 622 Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Track Record Period”	collectively, FY2014, FY2015 and the three months ended 30 September 2015 and, unless otherwise specified, in the said order
“Underwriter”	the underwriter of the Placing who entered into the Underwriting Agreement to underwrite the Placing
“Underwriting Agreement”	the conditional underwriting agreement relating to the Placing dated 16 March 2016 and entered into among our Company, our Controlling Shareholders, our executive Directors, the Selling Shareholder, the Sole Sponsor, the Sole Lead Manager and the Underwriter, as further described in the section headed “Underwriting” in this prospectus
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“United States Dollars” or “USD” or “US\$”	United States dollars, the lawful currency of the U.S.
“WBDB”	Works Branch of the Development Bureau
“WM Construction”	W.M. Construction Limited (永明建築有限公司), a company incorporated under the laws of Hong Kong with limited liability on 28 October 1988 and a wholly owned subsidiary of our Company
“WM Engineering”	W.M. Engineering Company Limited (永明建設工程有限公司), a company incorporated under the laws of Hong Kong with limited liability on 28 September 2001 and a wholly owned subsidiary of our Company
“WM Foundation”	W.M. Foundation Company Limited (永明地基工程有限公司), a company incorporated under the laws of Hong Kong with limited liability on 22 June 2006 and a wholly owned subsidiary of our Company
“sq.ft.” or “ft ² ”	square foot (feet)
“sq.m.” or “m ² ”	square meter(s)
“%”	per cent.

Words importing the singular include, where applicable, the plural and vice versa. Words importing the masculine gender include, where applicable, the feminine and neuter genders.

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

GLOSSARY OF TECHNICAL TERMS

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

“alterations and additions”	alteration and addition works, which refer to building works that are done on an existing building, for example, constructing a new extension block, adding additional floors, combining two or more units into one by removing the partition walls, subdividing a unit into smaller units, adding water tanks, structural frames for air-conditioning or other plant and machinery
“authorised signatory”	the appointed person to act for a registered contractor for the purpose of the Buildings Ordinance
“bill of quantities”	a list of items included in a construction contract providing description, quantities and unit price of the works to be performed for the purpose of valuing such works
“bored pile(s)”	a type of larger size of pile formed by excavating or boring a hole in the ground and subsequently filling it with plain or reinforced concrete
“civil engineering”	the design and/or construction of structures, infrastructures, airports, roads and railways, bridges and tunnels; utilities installations; geotechnical and underground works; marine power stations, industrial plants, and refineries (all excluding major electrical and mechanical works); public amenities and facilities with structural or the aforementioned content. Excluded from “civil engineering” are residential, public and office buildings and public amenities and facilities which are largely architecturally driven
“ELS”	excavation and lateral support
“employer”	the party to a construction contract who engages and pays for the contractor to carry out the works
“foundation works”	foundation works mainly include bored piling, driven H-piling, socketed H-piling, mini-piles, footing foundation and pile cap works.

GLOSSARY OF TECHNICAL TERMS

“general building works”	general building works which mainly involve engineering construction of substructure and superstructure of building structural frames and external building envelopes either by reinforced concrete facades, curtain walling, metal cladding and/or marble facades with external architectural features, fins and sun-breakers. It also includes the provision to buildings with internal fitting-out works, interior decoration works and accommodation facilities such as provisions of building services, electrical and mechanical installation, plumbing and drainage discharge systems, external hard and soft landscaping works, underground utilities services and community services
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	quality management systems model published by ISO for quality assurance in design, development, production, installation and servicing
“ISO 14001”	environmental management system requirements published by ISO
“List of Approved Contractors for Public Works”	the List of Approved Contractors for Public Works maintained by the WBDB which comprises those contractors who are approved for carrying out public works in Hong Kong in one or more of the five major categories of building and civil engineering works, that is, buildings, port works, roads & drainage, site formation and waterworks
“LPM”	landslip preventive/remedial works to slopes/retaining walls
“main contractor”	in respect of a construction project, a contractor appointed by the project employer’s construction consultant, who generally oversees the progress of the entire construction project and delegate different work tasks of the construction to other contractors
“mini-pile(s)”	a type of piles which consist of one or more steel bars encased by grout inside a borehole, which in general does not exceed 400 mm in diameter
“OHSAS”	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems
“OHSAS 18001”	the requirements for occupational health and safety management system developed for managing health and safety risks associated with a business

GLOSSARY OF TECHNICAL TERMS

“percussive piling(s)” or “driven H-piling(s)” or “steel H-pile(s)”	a type of pile formed by driving
“pile cap(s)”	a reinforced concrete structure constructed on top of the pile, which is used to transfer the superstructure load to the pile
“practical completion”	a stage of substantial completion of works marked by the issue of a certificate to that effect, meaning the completion of the works for all practical purposes, allowing the employer to take possession of the works and use them as intended without patent defects
“quantity surveyor”	a person with skills in the construction industry in relation to the estimation of construction costs and contracts
“registered contractor”	a contractor which is on the List of Registered Contractors maintained by the Buildings Department
“registered general building contractor”	a person whose name is on the register of general building contractors maintained under section 8A of the Buildings Ordinance from time to time
“registered specialist contractor”	a person whose name is on the register of specialist contractors maintained under section 8A of the Buildings Ordinance from time to time
“socketed H-pile(s)”	a type of pile formed by drilling holes on the ground and then insert a prefabricated steel H-pile into the borehole and subsequently grouting the hole with cementitious materials
“subcontractor”	in respect of a construction project, a subcontractor appointed by the main contractor or another subcontractor involved in the construction, who generally carries out specific work tasks of the construction
“superstructure(s)”	the structure which is above ground
“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(s)”	such additional works, omissions or changes requested by the customer for specifications not included in the original contract

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements relating to our Group that are based on the beliefs, intentions, expectations or predictions of the management of our Company for the future as well as assumptions made by and information currently available to the management of our Company as of the Latest Practicable Date. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our Group's operations and business prospects;
- our Group's financial condition;
- our Group's future developments, trends and conditions in the industry and geographical markets in which our Group operate;
- our Group's strategies, plans, objectives and goals;
- our Group's relationships with our key customers;
- changes to regulatory environment and operating conditions in the industry and geographical markets in which our Group operates;
- our Group's ability to control costs;
- our Company's dividend policy;
- the amount and nature of, and potential for, future development of our Group's business;
- certain statements in the section headed "Financial Information" in this prospectus with respect to trends in prices, volumes, operations, margins, overall market trends and risk management; and
- the general economic trends and conditions.

When used in this prospectus, the words "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "forecast", "potential", "seek", "should", "will", "would" and similar expressions, as they relate to our Group or the management of our Group, are intended to identify forward-looking statements. These forward-looking statements reflect the views of the management of our Group as of the Latest Practicable Date with respect to future events and are not a guarantee of future performance or developments. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. Actual results and events may differ materially from information contained in the forward-looking statements as a result of a number of factors, including:

- any changes in the laws, rules and regulations relating to any aspects of our Group's business operations;
- general economic, market and business conditions, including capital market developments;

FORWARD-LOOKING STATEMENTS

- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- the actions and developments of our Company's competitors and the effects of competition in the construction industry on the demand for, and price of, our Group's services;
- various business opportunities that our Company may or may not pursue;
- persistency levels;
- our Company's ability to identify, measure, monitor and control risks in our Group's business, including our Company's ability to manage and adapt our Group's overall risk profile and risk management practices;
- our Company's ability to properly price our Group's services and establish reserves for future policy benefits; and
- the risk factors discussed in this prospectus as well as other factors beyond our Company's control.

Subject to the requirements of the applicable laws, rules (including the GEM Listing Rules) and regulations, our Group does not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Group expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information or statements. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements set forth in this section. Our Directors confirm that these forward-looking statements are made after due and careful consideration.

RISK FACTORS

Investors should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Shares in the Placing. If any of the possible events described below occur, the business operation, financial condition or results of operation of our Group could be materially and adversely affected and the market price of the Shares could fall significantly.

RISKS RELATING TO THE BUSINESS OF OUR GROUP

Our Group's business is project-based. We may not be able to sustain growth rate and profit margin similar to those we achieved during the Track Record Period, or maintain our cash flow position or financial performance in the future

Our Group's business is project-based. Fee collection and profit margin significantly depend on several factors, such as the terms of the work contracts, the length of the contract period, the efficiency of implementation of the contract works and the general market conditions. Therefore, the income flow of the business of our Group is irregular and is subject to various factors beyond the control of our Group.

We cannot assure you that we will be able to maintain our current turnover and profit levels in the future or attain growth rates and profit margins similar to those achieved during the Track Record Period. You should not rely on our results of operations for any prior period as an indication of our future financial or operating performance.

As at 30 June 2014 and 2015 and 30 September 2015, our cash and cash equivalents were approximately HK\$16.6 million, HK\$28.5 million and HK\$44.3 million, respectively. For FY2014, the net cash used in operating activities of our Group amounted to HK\$5.2 million, and the net decrease in cash and cash equivalents amounted to HK\$29.7 million, and for FY2015 and the three months ended 30 September 2015, the net cash from operating activities of our Group amounted to HK\$17.1 million and HK\$16.0 million, and the net increase in cash and cash equivalents amounted to HK\$11.9 million and HK\$15.7 million respectively. As a main contractor, we normally incur net cash outflows at the early stage of carrying out our works when we are required to pay the setting up expenditures in advance of payments from our customers. Our customers will pay progress payments after our works commence and such works and payments are certified by the architects of our customers. Accordingly, the cash flows of a particular project will turn from net outflows at the early stage into accumulative net inflows gradually as the works progress.

We undertake a number of projects at any given period, and the cash outflow of a particular project could be compensated by the cash inflows of other projects. If we take up too many significant projects, which require substantial initial setting up costs without cash inflow from other projects at a particular point of time, our corresponding cash flow position may also be adversely affected.

In addition, we may experience delays in the commencement or progress of our work due to factors outside our control such as change in design by our customers, and delays in obtaining governmental approvals for commencement of works by other parties to the contracts. Given the ongoing competition faced by our Group, compounded with possible increases in subcontracting

RISK FACTORS

charges, construction materials and labour costs, there is no assurance that our Group will be able to maintain the gross profit margin, net profit margin and other financial results in the future at a similar level achieved during the Track Record Period.

Our business relies on successful tenders that determine the award of our projects contracts and is non-recurring in nature

During the Track Record Period and up to the Latest Practicable Date, we derived our turnover primarily from projects in the private sector in Hong Kong. Our future growth and success will depend on our ability to continue to secure tender and contract awards. Moreover, 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.

In addition, the profitability of our construction business is dependent on the price of our tender, which is determined based on the estimated costs to be incurred plus a mark-up. If a significant mark-up is made upon the estimated costs, then our tender price may be less competitive. On the other hand, if the tender price set by us is too low, then in the event that the time and costs actually involved in completing the construction works undertaken by us exceed our estimation at the time when the tender was submitted, which may be caused by factors beyond our control such as shortage of labour, our profitability may be materially and adversely affected.

We cannot assure that our current customers will continue to include us in the tendering process or whether we will be able to seek new customers, or that we will be able to secure project awards from our customers in the future. Upon the completion of our contracts 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 future contracts when considering our Group's future prospects.

We rely on subcontractors to help complete our projects and to supply the machinery required

In line with the usual practice of the construction industry in Hong Kong, we engage third party subcontractors to perform a portion of the works under our contracts instead of retaining a large pool of labour with different skill sets to maximise our cost efficiency and flexibility. We also rely on our subcontractors for supply of machinery required for carrying out of construction works. During the Track Record Period, our five largest subcontractors accounted for approximately 42.7%, 42.6% and 42.8% of our total subcontracting costs. During the Track Record Period, our total subcontracting costs accounted for approximately 77.3%, 81.9% and 73.6% of our direct costs.

Other than any significant increase in the subcontracting costs that may impact on our profitability, we may also be exposed to other legal liabilities if we are not able to monitor the performance of our subcontractors, or if our subcontractors violate any laws, rules or regulations in relation to health and safety matters. We are also exposed to risks associated with non-performance, delayed performance or sub-standard performance by subcontractors or its employees which may result in a delay in the delivery of our works. We may also incur additional costs due to delay in schedule or if there is any defect in the works of the subcontractor or if there is any accident causing personal injuries or death of the

RISK FACTORS

subcontractors' employees, we may be subject to liability under the relevant contract for our subcontractor's performance. These events may impact upon our profitability, financial performance and reputation, as well as result in litigation or damage claims.

In addition, pursuant to the Employment Ordinance, a principal contractor or a principal contractor and every superior subcontractor shall be 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. Our operations and hence our financial position may thereby be adversely affected if any of our subcontractors violates their obligations to pay their employees.

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

Whether we are able to submit tender proposal at a competitive price with adequate profit margin and maintain our profitability depends on various factors. We determine the tender price by taking into account factors including the nature, scope and complexity of the project, required time for completion of the project, estimated labour and construction materials costs, extent of subcontracted works required, and the then prevailing market conditions. Tender price is important, particularly for private sector projects, because the contracts entered into by our Group during the Track Record Period were fixed price contracts, and once the tender price is fixed, the contractor generally will have to bear any additional costs incurred. In the event we fail to properly 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.

Further, all of our contracts entered into during the Track Record Period contained specific completion schedule requirements and liquidated damages provisions (i.e. we may have to pay customers liquidated damages if we do not meet the schedules). Liquidated damages are typically levied at an agreed rate for each day of delay that is owing to our default. Any failure to meet the schedule requirements of our contracts could, to the extent that time extension is not granted by our customers, cause us to pay significant liquidated damages, which would reduce or diminish our profit expected to generate from the relevant contracts.

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 generate from our contracts, and may result in material adverse impact on our operation and financial performance.

The price of our variation works may not be clearly determined

Our customers may, in the course of project implementation, make "variation order" to our Group and request our Group to alter the scope of works or perform additional works on top of the terms and scope of original contracts by way of "variation order". The terms of these "variation order" are agreed between our Group and the quantity surveyor authorised by the customer in accordance with the principles that, inter alia, any additional work carried out which is the same as or similar in character to and executed under the same or similar conditions and circumstances to any item of work priced in the

RISK FACTORS

original contract shall be valued at the rate set out in the original contract for such item of work. In the event our Group and the quantity surveyor authorised by the customer fail to reach an agreement on the rate at which the variation works are determined, or if we and our customers take different views on the valuation on variation work, there may arise dispute and the settlement of our payment applications may be prolonged and thereby affect our liquidity and financial position. There is also no assurance that we will be able to maintain the same or similar profit margins for works performed under these variation orders.

We have contingent liabilities involving uncertainty as to possible loss to our Group

As a security for our due and faithful performance under the relevant contract, our customers generally require our Group to provide performance bonds in an amount not exceeding 10% of the contract sum issued by a bank or insurance company upon the project being awarded to our Group. As at 30 June 2014 and 2015 and 30 September 2015, the amounts of outstanding performance bonds were approximately HK\$20.2 million, HK\$20.1 million and HK\$29.0 million, respectively. In the event that we failed to provide satisfactory performance to our customers to whom the performance bonds have been given or fail to observe the terms, conditions and specifications under the contract with our customers, such customers are entitled to seek compensation from the banks or insurance companies for financial losses incurred not exceeding the bond amount, and our Group will be required to reimburse the banks or insurance companies for any claims paid.

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

In general, for our contracts, we submit regular payment applications to our customers and normally require our customers to make progress payments calculated in accordance with the value of works completed, which may include variation works and claims, if any. The billings for each project are made in accordance with the stipulated terms and conditions of the respective contracts. Progress payment is generally made regularly by reference to the value of works done in that month whereas retention money is withheld by our customers and is only released upon the expiry of the maintenance period or a pre-agreed time period. Please refer to the paragraph headed "Business — Operating Procedures — Progress payment and retention money" in this prospectus for further details.

The credit terms in relation to the settlement of amounts due from our customers arising from the projects carried out by our Group vary from contract to contract. Our credit terms typically range from 30 to 60 days from the date of invoice on progress payment of contract work, depending on the terms and conditions of the contracts. Our trade receivables were approximately HK\$57.2 million, HK\$69.5 million and HK\$52.0 million as at 30 June 2014 and 2015 and 30 September 2015, respectively. We did not experience default in receiving the receivables during the Track Record Period and accordingly did not make any allowance for doubtful debt. However, there is no assurance that the financial position of our customers will remain healthy in the future. We also cannot assure that we will be able to collect receivables from our customers on a timely basis or that there will not be any future dispute in terms of collection of receivables with our customers which may result in significant delay in receivables collection.

In addition, retention monies are generally required by our customers to secure our Group's due performance of the contract. Typically, the amount of retention money is subject to negotiation between the parties and ranges from 5.0% to 10.0% of the value of the works certified, subject to a maximum

RISK FACTORS

retention of 5.0% of the awarded contract value or a monetary cap. Our retention receivables amounted to approximately HK\$23.6 million, HK\$40.8 million and HK\$43.3 million as at 30 June 2014 and 2015 and 30 September 2015, respectively. In the event our customers fail to pay the retention monies on a timely basis or at all, our liquidity may be adversely affected.

Our Group may, from time to time, be engaged in prolonged negotiation of the settlement of payment applications, in particular in respect of final payment, which is not uncommon in the construction industry. If our customers experience financial distress or are unable to settle their payments due to us or release the retention monies to us in a timely manner or at all, our liquidity and the financial condition of our Group could be adversely affected.

We rely on a limited number of major customers

The largest customer of our Group for each of FY2014, FY2015 and the three months ended 30 September 2015, accounted for approximately 25.4%, 35.7% and 26.1% of our total revenue respectively. During the Track Record Period, revenue derived from our five largest customers amounted to approximately 65.4%, 84.8% and 81.7% of our total revenue, respectively. Our five largest customers during the Track Record Period have maintained business relationship with us for a period ranging from 1 year to 17 years.

We rely on a limited number of major customers. Therefore, any decrease or delay in their plans in the construction industry could have an adverse effect on our operations and profits. In addition, there is no assurance that we can diversify the composition of our customer base.

We had pending civil proceedings that were brought against us during the Track Record Period and we may be involved in legal and other proceedings arising from our operations

Although our Group is committed to maintaining a safe working environment at our sites and require our employees to adhere to safety measures and procedures set out in our procedure manual and which complies with regulatory requirements, we cannot guarantee that our employees and those of our subcontractors will not violate applicable rules, laws or regulations. If our employees or that of our subcontractors fail to observe the safety measures, accidents causing personal injuries and/or deaths may occur. In such event, we may be liable to make compensation or fines or subject to other legal liability for such personal injury or death as well as business interruptions caused by machinery and equipment shutdowns for investigations and imposition of safety measures. Further, these industrial accidents may prevent our Group from completing our obligation under a contract in accordance with its terms. Our Group may also face legal claims from our customers, subcontractors, workers, and other parties concerned for losses and damages or face criminal prosecution as a result.

In such events, we may have to incur costs to defend our Group in legal and other proceedings. As at the Latest Practicable Date, we were a party to certain civil proceedings in respect of employees' compensation claim and personal injuries claim. Please refer to the section "Business — Litigation and Potential Claims" of this prospectus for further information. If we are not successful in defending our Group in any proceedings, we may be liable to pay for the damages and other fines or penalties. In the event of serious accidents or fatal accidents, it may also cause our relevant registrations to be suspended or affect the renewal of which, and may even face prosecution against our Group.

RISK FACTORS

We are exposed to dispute or litigation and our insurance may not fully cover all the potential claims and losses arising from our projects and we are subject to certain types of liabilities that are generally not insured

As main contractor, we are principally responsible for the implementation of construction works and we may receive claims in respect of various matters from customers, subcontractors, workers and other parties concerned with the projects from time to time. Such claims include claims for liquidated damages for late completion of works and delivery of substantial works, and claims in respect of personal injuries and labour compensation in relation to works.

Please refer to the paragraph headed “Business — Litigation and Potential Claims” in this document for details of the outstanding and potential claims against our Group.

For projects where our Group acts as the main contractor, we take out employees’ compensation insurance and contractor’s all risks insurance which cover our Group’s and our subcontractors’ employees of all tiers, and works performed by them. Similarly, where we undertake the role of subcontractor in a project, we are covered by the employees’ compensation insurance and contractor’s all risks insurance taken out by the project main contractor. Nonetheless, there is no assurance that all losses and expenses suffered by our Group arising from or in connection with damage to property or other claims arising from or in connection with projects undertaken by our Group can be fully covered by the contractor’s all risks insurance. Save for liabilities arising from personal injuries claims which are normally covered by employees’ compensation insurance, certain types of liabilities, such as liabilities from negligent claims under common law, acts of God or other natural disasters, are generally not insured because they are either uninsurable or it is not cost justifiable to insure against certain risks. To the extent that our insurance does not cover such claims, losses and expenses, it may adversely affect the financial position of our Group. Claim of such nature may also expose us to the risk of bearing higher insurance premiums in the future and may bring damage to the reputation of our Group creating negative publicity. There is also no assurance that the insurance company will not counter claim us for breach of the terms and conditions of the relevant policy. In either case, our financial position may be adversely affected.

We also need to divert management resources and incur extra costs to handle the aforementioned outstanding and potential claims, which could affect our corporate image and reputation in the construction industry if they were published by the press. If the aforementioned claims were successfully made against our Group, it would result in the incurring of legal costs, which in turn could adversely affect our revenue, results of operation and financial position.

We rely on several key management personnel

Our Group’s success is, to a large extent, attributable to the continued commitment of our executive Directors and our supporting management team. Detailed qualifications of our executive Directors are set out in the section headed “Directors, Senior Management and Staff” in this prospectus. Our executive Directors are responsible for our business strategies and development, daily management and operations. Furthermore, they have established relationships with our Group’s customers, subcontractors and suppliers. They have extensive experience in the construction industry, possess knowledge of the construction markets and technical know-how.

RISK FACTORS

In particular, Mr. Kwok is the only technical director of WM Construction for its registrations as registered general building contractor and specialist contractor in the demolition, foundation and site formation categories. In December 2015, WM Construction submitted an application to the Building Authority for the approval of the appointment of Mr. Chan Siu Kay Francis, an executive Director, as a technical director for WM Construction. However, we cannot assure that the Building Authority will necessarily approve the application, failing which, there is no assurance we will be able to identify a suitable candidate to replace Mr. Kwok's roles, or that the Building Authority will accept and approve the application of such a replacement candidate. In such event, if Mr. Kwok resigns, the registrations of WM Construction may be temporarily suspended until a replacement candidate has been identified and approved by the Building Authority, during which period our Group may not be able to take up new projects of that particular business segment or in the event we fail to identify a subcontractor which is a registered general building or specialist contractor under the relevant category to undertake the work concerned, we may not be able to continue to perform the projects on hand. This will cause abrupt interruption to our operation, resulting in project delay or even breach in our contracts terms, and creating material adverse impact on our financial and operational results.

Further, our key business decisions are made directly by our executive Directors. Accordingly, the number of projects that can be executed by our Group simultaneously at any given time is also limited by the capacity of our project management team. In the event we cannot retain our key employees or if there is unanticipated departure of our executive Directors and key management personnel without appropriate replacement, it may temporarily reduce our capacity and in turn affect our ability to carry out services for our customers which could adversely affect our business operations and profitability.

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

Prior to commencement of our works, in particular our foundation works, we may conduct ground investigation or our customers may supply us with ground investigation reports. However, the details uncovered by these reports may not be sufficient to reveal the actual geology beneath our construction site due to limitation in the scope of the underground investigation works that can be carried out at the site or other technical limitations. There may be discrepancies between the actual geological conditions and the findings set out in these investigation reports, and the investigation may not be able to reveal the existence of rocks or identify any antiquities, monuments or structure beneath the site. All these may eventually present potential issue in the carrying out of our works, thereby exposing our Group to uncertainties in the course of implementation of our projects, our Group may incur additional costs in dealing with these unforeseen conditions, and it may cause delay in completion of the projects, resulting in potential claims for liquidated damages from our customers.

We may be liable for claims for damage caused to the buildings adjacent to our construction sites and may suffer additional costs for undertaking remedial works or may incur liquidated damages for project delay

Due to the nature of our construction works, in particular our foundation works, the foundation and structure of any buildings adjacent to our construction sites may be affected or damaged during our works, we will incur additional cost and time in carrying out remedial works and 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

RISK FACTORS

face claims for losses and liquidated damages. Further, we may be involved in claims and disputes from third parties arising from 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 incident or claims attract negative press reports.

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

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

Labour strikes, union actions or work stoppages may affect our business

Our industry requires highly specialised labour to carry out different types of construction works. Labour strikes, union actions or work stoppages of any types of construction works may disrupt the progress of our projects. During the Track Record Period, our Group did not encounter any strike or stoppage. Nonetheless, we cannot assure that any strikes or union actions will not be launched in the future. In the event that such strikes or union actions are launched, our business performance and profitability may be adversely affected.

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

Our principal construction materials include concrete and steel. During the Track Record Period, the costs of construction materials amounted to approximately HK\$38.5 million, HK\$51.8 million and HK\$19.6 million, respectively, representing approximately 9.7%, 9.8% and 17.1% of our direct costs, respectively. We have relied on a few suppliers to supply our main construction materials and purchases from our five largest suppliers accounted for approximately 65.9%, 72.7% and 61.2% of our total material costs for the years ended 30 June 2014 and 2015 and 30 September 2015, respectively.

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 the cost of construction materials will be stable or that our current suppliers will continue to provide construction materials at prices acceptable to our Group. If in the event that we are unable to source these required construction materials from alternative providers on similar or more favourable terms to us, and we are unable to factor in these potential fluctuations into each of our tenders or quotations and pass on part or the whole of such increases to our customers or reduce other costs, our financial results and position may be materially and negatively affected.

RISK FACTORS

The works of the projects in respect of our construction business could be affected by adverse weather conditions

Since a portion of our construction projects are undertaken outdoors, adverse weather conditions such as rainstorms, tropical cyclones and continuous rain may interrupt or otherwise affect the operation of our construction works. In the event that delay is caused by adverse weather condition, we may have to accelerate our work progress afterwards so as to meet the time for completion as scheduled, and such acceleration works will typically incur additional costs, thereby adversely affecting the profitability of our construction business. If there is delay in completion of the construction projects, we may be subject to the payment of liquidated damages or penalties and such delay may adversely affect the operating results of our construction business.

We may encounter defect liability claims

Under the usual terms of our contracts, our customers normally require a maintenance period during which we are responsible for rectifying all defective works, if any, during such maintenance period. The maintenance period, if any, is normally 12 months after the practical completion of the contract works or for such other period as our customer may specify depending on the nature and the scale of the entire project. In the event that there is any significant claims raised by our customers or other parties against us for defect liability or any default or failure in relation to our works, we may incur significant amount in rectifying such defects or in settling such claims and in such event our profitability would be adversely affected.

Our Group may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees or other third parties

There is no assurance that instances of fraud or other misconduct committed by our employees or other third parties will not take place in the future. We may be unable to detect, deter and prevent all such instances. Any of such fraud or other misconducts committed at the expense of our Group's interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our Group's business operations, results and financial condition.

Our financial performance and results of operations will be affected by the expenses of the Placing and the Listing

The expenses of the Placing and the Listing are estimated to be approximately HK\$14.7 million (assuming the Offer Size Adjustment Option is not exercised and based on the Placing Price of HK\$0.29 per Placing Share, being the midpoint of the indicative Placing Price range of HK\$0.25 to HK\$0.33 per Placing Share), of which (i) approximately HK\$3.4 million is to be borne by our Group and directly attributable to the issue of Placing Shares which is to be accounted for as a deduction from equity; (ii) approximately HK\$9.6 million is to be borne by our Group and charged to profit or loss of our Group; and (iii) approximately HK\$1.7 million is to be borne by the Selling Shareholder. Expenses in relation to the Listing are non-recurring in nature but we expect that it will significantly affect the financial performance of our Group for the year ending 30 June 2016, and our Group's net profit for the year ending 30 June 2016 is expected to show a significant decline as compared to that for the prior financial year.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY

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

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

According to the IPSOS Report, a slowdown has shown in Hong Kong's property market recently. According to the Land Registry, the total number of sale and purchase agreements for building units in January 2016 decreased by around 41.0% as compared with December 2015 and decreased by around 62.4% as compared with January 2015. In addition, according to Rating and Valuation Department, the price index of private residential building by all classes has been in decline since July 2015, at 304.1, falling to 285.2 in December 2015. During the same time, the price index of overall private office dropped from 457.0 to 450.1. Apart from the fallen residential transaction and price index, the total floor area of completion of overall private office is expected to decrease by 22.4% from 219,000 m² in 2015 to 170,000 m² in 2016 and the completion of private residential building (large units) is expected to decrease by 41.6% from 3,100 units in 2015 to 1,810 units in 2016. There is no assurance that if the property market in Hong Kong further deteriorates, there will be no material adverse impact on the Group's operation or at all, or the Group will be able to take appropriate measures to minimise the adverse impact on it.

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

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

RISK FACTORS

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

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

Our Group's operations are subject to due compliance with a number of environmental protection laws, regulations and requirements and changes in such rules, regulations and requirements may adversely affect our operations and profitability

Our Group is required to comply with numerous environmental protection laws, regulations and requirements in Hong Kong. Please refer to the paragraph headed "Business — Environment" in this prospectus for further details in relation to our measures and work procedures that are required to be followed by our operations staff and workers in respect of environmental protection compliance. If our Group's operations fail to meet the applicable environmental protection laws, regulations and requirements, our Group may be subject to fines or required to make remedial measures which may in turn adversely affect our operations and financial condition. Furthermore, in the event that there is any changes the environmental protection laws, regulations and requirements, we may incur more costs in complying with the new law(s), regulation(s) and requirement(s), and failing which may lead to the suspension or ceasing of our relevant registration to operate our business or result in regulatory non-compliances and, in turn, adversely affect our operation and financial results.

We operate in a competitive industry

Our Group holds various construction related qualifications granted by the respective Government departments that enable us to bid for and carry out construction projects. WM Construction, being our major operating subsidiary, is a registered general building contractor and a registered specialist contractor for three types of specialised building works, namely demolition, foundation and site formation. WM Construction is also an Approved Contractor for Public Works — Buildings Category.

There are a large number of qualified building construction service providers in Hong Kong. In Hong Kong, building construction service providers must be licensed to be registered general building contractors under the Buildings Ordinance and must have obtained other requisite licences, depending on the skills and technical capabilities required for relevant projects. New participants may be admitted to compete with us provided that they attain the required technical and management capabilities and skills and are granted the required licenses.

According to the IPSOS Report, there were about 694 registered general building contractors and 136, 174 and 105 registered specialist contractors for foundations, site formation and demolition, respectively, in Hong Kong in December 2015. Due to the large number of competitors, we may face significant downward pricing pressure which would reduce our profit margins.

Thus, if we fail to compete effectively or maintain our competitiveness in the market, our business, financial condition and results of operations will be adversely affected.

RISK FACTORS

Our Group's business relies on a number of approvals and qualifications

A contractor has to be included in the List of Approved Contractors for Public Works under one or more of the work categories maintained by the WBDB so as to be eligible to tender for public work projects. To become listed as an approved contractor, the contractor has to apply for inclusion in the list of the particular work categories and/or group. In spite of the admission of a contractor to the list, if the contractor's performance or tendering record is found to be unsatisfactory or the contractor is unable to meet the relevant financial, technical or management criteria for retention on the list, the Government reserves the right to remove the contractor from the list or take other regulatory actions against the contractor such as suspension, downgrading in status or demotion to a lower level group, in respect of all or any of the work categories.

Please refer to the section headed "Laws and Regulations" in this prospectus for details of the major qualifications held by our Group.

In addition, if our Group is convicted of a series of safety or environmental offences within a short period of time, or if a fatal or serious construction accident occurs at a construction site for which we are responsible, depending on the seriousness of the incident, regulatory actions may be taken against our Group such as removal of our Group from the List of Approved Contractors for Public Works, downgrading of our qualification to a lower status or class, suspension or restriction on us from tendering for projects.

In the event of withdrawal, revocation, suspension or downgrading of any of the Group's qualifications in any work category, the business, the prospects and operation of the Group could be adversely affected.

RISKS RELATING TO THE PLACING

An active trading market of the Shares may not develop

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

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

Upon Listing, the trading volume and market price of the Shares may be affected by a number of factors from time to time, including but not limited to, the revenue, earnings and cash flows of our Group and announcements of new services and/or investments of our Group, strategic alliances and/or acquisitions, fluctuations in market prices for our Group's services or fluctuations in market prices of comparable companies, changes of senior management of our Group, and general economic conditions. Any such developments may result in large and sudden changes in the volume and price at which the

RISK FACTORS

Shares will trade. There is no assurance that such developments will or will not occur and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares. In addition, shares of other companies listed on GEM have experienced substantial price volatility in the past. It is likely that from time to time, the Shares will be subject to changes in price that may not be directly related to our Group's financial or business performance.

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

Based on the Placing Price range, the Placing Price is expected to be higher than the net tangible asset value per Share immediately prior to the Placing. Therefore, the purchasers of the Placing Shares will experience an immediate dilution in unaudited pro forma net tangible asset value to HK\$0.163 per Share and HK\$0.178 per Share based on the Placing Price of HK\$0.25 per Placing Share and HK\$0.33 per Placing Share respectively. Additional funds may be required in the future to finance the expansion or new developments of the business and operations of our Group or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, the percentage ownership of the Shareholders in our Company may be diluted or such new securities may confer rights and privileges that take priority over those conferred by the Placing Shares.

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

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

Any options granted under the Share Option Scheme may dilute the Shareholders' equity interests

The Company has conditionally adopted the Share Option Scheme. As at the Latest Practicable Date, no option had been granted to subscribe for Shares under the Share Option Scheme. Following the issue of new Shares upon exercise of the options that may be granted under the Share Option Scheme, there will be an increase in the number of issued Shares. As such, there may be a dilution or reduction of shareholding of the Shareholders which results in a dilution or reduction of the earnings per Share or net asset value per Share. In addition, the fair value of the options to be granted to the eligible participants under the Share Option Scheme will be charged to the consolidated comprehensive income statement of our Group over the vesting periods of the options. The fair value of the options shall be determined on the date of granting of the options. Accordingly, the financial results and profitability of our Group may be adversely affected.

RISK FACTORS

Our Group may not be able to declare and distribute dividends to the Shareholders

Dividends of HK\$2 million and HK\$3 million were declared and paid out of our Group for the financial years ended 30 June 2014 and 2015, respectively. In October 2015 and February 2016, our Group declared and paid a dividend of HK\$5 million and HK\$2 million respectively to the then shareholders of our Group by our Group's internal resources. The amount of dividends that were declared in the past should not be used as a reference or basis upon which future dividends will be determined. In the future, the amount of dividends that our Group may declare and pay will be subject to, among other things, the full discretion of the Board, our Group's future operations, earnings, financial performance, cash requirements and availability and any other factors which the Board may consider relevant. Our Group may not be able to declare and distribute dividends to the Shareholders in any year as a result of the abovementioned factors.

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS

Statistics and facts in this prospectus have not been independently verified

This prospectus includes certain facts, forecasts and other statistics that have been extracted from government official sources and publications or other sources. The Company believes the sources of these statistics and facts are appropriate for such statistics and facts and has taken reasonable care in extracting and reproducing such statistics and facts. The Company has no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts from these sources have not been independently verified by our Company, the Selling Shareholder, the Sponsor, the Sole Lead Manager, the Underwriter, any of their respective affiliates or advisers or any other party involved in the Placing and therefore, our Company (for ourselves and on behalf of the Selling Shareholder) makes no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from government official publications referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other economies. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

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

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

RISK FACTORS

The Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Group or its Shares

Prior to the completion of the Placing, there may be press and media coverage regarding our Group and the Placing. The Directors would like to emphasise to the prospective investors that our Group does not accept any responsibility for the accuracy or completeness of such information and such information is not sourced from or authorised by the Directors or management. The Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Group or its Shares. Prospective investors are also cautioned that in making their decisions as to whether to purchase the Shares, they should rely only on the financial, operational and other information included in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purposes of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

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

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

Copies of this prospectus are available, for information purposes only, at the offices of (1) Innovax Capital Limited at Room 2002, 20/F, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong; and (2) Yuanta Securities (Hong Kong) Company Limited at 23/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong during normal office hours between 9:00 a.m. and 5:00 p.m. from Thursday, 17 March 2016 up to and including Tuesday, 29 March 2016 (both dates inclusive).

PLACING IS FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Placing and the Listing which is sponsored by the Sole Sponsor and managed by the Sole Lead Manager. The Placing Shares are fully underwritten by the Underwriter subject to the terms and conditions of the Underwriting Agreement (including but not limited to our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Lead Manager agreeing on the Placing Price). For further details about the Underwriter and the Underwriting Agreement, please refer to the section headed "Underwriting" in this prospectus.

PLACING PRICE

The Placing Price is expected to be fixed by the Price Determination Agreement between the Sole Lead Manager and our Company (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date, which is currently scheduled to be on or before Tuesday, 22 March 2016 and, in any event, no later than Tuesday, 29 March 2016. If, for whatever reason, our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Lead Manager are unable to agree on the Placing

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

Price, the Placing will not proceed and will lapse. For full information relating to the determination of the Placing Price, please refer to the section headed “Structure and Conditions of the Placing” in this prospectus.

SELLING RESTRICTIONS

No action has been taken to permit any offering of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or as an exemption therefrom.

Each person acquiring the Placing Shares will be required to confirm, or by his/her acquisition of the Placing Shares be deemed to confirm, that he/she is aware of the restrictions on the placing of the Placing Shares described in this prospectus and that he/she is not acquiring, and has not been offered, any such shares in circumstance that contravenes any such restrictions.

Prospective subscribers for the Placing Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction.

STRUCTURE AND CONDITIONS OF THE PLACING

Details of the structure and conditions of the Placing are set out in the section headed “Structure and Conditions of the Placing” in this prospectus.

The Placing consists of 240,000,000 Placing Shares, of which 80,000,000 Sale Shares are being sold by Best Brain Investments Limited, the Selling Shareholder. We estimate that the net proceeds to the Selling Shareholder from the sale of the Sale Shares (after deduction of proportional underwriting commission and estimated expenses and fees payable by the Selling Shareholder in relation to the Placing) will be approximately HK\$21.5 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

Details of the Selling Shareholder are set out in the paragraph headed “E. Other Information — 9. Particulars of the Selling Shareholder” in Appendix IV in this prospectus.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Placing and the Capitalisation Issue (including any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme).

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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

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

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

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

DEALINGS AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Wednesday, 30 March 2016.

Shares will be traded in board lots of 10,000 Shares each and are freely transferable.

The GEM stock code for the Shares is 8262.

Our Company will not issue any temporary document of title.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

EXCHANGE RATE CONVERSION

Unless the context requires otherwise, translation of US\$, HK\$ and RMB is made in this prospectus, for illustration purpose only, at the rates of US\$1.00 = HK\$7.80 and RMB0.80 = HK\$1.00. No representation is made that any amount in US\$, HK\$ and RMB could have been or could be converted at the above rates or at any other rates or at all.

HONG KONG SHARE REGISTER AND STAMP DUTY

All of the Shares will be registered in our Company's branch register of members to be maintained in Hong Kong by the branch share registrar and transfer office, Union Registrars Limited. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on GEM.

Our Company's principal register of members will be maintained by the principal share registrar, Maples Fund Services (Cayman) Limited at PO Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

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

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of the Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Placing are recommended to consult their professional advisers if they are in any doubt as to taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Placing Shares. None of our Company, our Directors, the Selling Shareholder, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriter, any of their respective directors, advisers, officers, employees, agents or representatives (where applicable) or any other persons involved in the Placing accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Placing Shares.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

Any discrepancies in any table or chart between the totals and the sums of the amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

DIRECTORS

Name	Residential Address	Nationality
<i>Chairman and Executive Director</i>		
Mr. Kwok Tung Keung (郭棟強)	G/F, 25 Leung Fai Tin Clear Water Bay New Territories Hong Kong	Chinese
<i>Executive Director</i>		
Mr. Chan Siu Kay Francis (陳紹基)	1G Water Street 9/F Tung Lee Building Sai Ying Pun Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. Lee Kin Kee (李建基)	12A, Block 7, Residence Oasis Hang Hau Tseung Kwan O New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Li Kar Fai Peter (李嘉輝)	Flat E, 11/F, Blk H Pak Cheung Court Bedford Garden 163 Tin Hau Temple Road North Point Hong Kong	Chinese
Mr. So Chi Wai (蘇志偉)	2B Arch Court Sheung Shing Street Homantin Kowloon Hong Kong	Chinese
Ms. Wong Shuk Fong (黃淑芳)	House 86, Maple Drive, The Green 338 Fan Kam Road Sheung Shui New Territories Hong Kong	Chinese

Further information on the Directors is disclosed in the section headed “Directors, Senior Management and Staff” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

PARTIES INVOLVED IN THE PLACING**Sole Sponsor**

Innovax Capital Limited
A licensed corporation under the SFO to carry out Type 1 (dealings in securities) and Type 6 (advising on corporate finance) regulated activities
Room 2002, 20/F
Chinachem Century Tower
178 Gloucester Road, Wan Chai
Hong Kong

Sole Bookrunner, Sole Lead Manager and Underwriter

Yuanta Securities (Hong Kong) Company Limited
A licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contract), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
23/F, Tower 1, Admiralty Centre
18 Harcourt Road, Admiralty
Hong Kong

Legal advisers to the Company

As to Hong Kong law:
Hui & Lam
Rooms 1505–6, 15/F, The Center
99 Queen's Road Central
Hong Kong

As to Cayman Islands law:
Maples and Calder
53rd Floor
The Center
99 Queen's Road
Central
Hong Kong

Legal advisers to the Sole Sponsor and the Underwriter

As to Hong Kong law:
CFN Lawyers
In association with BROAD & BRIGHT
27th Floor, Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong

Auditors and reporting accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

CORPORATE INFORMATION

Registered office	Maples Corporate Services Limited PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands
Principal place of business in Hong Kong	Unit D, 3/F., Freder Centre 3 Mok Cheong Street Tokwawan Kowloon Hong Kong
Company's website	www.wmcl.com.hk <i>(Note: contents in this website do not form part of this prospectus)</i>
Company secretary	Mr. Chan Yat Lui, <i>Certified Public Accountant</i>
Authorised representatives	Mr. Kwok Tung Keung G/F, 25 Leung Fai Tin, Clear Water Bay New Territories, Hong Kong Mr. Chan Yat Lui, <i>Certified Public Accountant</i> Flat D, 6/F, Chung Nam Building, 163 King's Road North Point, Hong Kong
Compliance officer	Mr. Kwok Tung Keung G/F, 25 Leung Fai Tin, Clear Water Bay New Territories, Hong Kong
Audit committee	Mr. Li Kar Fai Peter (<i>Chairman</i>) Mr. So Chi Wai Ms. Wong Shuk Fong
Remuneration committee	Ms. Wong Shuk Fong (<i>Chairman</i>) Mr. Li Kar Fai Peter Mr. So Chi Wai Mr. Kwok Tung Keung
Nomination committee	Mr. Kwok Tung Keung (<i>Chairman</i>) Mr. Li Kar Fai Peter Ms. Wong Shuk Fong
Principal share registrar in the Cayman Islands	Maples Fund Services (Cayman) Limited PO Box 1093 Boundary Hall, Cricket Square Grand Cayman KY1-1102 Cayman Islands

CORPORATE INFORMATION

**Hong Kong branch share registrar and
transfer office**

Union Registrars Limited
A18/F., Asia Orient Tower
Town Place, 33 Lockhart Road
Wanchai
Hong Kong

Compliance adviser

Titan Financial Services Limited
*A licensed corporation under the SFO to carry out type 1
(dealings in securities) and type 6 (advising on corporate
finance) regulated activities*
Suites 3201-02, 32/F, COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central, Hong Kong

Principal bankers

Bank of China (Hong Kong) Limited
A18-20, Ground Floor, Kwai Chung Plaza
7-11 Kwai Foo Road
Kwai Chung
New Territories
Hong Kong

Hang Seng Bank Limited
363 Nathan Road
Kowloon
Hong Kong

OCBC Wing Hang Bank Limited
507 Nathan Road
Kowloon
Hong Kong

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the IPSOS Report prepared by IPSOS, which was commissioned by us. We believe that the information is derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriter or any of our or their respective affiliates, advisers, directors, officers or representatives or any other person involved in the Placing. Neither our Group, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriter or any of our or their respective affiliates, advisers, directors, officers or representatives nor any other person involved in the Placing make any representation as to the accuracy, completeness or fairness of such information from official government publications.

The information extracted from the IPSOS Report reflects estimates of market conditions based on sampling, and is prepared primarily as a market research tool. References to IPSOS should not be considered as the opinion of IPSOS as to the potential investment of our Shares or in our Group. Our Directors believe that the sources of information extracted from the IPSOS Report are appropriate sources for such information. We have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the IPSOS Report.

SOURCES OF INFORMATION

We have commissioned IPSOS, an independent market research company, to conduct an analysis of, and to report on, the construction main contracting industry, especially for the building construction works, and foundation and site formation works in Hong Kong for the period of 2010 and 2019. The information and analysis contained in the IPSOS Report was assessed independently by IPSOS, including all its subsidiaries, divisions and units (collectively refer to “IPSOS Group”), which is not connected to our Group in any way. IPSOS Limited charged us a total fee of approximately HK\$380,000 for the preparation and the use of the IPSOS Report, which our Directors consider to reflect market rates.

IPSOS has conducted research and data gathering based on (i) desk research; and (ii) primary research, including face-to-face and phone interviews with key stakeholders and industry experts in Hong Kong, such as government officials, developers, main contractors, subcontractors, architectures, quantity surveyors, and associations in Hong Kong. In addition, intelligence gathered was analysed, assessed and validated using IPSOS’ in-house analysis models and techniques.

IPSOS Limited, being one of the worldwide offices of the IPSOS Group, which employs approximately 16,000 personnel worldwide across 87 countries, is specialised in conducting researches across various industrial sectors including tourism, financial services, cosmetics, regional luxury and high net worth research.

INDUSTRY OVERVIEW

ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

The following assumptions are adopted in the preparation of the IPSOS Report:

- It is assumed that the supply of and demand for the construction industry, especially for building construction works, and foundation and site formation works, in Hong Kong are stable over the forecast period.
- It is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand for and supply of the construction industry, especially for building construction works, and foundation and site formation works, in Hong Kong during the forecast period.

The following parameters have been taken into account in the preparation of the IPSOS Report:

- GDP value and GDP growth rate of Hong Kong from 2010 to 2014
- Gross output value of building construction works performed by main contractors and subcontractors at construction sites in Hong Kong from 2010 to 2014
- Accident rates in the construction industry in Hong Kong from 2010 to 2014
- Total number of public rental housing units produced by the Housing Authority in Hong Kong from 2010 to 2014
- Total number of private residential housing units in new completions in Hong Kong from 2010 to 2014
- Revenue of building construction work contracting industry in Hong Kong from 2010 to 2019
- Revenue of foundation and site formation work contracting industry in Hong Kong from 2010 to 2019
- Estimated average fee per general building work project in Hong Kong from 2010 to 2014
- Average wholesale price trend of Portland cement in Hong Kong from 2010 to 2019
- Average wholesale price trend of concrete blocks in Hong Kong from 2010 to 2019
- Average wholesale price trend of steel reinforcements in Hong Kong from 2010 to 2019
- Price trend of average wages for workers in the building construction work contracting industry in Hong Kong from 2010 to 2014
- Price trend of average wages for workers in foundation and site formation work contracting industry in Hong Kong from 2010 to 2014

INDUSTRY OVERVIEW

MARKET OVERVIEW OF THE BUILDING CONSTRUCTION WORK CONTRACTING INDUSTRY IN HONG KONG

Gross Output Value of Building Construction Works Performed by Main Contractors and Subcontractors at Construction Sites in Hong Kong from 2010 to 2014



Note: Data refers to gross value of construction works in nominal terms performed by main contractors at construction sites.

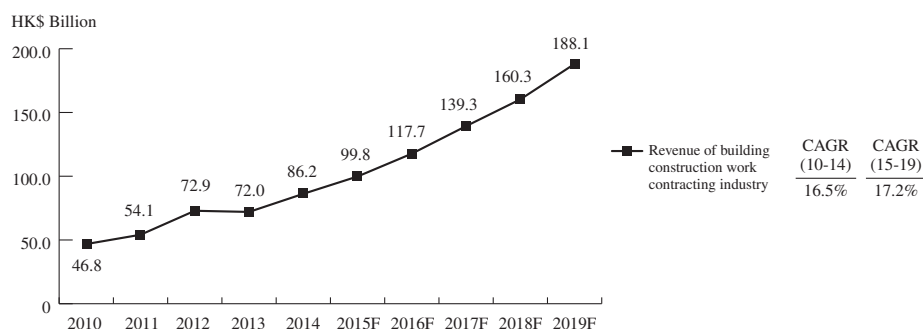
Sources: Census and Statistics Department, HKSAR; IPSOS Report

According to IPSOS Report, the gross output value of overall construction works performed by main contractors and subcontractors in Hong Kong grew from about HK\$70.5 billion in 2010 to about HK\$155.2 billion in 2014, at a CAGR of approximately 21.8%.

The gross output value of construction works performed by main contractors in the public sector grew from around HK\$31.2 billion in 2010 to around HK\$68.8 billion in 2014, at a CAGR of approximately 21.9%. Meanwhile, the gross output value of construction works performed by main contractors in the private sector increased at a slower pace from 2010 to 2014, at a CAGR of approximately 15.5%, from around HK\$30.3 billion to around HK\$54.0 billion.

The total gross value of construction works in nominal terms performed by main contractors at construction sites in 2014 reached around HK\$122.8 billion, of which around HK\$68.2 billion was solely invested in buildings. Therefore, it has illustrated that buildings are the most popular broad end-use group in the construction industry of Hong Kong.

Revenue of Building Construction Work Contracting Industry in Hong Kong from 2010 to 2019



Note: Data refers to gross value of building construction works in nominal terms performed by main contractors and subcontractors at construction sites.

Source: Census and Statistics Department, HKSAR; IPSOS Report

INDUSTRY OVERVIEW

According to IPSOS Report, the revenue of the building construction work contracting industry in Hong Kong increased from about HK\$46.8 billion in 2010 to about HK\$86.2 billion in 2014, at a CAGR of about 16.5%. Such an increase was mainly due to the robust demand from large scale and complex multi-disciplinary building construction work projects, which include shopping malls and office buildings in Hong Kong in the past 5 years.

The remarkable surge of gross output revenue of building construction works contracting services from 2011 to 2012 can be attributed to the 50 building plans approved in December 2011 by the Buildings Department. 29 of such approved projects were for domestic use, seven were for commercial developments, three were for factory and industrial developments, and 11 were for community services.

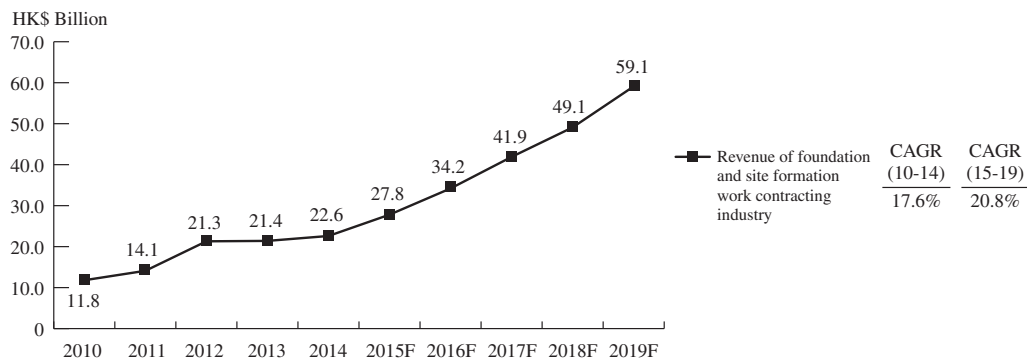
Supported by the Hong Kong Government's housing policy, there is a foreseeable growth in construction works for the public sector. As the Government fulfills its promise to increase the housing supply in Hong Kong, it is expected that the revenue of the building construction work contracting industry will have a substantial growth from around HK\$99.8 billion by the end of 2015 to around HK\$188.1 billion in 2019, at a CAGR of approximately 17.2%.

MARKET OVERVIEW OF THE FOUNDATION AND SITE FORMATION WORK CONTRACTING INDUSTRY IN HONG KONG

According to IPSOS Report, foundation works such as piling are precursor for most other construction works and are conducted upon the commencement of a construction project. Hence, the growth of the foundation industry and that of the construction industry are closely related.

Site formation works facilitate construction works in uneven areas such as slopes. Site formation works are necessary if one wants to prepare a piece of land for the construction of buildings in the desired orientation, shape or levels. In Hong Kong, which has a large amount of mountains and slopes, site formation works play an important role in the construction industry.

**Revenue of Foundation and Site Formation Work Contracting Industry
in Hong Kong from 2010 to 2019**



Note: Data refers to gross output value of piling and related foundation works in nominal terms performed by main contractors and subcontractors at construction sites.

Sources: Census and Statistics Department, HKSAR; IPSOS Report

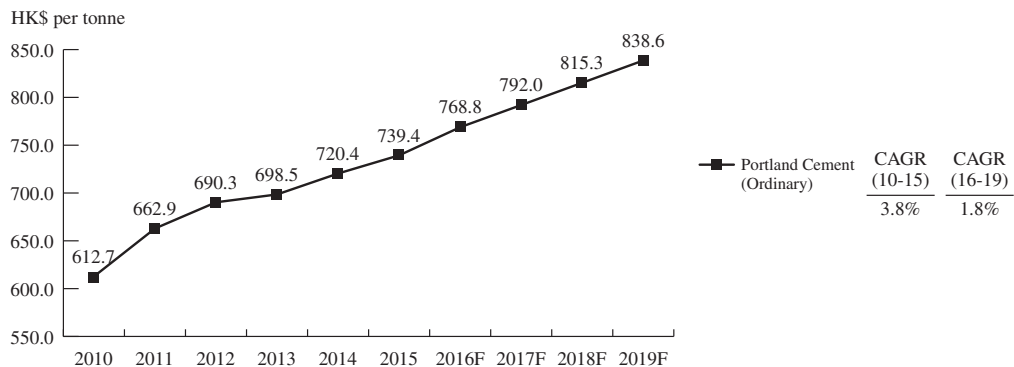
INDUSTRY OVERVIEW

According to IPSOS Report, there was a significant growth in the revenue of the foundation and site formation work contracting industry in Hong Kong from about HK\$11.8 billion to about HK\$22.6 billion from 2010 to 2014, at a CAGR of approximately 17.6%. The increase in revenue of foundation and site formation work contracting industry between 2010 and 2014 was mainly driven by works in the public sector, in particular the Ten Major Infrastructure Projects.

From 2015 to 2019, the revenue of the foundation and site formation work contracting industry is expected to grow from about HK\$27.8 billion to about HK\$59.1 billion, at a CAGR of approximately 20.8%, driven by the expected increase in public expenditure on infrastructure during the same period. For example, the new development projects in the eastern and northern parts of the New Territories, the Wan Chai Development project and the MTR extension projects, will facilitate the growth of foundation and site formation work contracting industry from 2015 to 2019.

MAJOR CONSTRUCTION COSTS OF THE BUILDING CONSTRUCTION WORK CONTRACTING INDUSTRY AND THE FOUNDATION AND SITE FORMATION WORK CONTRACTING INDUSTRY IN HONG KONG

Price Trend of Portland Cement

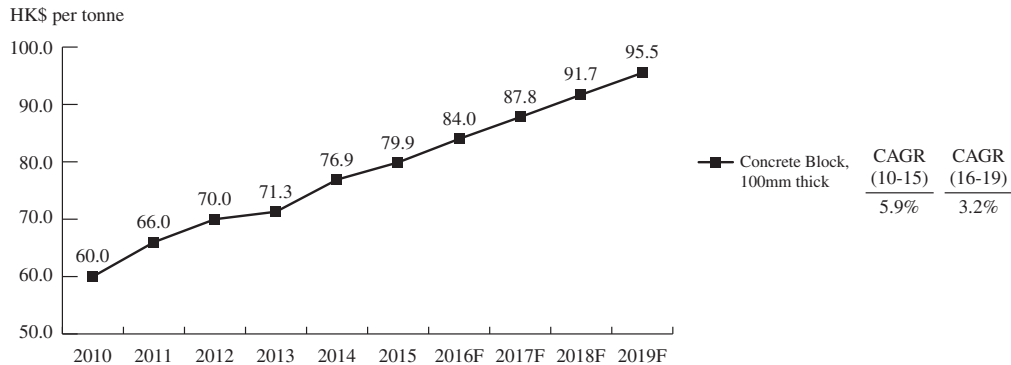


Source: Census and Statistics Department, HKSAR; IPSOS Report

Hong Kong's annual average wholesale price of cement increased from around HK\$612.7 per tonne in 2010 to around HK\$739.4 per tonne in 2015, representing a CAGR of about 3.8%. The rising price trend of cement was mostly attributed to the appreciation of RMB which resulted in high commodity prices, accelerated pace of inflation in Hong Kong and the strong construction demand in Hong Kong. Given that the commencing and upcoming residential and commercial buildings as well as public infrastructure projects, including the Ten Major Infrastructure Projects and some railway network expansion, which will increase the demand for cement, thus the average wholesale price of cement in Hong Kong is expected to continuously grow in the next 5 years.

INDUSTRY OVERVIEW

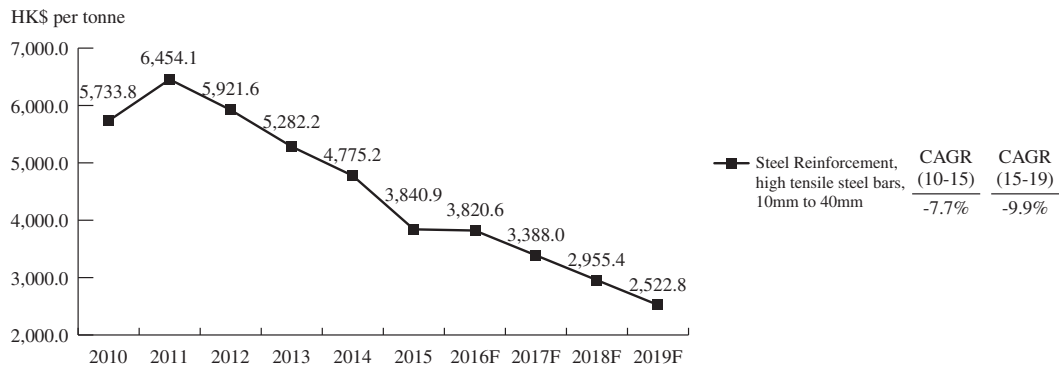
Price Trend of Concrete Blocks



Source: Census and Statistics Department, HKSAR; IPSOS Report

The average wholesale prices of concrete blocks in Hong Kong increased from about HK\$60.0 per tonne in 2010 to HK\$79.9 per tonne in 2015, at a CAGR of approximately 5.9%. The flat growth rate of concrete block prices throughout 2010 to 2015 can be explained through the stable, predictable and wide-ranging need for the material in all construction works. In 2015, the average price of concrete blocks in Hong Kong grew to HK\$79.9 per tonne as the growing number of newly registered enterprises, consequently with the growing demand for commercial buildings, which increased the demand for concrete blocks. Similarly, as Hong Kong is expected to have a continual demand for commercial buildings, it is expected that the average wholesale price of concrete blocks in Hong Kong will continue to increase in the next 5 years.

Price Trend of Steel Reinforcements



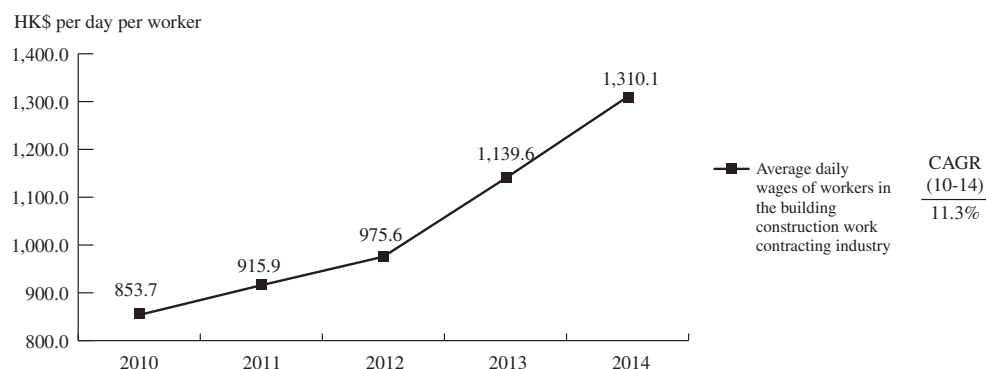
Source: Census and Statistics Department, HKSAR; IPSOS Report

Hong Kong's annual average wholesale price of steel reinforcement decreased from around about HK\$5,733.8 per tonne in 2010 and peaked at about HK\$6,454.1 per tonne in 2011, but gradually reduced to about HK\$3,840.9 per tonne in 2015, at a GAGR of about -7.7%, resulting from the European debt crisis together with the tightening monetary policy in China, which brought difficulties in financing and therefore the decreased demand for steel reinforcements from downstream industries. The wholesale price of steel reinforcement in Hong Kong is expected to continuously decrease as the decline in price of iron ore and coking coal for steel production coupled with the oversupply of steel

INDUSTRY OVERVIEW

reinforcement imported in Hong Kong. In addition, as China seeks shift away from investment-led growth to a consumption-driven economy, the downstream industries' demand for steel and other construction materials will shrink.

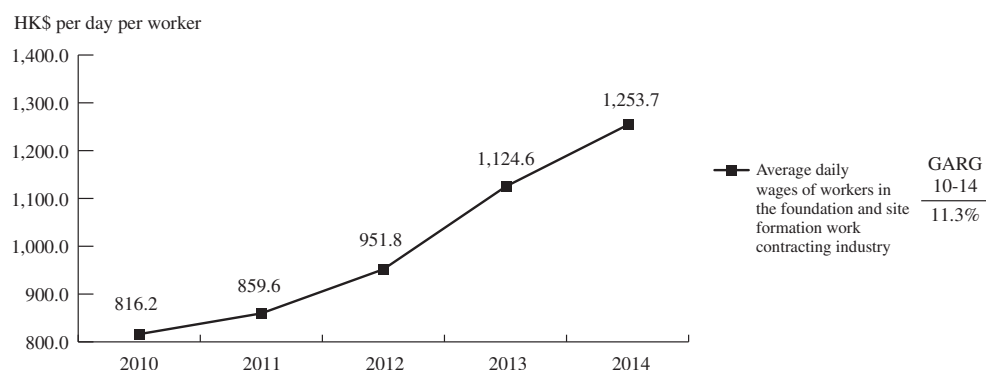
Price Trend of Average Wages for Workers in the Building Construction Work Contracting Industry in Hong Kong



Source: Census and Statistics Department, HKSAR; IPSOS Report

Workers engaging in the building construction work contracting industry in Hong Kong experienced an increase in average daily wages from around HK\$853.7 in 2010 to around HK\$1,310.1 in 2014, at a CAGR of about 11.3%. The upward trend of average daily wages of construction workers in Hong Kong from 2010 to 2014 was mainly attributed to the shortage of general labourers in the building construction market and the robust demand for new and ongoing construction projects. In addition to the unmet labour demand, there is also an ageing trend with construction workers. As of the end of 2014, roughly over 44.4% of construction workers are over the age of 50 and soon to retire. It is estimated that the average wage of building construction workers will continue to rise in order to retain more construction talents and to tackle the problem of insufficient labour supply.

Price Trend of Average Wages for Workers in the Foundation and Site Formation Work Contracting Industry in Hong Kong



Source: Census and Statistics Department, HKSAR; IPSOS Report

Workers engaging in the foundation and site formation work contracting industry in Hong Kong experienced an increase in average daily wages from around HK\$816.2 in 2010 to around HK\$1,253.7 in 2014, representing a CAGR of about 11.3%. The growth can be attributed to the shortage of general

INDUSTRY OVERVIEW

laborers in the whole construction market as well as the foundation and site formation work contracting industry. Another reason was the robust demand for new and ongoing construction projects such as the Ten Major Infrastructure Projects. In addition, with the government's initiative to increase the housing supply, the demand for foundation and site formation works was high thus created a lot of job opportunities. While due to the labour shortage and aging construction workers in Hong Kong's construction industry, the average wage of construction workers engaged in foundation and site formation works industry was highly pushed.

COMPETITIVE LANDSCAPE

As of mid-December 2015, there are about 694 general building contractors registered under the Buildings Department to perform private works. The numbers of registered specialist contractors under Buildings Department in demolition category, foundation category and site formation category are 105, 136 and 174 respectively. In addition, contractors should be listed on the approved contractors under the Development Bureau in order to be qualified to perform public works. Approved contractors can be divided into three groups including Group A, Group B and Group C, according to the largest amount of value for a contract that they can tender for. The numbers of contractors in these 3 categories are 13, 18 and 40 respectively and the numbers of contractors in probationary status of each category are 33, 33 and 18 respectively. With the significant difference between the number of contractors in the general building works contracting industry and that of the specialist building works contracting industry, it is expected that a more competitive environment is resulted in the general building works contracting industry, as compared to specialist building works contracting industry. The Company recorded about HK\$330.9 million of revenue in FY2014 in the building construction services contracting industry in Hong Kong, which accounted for about 0.4% of the total industry revenue of HK\$86,264 million in Hong Kong. Their major businesses in building construction service contracting industry include building construction, general superstructure erection, architectural superstructures, renovation, fitting out, alteration and addition works. In addition, the Company recorded about HK\$94.5 million of revenue in FY2014 in the foundation and site formation works industry in Hong Kong, which accounted for about 0.4% of the total industry revenue of HK\$22,600 million in Hong Kong. Their major businesses in foundation and site formation works industry include bored piling, driven H-piling, socketed H-piling, mini-piles, footing, site formation and pile cap.

INDUSTRY OVERVIEW

Top 5 main contractors engaged in the building construction services contracting industry in Hong Kong in 2014

Rank	Name of Company	Headquarter location	Revenue in 2014 (HK\$ million)	Share of Total Industry Revenue (%)	Business coverage
1	Company A	Hong Kong	7,642.4	8.9%	Building construction, civil engineering operations, other peripheral operations such as foundation work, site investigation, mechanical and electrical engineering, highway and bridge construction, ready-mixed concrete, pre-cast production and infrastructure investment
2	Company B	Hong Kong	3,703.6	4.3%	Building construction, maintenance, renovation, plumbing and drainage works, electrical and mechanical works, building materials supply, pre-cast products manufacturing and trading, property development, hotel and property investment, IT solution and services
3	Company C	Hong Kong	3,031.3	3.5%	Design, management and construction services in building, civil engineering, foundations, electrical and mechanical, infrastructure maintenance and operation, and interiors refurbishments and fit out
4	Common D	Hong Kong	2,999.0	3.5%	Construction of building, bored piling, foundation works, site formation, site infrastructure, roads and drainage, waterworks, site investigation, landslip preventive measures (LPM) and slope works
5	Company E	Hong Kong	2,377.8	2.8%	Building construction, civil engineering, electrical and mechanical engineering, project and construction management, interiors and special projects, railway systems, property development and asset management services
N/A	The Company	Hong Kong	330.9	0.4%	Building construction, general superstructure erection, architectural superstructures, renovation, fitting out, alteration and addition works
Others			66,179	76.6%	
Total			86,264.0	100.0%	

Note: The revenue of the Company refers to the revenue generated from the building construction services contracting industry in Hong Kong from July 2013 to June 2014.

Source: IPSOS Report

INDUSTRY OVERVIEW

Top 5 Foundation and Site Formation Works Contractors in Hong Kong in 2014

Rank	Name of Company	Headquarter location	Revenue in 2014 (HK\$ million)	Share of Total Industry Revenue (%)	Business coverage
1	Company F	Hong Kong	2,990.0	13.2%	Large diameter bored pile (with bell-out), mini-pile, pre-cast prestressed tubular pile, rock-socketed steel H-pile in pre-bored hole, steel H-pile, steel tubular pile
2	Company A	Hong Kong	2,298.0	10.2%	Large diameter bored pile (with bell-out), pre-cast concrete pile, pre-cast prestressed tubular pile, rock-socketed steel H-pile
3	Company C	Hong Kong	2,026.4	9.0%	Barrette pile, large diameter bored pile (with bell-out), mini-pile, non-percussion cast-in-situ concrete pile, percussion cast-in-situ concrete pile, pre-cast prestressed tubular pile, rock-socketed steel H-pile in pre-bored hole, steel H-pile, steel tubular pile
4	Common G	Hong Kong	1,233.4	5.5%	Large diameter bored pile (with bell-out), mini-pile, rock-socketed steel H-pile in pre-bored hole, steel H-pile
5	Company H	Hong Kong	1,218.5	5.4%	Driven Steel H-piles, driven pre-cast concrete pile foundation, pre-bored socketed steel H-pile foundation, minipiles foundation, pre-bored friction pile foundation, pipe pile, soldier pile and sheet pile for pile wall, bored pile foundation, site formation, pile caps, footings
N/A	The Company	Hong Kong	94.5	0.4%	Bored piling, driven H-piling, socketed H-piling, mini-piles, footing, site formation, pile cap
Others			12,739.2	56.3%	
Total			22,600.0	100.0%	

Note: The revenue of the Company refers to the revenue generated from the foundation and site formation work contracting industry in Hong Kong from July 2013 to June 2014.

Source: IPSOS Report

INDUSTRY OVERVIEW

Factors of competition

Efficiency in fulfilling project requirement and timeline

Competitive contractors in building construction work contracting industry and foundation and site formation industry often possess high efficiency in fulfilling project requirement and timeline, which is one of the critical factors of competition in the industry. Contractors who are able to manage and allocate all the resources required such as equipment, skilled labor and materials will have a better chance of fulfilling project requirement and timeline.

Service pricing

Another key factor that comes into play when selecting a construction contracting service provider is pricing. Clients (i.e. property owners), similar to any other business owners, will try to make the best trade off of the lowest cost to increase their benefits. Service providers who are able to offer lower price for their contracting services will generally be more competitive in the eyes of clients.

Quality of works

The quality of works is the top priority in the building construction work contracting industry and foundation and site formation industry in Hong Kong. Inferior building works can have a disastrous influence on building safety and the construction schedule. Moreover, there is a high tendency for the Hong Kong Government and private developers to cooperate with contractors which are capable of providing high quality works with a solid track record.

Entry Barriers

Industry experience

The building construction work contracting industry and foundation and site formation industry are specialised sectors in Hong Kong. Sufficient experience and good reputation in the building construction work contracting industry and foundation and site formation industry can only be accumulated through time. Past job experience and past performance are generally assessed by the Government in the tender selection. Moreover, experienced specialists are often favored by the property developers, new entrants will find themselves difficult to bid for high value tenders. Without sufficient experience, new players in the industry may find daunting challenges to break into the industry.

Capital intensive

Sufficient capital flow is critical in the building construction work contracting industry and foundation and site formation industry, which is mainly used to guarantee the payment of wages to specialists and to rent specialised machineries for operation works. Moreover, main contractors often need to pay for their suppliers and/or subcontractors, such as the labor cost and/or construction materials, before getting paid by their customers. The inability to settle timely payments may defer the construction schedule and lead to a decrease in credibility.

INDUSTRY OVERVIEW

Opportunities

Government's policy on increasing the housing supply as well as land supply for residential and commercial uses

Hong Kong's population is projected to increase to 8.3 million by mid-2036 and the demand for residential properties will increase in the future. In order to satisfy the raising demand, it is expected that more construction projects focus on residential units will be launched. According to the Policy Address in 2015, the Government set to achieve the target of constructing 480,000 public and private residential units in next 10 years. These residential buildings will also create more opportunities and demand for the foundation and site formation works.

In addition, according to 2016 Policy Address, the Government continuously strived on increasing the housing supply as well as land supply for residential and commercial uses. The Housing Authority and the Hong Kong Housing Society will produce about 97,100 public housing units, of which about 76,700 will be public rental housing units and about 20,400 will be subsidised sale flats over the next 5 years. Meanwhile, on private housing supply, a total of 16 residential sites were sold under the Land Sale Programme had a capacity to provide about 20,300 flats in 2015–16. Projected supply from the first-hand residential property market for the coming 3 to 4 years is approximately 87,000 units. Aside from land for housing, the Government will also increase the land supply for commercial buildings. The projects regarding Kwun Tong North and Fanling North New Development Areas, Tung Chung New Town Extension, Hung Shui Kiu New Development Areas and Yuen Long South Development are progressing, which will provide over 7.8 million m² of floor area for commercial or industrial uses in the next 3 to 4 years. The Government's initiative to increase housing supply as well as land supply for residential and commercial uses will increase the demand for construction activities, which may benefit the building construction industry as well as foundation and site formation industry in Hong Kong.

Government's policy on building maintenance and renovation

The Government has launched policies to encourage building maintenance and renovation in Hong Kong such as the Mandatory Building Inspection Subsidy Scheme, Integrated Building Maintenance Assistance Scheme and Operation Building Bright by helping property owners fund for regular building maintenance and repair practices. The building maintenance and renovation contracting service industry will benefit from the Government's added policies which act as an incentive for owners to execute renovation works.

Threats

Increasing operation cost

Due to the increase in price of raw materials used in building construction industry foundation and site formation industry and grow in wages of labor due to the limited supply of skilled workers, the cost of operating related projects are rising. On one hand, the price of cement, one of the major raw materials increased at a CAGR of approximately 4.1% from 2010 to 2014. On the other hand, the average hourly wage of construction workers also grew from HK\$57.9 to HK\$86.9 from 2010 to 2014.

INDUSTRY OVERVIEW

Insufficient skilled labour

Insufficient supply of labor can be a threat to the building construction industry and foundation and site formation industry in Hong Kong. Failure in attracting more young people to work in the industry aggravates the inadequate supply of labor. In addition, ageing population has intensified the shortage of skilled labors along with the shrinkage of labor force population. For instance, the proportion of construction workers aged 50 and above reached 44.4% of the 336,002 registered construction workers in 2014. Apart from the domestic concern, the attractiveness of the high wage offered by the companies carrying out construction works in Macau and China has further lowered the supply of labor in Hong Kong.

Slowdown in recent property market

A slowdown has shown in Hong Kong's property market recently. These can be attribute to the falling retail sales and a softening mainland economy, which affect home purchasing power and buying desire. According to the Land Registry, the total number of sale and purchase agreements for building units in January 2016 decreased by around 41.0% as compared with December 2015 and decreased by around 62.4% as compared with January 2015. In addition, according to Rating and Valuation Department, the price index of private residential building by all classes has been in decline since July 2015, at 304.1, falling to 285.2 in December 2015. During the same time, the price index of overall private office dropped from 457.0 to 450.1. Apart from the fallen residential transaction and price index, the total floor area of completion of overall private office is expected to decrease by 22.4% from 219,000 m² in 2015 to 170,000 m² in 2016 and the completion of private residential building (large units) is expected to decrease by 41.6% from 3,100 units in 2015 to 1,810 units in 2016. However, with the Government's supporting policy on increasing private housing supply as well as land for private housing use, the demand for building construction works as well as foundation and site formation work in Hong Kong may not be impacted.

RELIABILITY OF INFORMATION IN THE IPSOS REPORT

Our Directors, after due and reasonable consideration, are of the view that there has been no adverse change in the market information since the date of the IPSOS Report which may qualify, contradict or have an impact in the information therein.

LAWS AND REGULATIONS

This section sets forth a summary of the major laws and regulations applicable to our business in Hong Kong.

A. LABOUR, HEALTH AND SAFETY

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

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in an industrial undertaking. Under The Factories and Industrial Undertakings Ordinance, every proprietor shall, as far as reasonably practicable, take care of the safety and health at work of all persons employed by the proprietor at the industrial undertaking by attending to the following:

- providing and maintaining plant and systems of work that are, so far as is reasonably practicable, safe and without risks to health;
- arranging for ensuring, so far as is reasonably practicable, safety and absence of risks to health in connection with the use, handling, storage and transport of articles and substances;
- providing such information, instruction, training and supervision as is necessary to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking;
- so far as is reasonably practicable as regards any part of the industrial undertaking under the proprietor's control, maintaining it in a condition that is safe and without risks to health and providing and maintaining the means of access to and egress from it that are safe and without such risks; and
- providing and maintaining a working environment for all persons employed by him at the industrial undertaking that is, so far as is reasonably practicable, safe, and without risks to health.

A proprietor who contravenes these duties commits an offence, and is liable to a fine of HK\$500,000. A proprietor who contravenes these duties wilfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for 6 months.

Section 6BA(5) of the Factories and Industrial Undertakings Ordinance also provides that, on and after the appointed day (as defined in the Factories and Industrial Undertakings Ordinance), every proprietor shall not employ at the undertaking a relevant person who has not been issued a relevant safety training certificate or whose relevant certificate has expired. A proprietor who contravenes this section commits an offence and is liable to a fine at level 5 (currently at HK\$50,000).

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.

LAWS AND REGULATIONS

Employers must, as far as reasonably practicable, ensure the safety and health of their employees at work by attending to the following:

- providing and maintaining plant and systems of work that are, so far as reasonably practicable, safe and without risks to health;
- making arrangements for ensuring, so far as reasonably practicable, safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- providing such information, instruction, training and supervision as may be necessary to ensure, so far as reasonably practicable, the safety and health at work of the employer's employees;
- as regards any workplace under the employer's control:
 - maintaining the workplace in a condition that is, so far as reasonably practicable, safe and without risks to health; or
 - providing and maintaining means of access to and egress from the workplace that are, so far as reasonably practicable, safe and without any such risks;
- providing and maintaining a working environment for the employer's employees that is, so far as reasonably practicable, safe and without risks to health.

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

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

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

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or

negligence when the accident occurred. Similarly, an employee who suffers incapacity or death arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According 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 for injuries at work in respect of all their employees (including full-time and part-time employees). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200,000,000 per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law. An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and to imprisonment for 2 years.

Pursuant to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to subcontractors' employees who are injured in the course of their employment to the subcontractor. The principal contractor is, nonetheless, entitled to be indemnified by the any person who would have been liable to pay compensation to the injured employee.

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

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. Section 43C of the Employment Ordinance provides that, if any wages become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. A principal contractor's liability shall be limited to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building work, and to the wages due to such an employee for 2 months without any deductions (such months shall be the first 2 months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the principal contractor within 60 days after the wage due date or another 90 days if permissible. 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.

LAWS AND REGULATIONS

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 subcontractors 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 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 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.

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

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

1. Employment of Registered Construction Workers

Under sections 3(1) and 5 of the Construction Workers Registration Ordinance, the principal contractors/subcontractors/employers/controllers of construction sites are required to employ only registered construction workers to personally carry out construction work on construction sites.

2. Keeping and Submission of Site Daily Attendance Report

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

- a. establish and maintain a site daily attendance report in the specified form that contains information on registered construction workers employed by him or, if he is the principal contractor, his subcontractor, and personally carry out on the site construction work (section 58(7)(a) of the Construction Workers Registration Ordinance); 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 7 days after any construction work begins on the site; and
 - ii. for each successive period of 7 days,

within 2 business days following the last day of the period concerned (section 58(7)(b) of the Construction Workers Registration Ordinance).

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

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

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that a 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)

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 prevent having illegal immigrants from being on the construction site, and to prevent illegal workers who are not lawfully employable from taking employment on the construction site.

Where it is proved that an illegal immigrant was on a construction site, or 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 at HK\$32.5 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 the Minimum Wage Ordinance is void.

B. ENVIRONMENTAL PROTECTION**Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong)**

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

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation, the Air Pollution Control (Construction Dust) Regulation, and the Air Pollution Control (Smoke) Regulations. The contractor responsible for a construction site shall devise and arrange methods of working and carrying out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure

LAWS AND REGULATIONS

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

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

The Noise Control Ordinance controls the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out general construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling at all times, construction noise permits are required from the Environmental Protection Department in advance.

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in populated areas are not allowed between 7 p.m. and 7 a.m. or at any time on general holidays unless prior approval has been granted by the Environmental Protection Department through a system of Construction Noise Permits. Certain equipment is also subject to restrictions on when its use is allowed. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Environmental Protection Department. Percussive pile-driving is allowed on weekdays only with prior approval in the form of a Construction Noise Permit from the Environmental Protection Department. Any person who is in contravention of the aforesaid provisions shall be liable on a first conviction to a fine of HK\$100,000, on a second or subsequent conviction 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, commercial, institutional and construction activities into public sewers, rainwater drains, river courses or water bodies. All industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal foul sewers or unpolluted water to storm drains) are subject to licensing control by the Environmental Protection Department.

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

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

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

The Waste Disposal Ordinance controls and regulates the production, storage, collection, treatment, recycling and disposal of wastes. A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, particularly the Waste Disposal (Charges For Disposal Of Construction Waste) Regulation and the Waste Disposal (Chemical Waste) (General) Regulation.

Under the Waste Disposal (Charges For Disposal Of Construction Waste) Regulation, a main contractor who undertakes construction work with a value of HK\$1,000,000 or above will be required to establish a billing account with the Environmental Protection Department within 21 days after the contract is awarded to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract.

Under the Waste Disposal (Chemical Waste) (General) Regulation, anyone who produces chemical waste or causes it to be produced has to register as a chemical waste producer. The waste must be packaged, labelled and stored properly before disposal. Only a licensed 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 staff of 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, except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence, and is liable to a fine of HK\$200,000 and to imprisonment for 6 months for a first offence, HK\$500,000 and to imprisonment for 6 months for a second or subsequent offence, and, in addition, to a further fine of HK\$10,000 for each day during which the offence continues.

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

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

Under the Dumping at Sea Ordinance, a person who, except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence, and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months on a first conviction, and to a fine of HK\$500,000 and to imprisonment for 2 years on a second or subsequent conviction, and, in addition, to a further fine of HK\$10,000 for each day that the court is satisfied that the operation 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 schedule 2 of 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 exempted.

According to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project listed in Part I of schedule 2 of the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, residential and other developments, etc.) without an environmental permit for the project or contrary to the conditions, if any, set out in the permit. The offender is liable on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 6 months, on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for 2 years, on a first summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for 6 months, on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for 1 year, and, in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK\$10,000 for each day on which he is satisfied that the offence continued.

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

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

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

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

C. CONTRACTOR LICENSING REGIME

General Building Contractor and Specialist Contractor

Under the current contractor registration system in Hong Kong, a contractor must register with the Building Authority as general building contractor or specialist contractor. Registered general building contractors may carry out general building works and street works which do not include any specialised works (including demolition works, foundation works, ground investigation field works, site formation works and ventilation works) designated for registered specialist contractors.

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

1. if the applicant is a corporation, the adequacy of its management structure;
2. the appropriate experience and qualifications of the applicant's personnel;
3. the applicant's ability to have access to plant and resources; and
4. the ability of the person appointed to act for the applicant for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.

For registration as a registered specialist contractor, an applicant must additionally satisfy the Building Authority that it has the necessary experience and, where appropriate, professional and academic qualifications, to undertake work in the specialist category.

Under section 8C(2)(c) of the Buildings Ordinance, a registered contractor should apply to the Building Authority for renewal of registration not earlier than 4 months and not later than 28 days prior to the date of expiry of the relevant registration. Application for renewal of registration received by the Building Authority outside the specified time limit under section 8C(2)(c) will not be accepted. The application should comprise:

1. a duly completed specified form;
2. declarations in the Building Authority's standard forms covering exhaustively the conviction/disciplinary/suspension records of the applicant and its key personnel i.e. the authorised signatory(ies), the technical director(s) and the other officer(s) in certain aspects;
3. a job reference on a minimum of one relevant building project;
4. certain documents relating to business registration; and
5. the prescribed fee in accordance with the Building (Administration) Regulation.

Electrical Contractor

All contractors engaged in electrical work on fixed electrical installations must be registered with the Electrical and Mechanical Services Department. To be qualified as a registered electrical contractor, an applicant must either employ at least one registered electrical worker or:

1. if the applicant is an individual, he/she must be a registered electrical worker; or
2. if the applicant is a partnership, at least one of the partners must be a registered electrical worker.

Under Regulation 13 of the Electricity (Registration) Regulations, a registered contractor should apply to the Director of Electrical and Mechanical Services for renewal of registration not earlier than 4 months and not later than 1 month prior to the date of expiry of the relevant registration. The application should comprise:

1. a duly completed specified form;
2. a copy of business registration certificate of the contractor;
3. a copy of the certificate(s) of registration of the registered electrical worker(s) of the contractor;
4. documentary proof(s) of employment of registered electrical worker(s), including a letter confirming the employment of the registered electrical worker(s) of the contractor; and
5. the prescribed fee in accordance with the Electricity (Registration) Regulations.

List of Approved Contractors for Public Works maintained by WBDB

In order to tender for Government contracts, a contractor must be accepted on the List of Approved Contractors for Public Works maintained by WBDB. Although approvals granted by WBDB are not required to be renewed annually, audited accounts of the approved contractors are submitted to WBDB annually (in addition, a Group C contractor is also required to submit half-yearly management accounts), and may be produced to relevant Government works departments prior to the contract award in order to review the financial position of the approved contractors to ensure that they meet the capital requirements as set out by WBDB. If any approved contractor fails to meet the capital requirements in a particular category, it will not be eligible for tendering or awarding any contract in that category. In the event the approved contractor fails to submit the accounts or rectify any shortfall in the required capital requirements within the prescribed period, regulatory actions, such as suspension of tendering, may be taken by WBDB against such approved contractor.

LAWS AND REGULATIONS

The List of Approved Contractors for Public Works is divided into five categories, namely, roads and drainage, port works, waterworks, buildings, and site formation. Generally, there are three groups in each of the works categories (arranged in ascending order), namely Group A (except that there are no Group A in port works and site formation categories), Group B and Group C, with the highest rank being Group C. Each group has its particular tendering limits.

Other than in the most exceptional circumstances, a contractor will be admitted initially on probation in the appropriate works category and group. A contractor may apply for “confirmed” status after the satisfactory completion of works appropriate to its probationary status. For instance, it requires satisfactory completion of a certain number of Government works contracts within a certain period. It also requires the contracts to be of value over certain amounts, covering a certain range of the works trades, or of considerable scope and complexity. Confirmation will also be subject to the contractor being able to meet the financial criteria applicable to confirmed status, having the appropriate technical and management capabilities and in all other ways being considered suitable for confirmation. The requirement on the number of Government works contracts, the value of the contracts, financial criteria and other criteria varies depending on different group category of contractors being applied for. “Confirmed” contractors may apply to be elevated to a higher group, which is subject to similar but more stringent criteria/requirements than that described above.

The following table sets out the value of works for which contractors in the respective categories and statuses may tender:

Category	Authorised contract value
Group A (probation)	any number of Group A contracts provided that the total value of works in any one category does not exceed HK\$75 million
Group A	Contracts of value up to HK\$75 million
Group B (probation)	any number of Group A and any number of Group B contracts provided that the total value of Group B works in any one category does not exceed HK\$185 million
Group B	Contracts of value up to HK\$185 million
Group C (probation)	a maximum of two contracts in any one category provided that the total value of Group C works in any one category does not exceed HK\$500 million ⁽¹⁾
Group C	Contracts of any values exceeding HK\$185 million

Note:

1. Group C contractors shall normally not be allowed to tender for contracts in Groups A and B unless the department considers that there may be an inadequate number of tenders as a result of the restriction.

LAWS AND REGULATIONS

Requirements for retention as an approved contractor

In order to retain the current qualification held by WM Construction, it has to ensure the minimum financial criteria and other requirements as below:

Group/status	Minimum employed capital	Minimum working capital	Minimum number and qualifications of full-time management and technical personnel to be employed
Group B (probationary)	HK\$4.9 million	HK\$4.9 million	<i>Full-time management</i>
— Approved	plus HK\$2.9 million for every	or 10% on annualised	
Contractors for	HK\$43 million of	outstanding	At least one member of the resident
Public Works —	annualised	works, whichever	top management shall have a
Building category	outstanding works	is higher	minimum of three years local
	or part thereof		experience in managing a
	above HK\$73 million, subject to		construction firm obtained in the
	a maximum of		past five years.
	HK\$10.6 million		<i>Technical personnel</i>
			At least one person with the
			following qualifications:
			(i) Higher Certificate in Building
			Studies/Civil Engineering from a
			Hong Kong polytechnic, a Hong
			Kong recognised training institution
			or equivalent and two years local
			working experience in building
			works; or
			(ii) Ordinary Certificate in Building
			Studies/Civil Engineering from a
			Hong Kong polytechnic, a Hong
			Kong recognised training institution
			or equivalent and three years local
			working experience in building
			works.

Notes:

1. All Group B contractors must meet the Quality Management System Certification requirements as stipulated in WBTC No. 13/2001 and ETWB TCW No. 13/2001A.
2. The issued and paid up capital and shareholders' funds should both meet the level of minimum employed capital applicable to a contractor's highest group and status.

LAWS AND REGULATIONS

3. The annualised outstanding works for retention purpose is defined as the combined annual value of uncompleted works on public works contracts, Hong Kong Housing Authority contracts and contracts with the private sector on a world-wide basis.
4. Top management shall be the president, chairman, director, managing director, executive director, or general manager etc.
5. The top management and the technical staff must be two individual persons.
6. For Group B contractors, if the technical staff does not have the required academic qualifications, he will be required to have at least 11 years of proven local experience in the relevant category of works.

Our Directors advised that, as at the Latest Practicable Date, WM Construction has met the aforesaid criteria and requirements that are applicable to it.

Regulatory actions against approved contractors by the Development Bureau and the Hong Kong Housing Authority

The Development Bureau and the Hong Kong Housing Authority may take regulatory actions against the contractor's failure to meet the financial criteria within a prescribed time, unsatisfactory performance, misconduct or suspected misconduct, poor site safety record, poor environmental performance, and court convictions, such as contravention of site safety legislation and the Employment Ordinance. For example, if an approved contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the Government may take regulatory actions against the contractor.

Regulatory actions include removal, suspension (which means a contractor is prohibited from tendering for works of the relevant category during the suspension period), downgrading (which includes downgrading or demoting the contractor's qualification to a lower status or class in all or any specified category), depending on the seriousness of the incident triggering the regulatory actions.

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. Any person who intends to carry out alteration or addition building works in existing premises is required to appoint an authorised person, and, where necessary, a registered structural engineer, to prepare and submit plans for the approval of the Building Authority under the Buildings Ordinance. Such a person is also required to appoint a registered contractor to carry out the building works. The Building Authority may require that all such building works to be carried out in such a way that the building will comply with the standards of the Buildings Ordinance.

LAWS AND REGULATIONS

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

1. an authorised person as the co-ordinator of such building works or street works;
2. a registered structural engineer for the structural elements of such building works or street works, if so required, under the Buildings Ordinance; and
3. a registered geotechnical engineer for the geotechnical elements of such building works or street works if so required under the Buildings Ordinance.

D. TOWN PLANNING AND LAND LEASE

Town Planning Ordinance (Chapter 131 of the Laws of Hong Kong)

The Town Planning Ordinance provides for the systematic preparation and approval of plans for the lay-out of areas of Hong Kong as well as for the types of building suitable for erection therein and for the preparation and approval of plans for areas within which permission is required for development.

Under section 21(1) of the Town Planning Ordinance, while a plan of a development permission area is effective, no person shall undertake or continue development in the development permission area unless the development is an existing use, the development is permitted under the plan of the development permission area, or permission to do so has been granted under section 16 of the Town Planning Ordinance. The offender is liable, in the case of a first conviction, to a fine of HK\$500,000, and, in the case of a second or subsequent conviction, to a fine of HK\$1,000,000.

New Territories Leases (Extension) Ordinance (Chapter 150 of the Laws of Hong Kong)

Under section 6 of the New Territories Leases (Extension) Ordinance, the term of certain leases that would have expired in June 1997 is extended to 30 June 2047, without payment of any additional premium.

E. OTHERS

Electricity Ordinance (Chapter 406 of the Laws of Hong Kong)

The Electricity Ordinance is to provide for the registration of electrical workers, contractors and generating facilities, to provide safety requirements for electricity supply, electrical wiring and products, to provide powers for electricity suppliers and the Government respecting electrical accidents and enforcement of the Electricity Ordinance, and to provide for measures designed to ensure that activities carried out in the vicinity of electricity supply lines do not prejudice safety or the continuity of the electricity supply.

Pursuant to Regulation 20 of the Electricity (Wiring) Regulations, owners of electrical installations shall have periodic inspection, testing and certification for fixed electrical installations. Under Regulation 20(2) of the Electricity (Wiring) Regulations, for typical industrial premises, electrical installations with an approved loading exceeding 200 amperes shall be inspected, tested and certified at least once every 5 years. Under Regulation 20(3) of the Electricity

(Wiring) Regulations, for typical residential or commercial premises, electrical installations with an approved loading exceeding 100 amperes shall be inspected, tested and certified at least once every 5 years. A fixed electrical installation shall be inspected, tested and certified by a registered electrical worker. According to Regulation 24 of the Electricity (Wiring) Regulations, a person who contravenes Regulation 20 of the Electricity (Wiring) Regulations commits an offence, and is liable to a fine of HK\$10,000.

Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong)

Pursuant to the Dangerous Goods Ordinance, storage of any dangerous goods in excess of the prescribed exempted quantity shall require a Dangerous Goods licence.

The Dangerous Goods Ordinance applies to, among others, all explosives, compressed gases, petroleum and other substances giving off inflammable vapours, substances giving off poisonous gas or vapour, corrosive substances, substances which become dangerous by interaction with water or air, and substances liable to spontaneous combustion or of a readily combustible nature.

Under section 6 of the Dangerous Goods Ordinance, no person shall store any dangerous goods in excess of exempted quantity in any premises or places without a licence issued by the corresponding public officer or public authority as specified in the Dangerous Goods (General) Regulations. According to Regulation 99 of the Dangerous Goods (General) Regulations, the exempted quantity of diesel oil is 2,500 litres. Storage tank for diesel oil requires the approval from the Director of Fire Services in accordance with Regulation 99A of the Dangerous Goods (General) Regulations.

Under section 14 of the Dangerous Goods Ordinance, any person who contravenes section 6 of the Dangerous Goods Ordinance shall be guilty of an offence, and shall be liable to a fine of HK\$25,000 and to imprisonment for 6 months.

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

The Competition Ordinance is to prohibit conduct that prevents, restricts or distorts competition in Hong Kong; to prohibit mergers that substantially lessen competition in Hong Kong, and to provide for incidental and connected matters.

The Ordinance includes the First Conduct Rule, which states that an undertaking shall not make or give effect to an agreement, engage in a concerted practice, or, as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong, and the Second Conduct Rule, which prohibits anti-competitive conduct by a party with substantial market power; and the Merger Rule, which states that an undertaking that has a substantial degree of market power in a market must not abuse that power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. Upon breach, the Competition Tribunal may impose against offenders pecuniary penalty, director disqualifications, and prohibition, damage and other orders. For pecuniary penalty, section 93 of the Competition Ordinance enables the Competition Tribunal to award a penalty up to 10% of the turnover of the undertakings involved for up to three years in which the contravention occurs.

HISTORY, DEVELOPMENT AND REORGANISATION

OUR HISTORY

Our history can be traced back to the 1980s. WM Construction, one of our three principal operating subsidiaries, was incorporated in Hong Kong on 28 October 1988 by three Independent Third Parties. Mr. Kwok joined WM Construction in 1993, and later became one of the shareholders of WM Construction in 1999. Through a number of share transfers and allotments, and before our Reorganisation, Mr. Kwok beneficially owned the entire interest in WM Construction.

Meanwhile, with steady growth of his construction business, on 28 September 2001, Mr. Kwok, together with an Independent Third Party, incorporated the Group's another principal operating subsidiary, WM Engineering, to carry on construction and engineering works with focus on minor and supplementary works. Following share transfer from the other shareholder to Mr. Kwok in 2004, and before our Reorganisation, Mr. Kwok beneficially owned the entire interest in WM Engineering.

On 22 June 2006, the third principal operating subsidiary of our Group, WM Foundation, was also incorporated by Mr. Kwok to conduct construction and engineering works with focus on foundation works and piling.

WM Construction, WM Engineering, and WM Foundation, were all wholly owned by Mr. Kwok as the sole shareholder during the Track Record Period.

Development

Our Group is principally engaged in construction business in Hong Kong. For further information in relation to our business, please refer to the section headed "Business" in this prospectus.

The following table summarise the key milestones during the course of development of the business of our Group:

1988	WM Construction was incorporated in Hong Kong.
2000	WM Construction was approved as a general building contractor, specialist contractor (foundation works), and specialist contractor (demolition works) by the Buildings Department.
2001	WM Construction was approved as a specialist contractor (site formation works) by the Buildings Department.
2001	WM Engineering was incorporated in Hong Kong.
2003	WM Construction was accredited ISO 9001: 2000 certification by Hong Kong Quality Assurance Agency
2005	WM Construction was included in the approved contractor for public works under the category of "Building" in Group B (probationary) by the Development Bureau.
2006	WM Foundation was incorporated in Hong Kong.
2010	WM Construction was accredited ISO 9001: 2008 certification by Castco Certification Services Limited
2015	Our Company was incorporated in the Cayman Islands as part of the Reorganisation process for the purpose of the Listing.

HISTORY, DEVELOPMENT AND REORGANISATION

CORPORATE DEVELOPMENT

The following describes the corporate history of our Company and our subsidiaries.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on 22 September 2015 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares, of which 1 Share was allotted and issued to Best Brain Investments Limited. On 14 December 2015, through a series of sales and purchases between our Company as the purchaser, and Best Brain Investments Limited as the vendor, our Company became the holding company of our subsidiaries.

On 17 December 2015, 399 additional Shares were allotted and issued to Best Brain Investments Limited. As a result, Best Brain Investments Limited held, in aggregate, 400 Shares of our Company.

On 18 December 2015, Best Brain Investments Limited swapped 100 Shares of our Company with the Pre-IPO Investor for 2,500 shares of Best Brain Investments Limited held by the Pre-IPO Investor. As a result, our Company was held as to 75% by Best Brain Investments Limited, and 25% by the Pre-IPO Investor.

Please refer to the paragraph headed “Reorganisation” in this section for further details about the Reorganisation.

Our Subsidiaries in the BVI and Hong Kong

WM Construction

WM Construction was incorporated in Hong Kong as a limited liability company on 28 October 1988 with an authorised share capital of HK\$2,000,000 divided into 20,000 shares of HK\$100 each.

On 28 October 1988, there were three founders who subscribed for 2,500, 1,250 and 1,250 shares in WM Construction at par respectively. Each of the founders is an Independent Third Party save for being a former shareholder and former director of WM Construction.

In 1993, Mr. Kwok joined WM Construction as a project manager.

On 10 August 1999, Mr. Kwok received 5% issued shares in WM Construction as performance bonus by the transfer of 124 shares, 63 shares and 63 shares from the three founders respectively at HK\$1 paid to each of the founders.

Due to the intention of two of the founders to realise their investment in WM Construction pursuant to their retirement plan, and Mr. Kwok’s interest to develop his construction business, on 12 December 2000, the two leaving founders transferred all their 2,374 shares in WM Construction to Mr. Kwok and the remaining founder at par, in the way that, after the said transfer, Mr. Kwok and the remaining founder each held 2,500 shares of WM Construction, representing 50% of the then issued share capital of WM Construction.

HISTORY, DEVELOPMENT AND REORGANISATION

On 5 June 2003, 2,300 shares and 700 shares were allotted and issued to Mr. Kwok and the remaining founder respectively at par. Accordingly, after the said allotment, Mr. Kwok and the remaining founder each held 4,800 and 3,200 shares of WM Construction, representing 60% and 40% of the then issued share capital of WM Construction respectively.

Due to the intention of the remaining founder to realise his investment in WM Construction pursuant to his retirement plan, and Mr. Kwok's interest to develop his construction business, on 30 April 2005, the remaining founder transferred all his 3,200 shares in WM Construction to Mr. Kwok at par. Following the said share transfer, Mr. Kwok became the sole shareholder of WM Construction.

On 3 October 2005, pursuant to a resolution passed by the sole shareholder of WM Construction, it was resolved that the authorised share capital of WM Construction be increased from HK\$2,000,000 divided into 20,000 shares to HK\$10,000,000 divided into 100,000. On the same day, 42,000 shares were allotted and issued to Mr. Kwok at par. After the said allotment, Mr. Kwok, as the sole shareholder, held all the 50,000 issued shares of WM Construction immediately before the Reorganisation.

WM Engineering

WM Engineering was incorporated in Hong Kong as a limited liability company on 28 September 2001 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each.

On 28 September 2001, Mr. Kwok and another founder each subscribed for 6 shares and 4 shares in WM Engineering at par, representing 60% and 40% of the then issued share capital of WM Engineering respectively. The co-founder is an Independent Third Party save for being a former shareholder and former director of WM Engineering.

Due to the intention of the co-founder to realise his investment in WM Engineering pursuant to his retirement plan, and Mr. Kwok's interest to develop his construction business, on 29 October 2004, the co-founder transferred all his 4 shares in WM Engineering to Mr. Kwok at par. After the said share transfer, Mr. Kwok became the sole shareholder of WM Engineering immediately before the Reorganisation.

WM Foundation

WM Foundation was incorporated in Hong Kong as a limited liability company on 22 June 2006 with an authorised share capital of HK\$500,000 divided into 500,000 shares of HK\$1 each.

On 22 June 2006, Mr. Kwok subscribed for 1 share in WM Foundation at par, representing 100% of the issued share capital of WM Engineering. Mr. Kwok became the sole shareholder of WM Engineering immediately before the Reorganisation.

HISTORY, DEVELOPMENT AND REORGANISATION

Focus Achieve Limited

In anticipation of the Reorganisation, Focus Achieve Limited was incorporated in the BVI on 1 July 2015 as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 28 July 2015, Focus Achieve Limited allotted and issued 100 shares, credited as fully paid at par, to Best Brain Investments Limited. On 14 December 2015, Best Brain Investments Limited transferred 100 shares of Focus Achieve Limited to our Company. Since 14 December 2015, Focus Achieve Limited was owned as to 100% by our Company.

Well Joint Limited

In anticipation of the Reorganisation, Well Joint Limited was incorporated in the BVI on 2 July 2015 as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 28 July 2015, Well Joint Limited allotted and issued 100 shares, credited as fully paid at par, to Best Brain Investments Limited. On 14 December 2015, Best Brain Investments Limited transferred 100 shares of Well Joint Limited to our Company. Since 14 December 2015, Well Joint Limited was owned as to 100% by our Company.

Focus Wealth Investments Limited

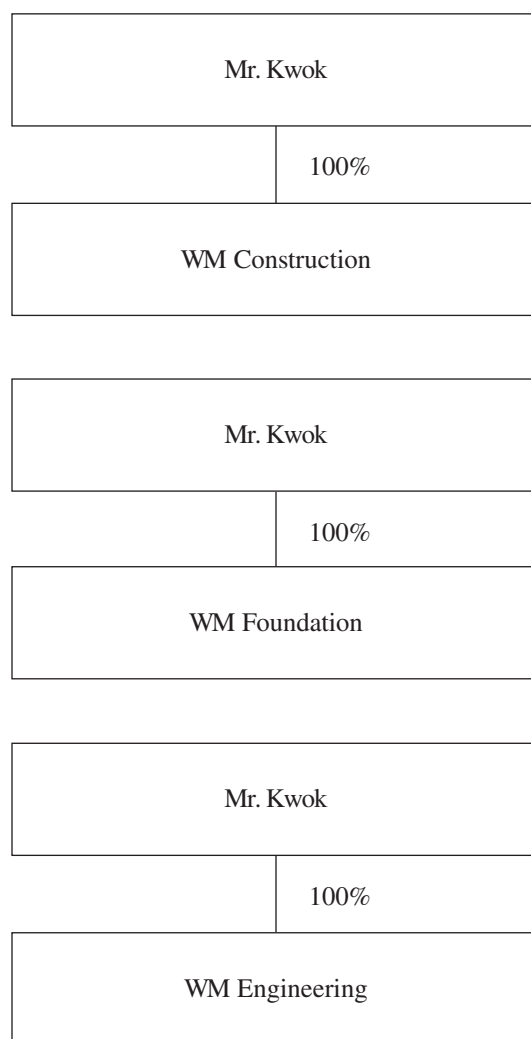
In anticipation of the Reorganisation, Focus Wealth Investments Limited was incorporated in the BVI on 6 July 2015 as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 28 July 2015, Focus Wealth Investments Limited allotted and issued 100 shares, credited as fully paid at par, to Best Brain Investments Limited. On 14 December 2015, Best Brain Investments Limited transferred 100 shares of Focus Wealth Investments Limited to our Company. Since 14 December 2015, Focus Wealth Investments Limited was owned as to 100% by our Company.

HISTORY, DEVELOPMENT AND REORGANISATION

REORGANISATION

As part of the Reorganisation, a number of share transfers had been effected. Upon completion of the Reorganisation in preparation for the Listing, our Company became the holding company of our Group on 14 December 2015.

The following diagram sets out the corporate structure of the Group immediately before the implementation of the Reorganisation:



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

- (i) Best Brain Investments Limited was incorporated on 6 July 2015 in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 28 July 2015, 7,500 shares, representing the entire issued share capital of the said company, were allotted and issued to Mr. Kwok at par.

HISTORY, DEVELOPMENT AND REORGANISATION

- (ii) Focus Achieve Limited was incorporated in the BVI on 1 July 2015 as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. 100 shares were allotted and issued to Best Brain Investments Limited on 28 July 2015.
- (iii) Well Joint Limited was incorporated in the BVI on 2 July 2015 as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. 100 shares were allotted and issued to Best Brain Investments Limited on 28 July 2015.
- (iv) Focus Wealth Investments Limited was incorporated in the BVI on 6 July 2015 as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. 100 shares were allotted and issued to Best Brain Investments Limited on 28 July 2015.
- (v) On 28 July 2015, Mr. Kwok transferred WM Foundation to Focus Achieve Limited for nominal consideration.
- (vi) On 28 July 2015, Mr. Kwok transferred WM Engineering to Well Joint Limited for nominal consideration.
- (vii) On 28 July 2015, Mr. Kwok transferred WM Construction to Focus Wealth Investments Limited for nominal consideration.
- (viii) On 28 July 2015, 2,500 shares of Best Brain Investments Limited, representing 25% of the entire issued share capital of the said company, were allotted and issued to Pre-IPO Investor. Accordingly, Best Brain Investments Limited was held as to 75% to Mr. Kwok and 25% to the Pre-IPO Investor.
- (ix) Our Company was incorporated in the Cayman Islands with limited liability on 22 September 2015 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. 1 fully paid Share, representing the then entire issued share capital of our Company, was allotted and issued to Best Brain Investments Limited on the same day.
- (x) On 14 December 2015, Best Brain Investments Limited transferred all its 100 shares of Focus Achieve Limited to our Company at par.
- (xi) On 14 December 2015, Best Brain Investments Limited transferred all its 100 shares of Well Joint Limited to our Company at par.
- (xii) On 14 December 2015, Best Brain Investments Limited transferred all its 100 shares of Focus Wealth Investments Limited to our Company at par.
- (xiii) On 17 December 2015, 399 additional Shares of our Company were allotted and issued to Best Brain Investments Limited at a total consideration of HK\$10 million.

HISTORY, DEVELOPMENT AND REORGANISATION

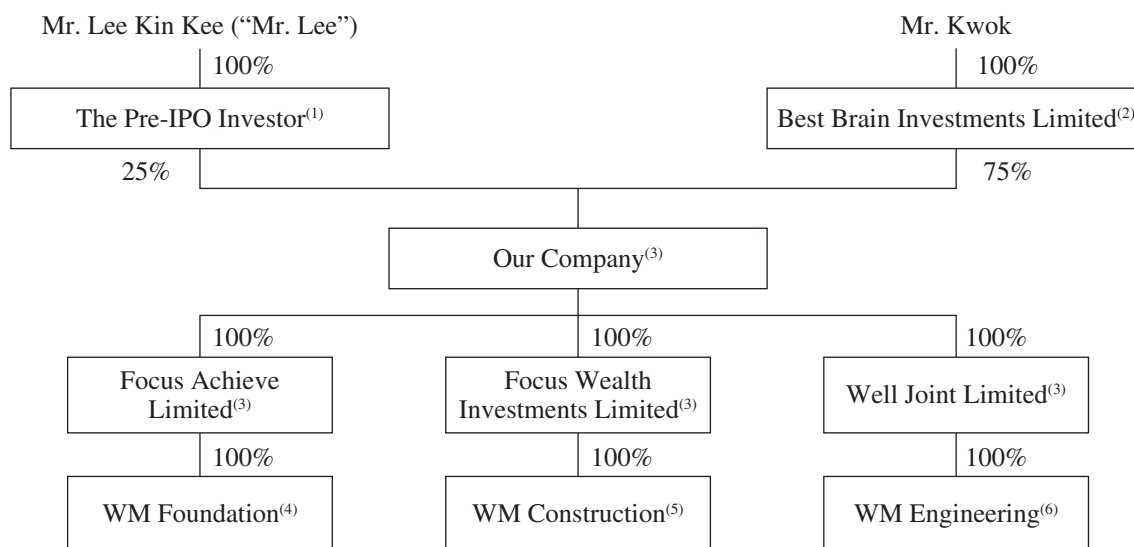
(xiv) On 18 December 2015, Best Brain Investments Limited swapped 100 Shares of our Company with the Pre-IPO Investor for the 2,500 shares of Best Brain Investments Limited held by the Pre-IPO Investor. As a result, Best Brain Investments Limited and the Pre-IPO Investor held 300 Shares and 100 Shares of our Company, representing 75% and 25% of the then issued share capital of our Company respectively.

(xv) On 9 March 2016, the authorised share capital of our Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of 1,962,000,000 Shares.

As a result of the Reorganisation, our Company became the holding company of our Group. As confirmed by our Directors, save as disclosed in this prospectus, there were no outstanding options, warrants and/or convertibles in respect of each member of our Group as at the Latest Practicable Date.

CORPORATE AND SHAREHOLDING STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately following the completion of the Reorganisation, but before the Placing and Capitalisation Issue:



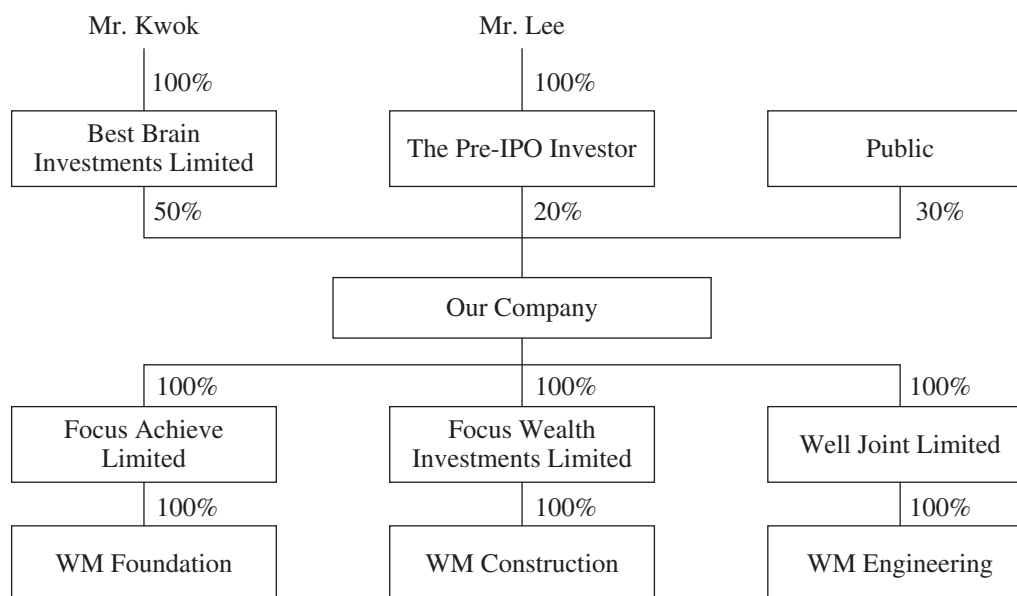
Notes:

- (1) The Pre-IPO Investor is principally engaged in investment holding, and is wholly-owned by Mr. Lee Kin Kee, our non-executive Director.
- (2) Best Brain Investments Limited is principally engaged in investment holding, and is wholly-owned by Mr. Kwok, our executive Director.
- (3) Each of Focus Achieve Limited, Focus Wealth Investments Limited and Well Joint Limited, is wholly owned (as to 100%) by Our Company, and principally engaged in investment holding.
- (4) WM Foundation is wholly owned (as to 100%) by Focus Achieve Limited, and principally engaged in construction and engineering works, with a major focus on foundation works and piling.
- (5) WM Construction is wholly owned (as to 100%) by Focus Wealth Investments Limited, and principally engaged in construction and engineering works.

HISTORY, DEVELOPMENT AND REORGANISATION

- (6) WM Engineering is wholly owned (as to 100%) by Well Joint Limited, and principally engaged in construction and engineering works, with a major focus on minor and supplementary works.

The following chart sets out the shareholding and corporate structure of our Group immediately following completion of the Placing and Capitalisation Issue, assuming that the Offer Size Adjustment Option is not exercised:



PRE-IPO INVESTMENT

Subscription Agreement and Share Swap

Pursuant to a subscription agreement dated 28 July 2015 entered into by and among the Pre-IPO Investor, Best Brain Investments Limited and Mr. Kwok (the “Subscription Agreement”), Best Brain Investments Limited allotted and issued a total of 2,500 shares to the Pre-IPO Investor at a consideration of HK\$10 million. On 18 December 2015, Best Brain Investments Limited swapped 100 Share of our Company with 2,500 shares of Best Brain Investments Limited held by the Pre-IPO Investor. As a result, the Pre-IPO Investor holds 100 Shares of our Company, representing 25% of the then issued share capital of our Company, while Best Brain Investments Limited, which is now wholly owned by Mr. Kwok, holds 300 Shares of our Company, representing 75% of the then issued share capital of our Company. Details of the aforesaid share swap have been set out in the paragraph “reorganisation” in this section of the prospectus.

Description of the Pre-IPO Investor

NEO Paramount Limited

NEO Paramount Limited was incorporated in the Republic of Seychelles as an international business company on 16 July 2015. It is wholly owned by Mr. Lee, our non-executive Director, who was appointed to our Board on 21 December 2015. Other than its investment in our Company and Mr.

HISTORY, DEVELOPMENT AND REORGANISATION

Lee's directorship in our Company, the Pre-IPO Investor is independent from and not connected with our other Directors, senior management, or our other Substantial Shareholders, or any of our subsidiaries, or any of their respective associates.

Key Features of the Pre-IPO Investment

The following table provides a summary of the key features of the Pre-IPO Investment:

Name of the Pre-IPO Investor	NEO Paramount Limited
Date of the Subscription Agreement	28 July 2015
Amount of consideration paid	HK\$10 million
Payment date of the consideration	28 July 2015
Basis of determination of the consideration	The consideration was determined based on arm's length negotiations between the Pre-IPO Investor, Best Brain Investments Limited and Mr. Kwok after taking into consideration of the timing of the subscription and the financial performance of the three operating subsidiaries, i.e. WM Construction, WM Engineering, and WM Foundation.
Cost per Share paid	HK\$100,000 after completion of the aforesaid share swap but prior to Capitalisation Issue, and HK\$0.0625 after the completion of Capitalisation Issue.
Discount to Placing Price	78.4% to the Placing Price of HK\$0.29 (being the mid-point of the Placing Price range stated in this prospectus).
Use of proceeds	The proceeds have not been fully utilised, and shall be used to strengthen the liquidity position of our Group.
Strategic benefits to our Company	In conjunction with its investment, the Pre-IPO Investor provided capital to our Company in relation to our Group's business, and shall bring in experience in accounting and financial function to our Company to improve our financial management.
Special rights of the Pre-IPO Investor	The Pre-IPO Investor was granted several rights in relation to Best Brain Investments Limited, each of which shall be automatically terminated upon the aforesaid share swap. Details of the special rights of the Pre-IPO Investor in Best Brain Investments Limited have been set out in the paragraph "Special Rights of the Pre-IPO Investor in Best Brain Investments Limited" in this section of the prospectus. The Pre-IPO Investor was not granted any special rights in relation to our Company.

HISTORY, DEVELOPMENT AND REORGANISATION

Shareholding in our Company upon completion of the aforesaid share swap	25%
Shareholding in our Company upon Listing	20%
Lock-up period	There is no lock-up period for the Pre-IPO Investor.
Exclusion in calculation of the public float	Since the Pre-IPO Investor is wholly owned by a non-executive Director of our Company, the Shares held by the Pre-IPO Investor are not considered as part of the public float for the purposes of GEM Listing Rules 11.23.

Special Rights of the Pre-IPO Investor in Best Brain Investments Limited

Pursuant to the Subscription Agreement, the Pre-IPO Investor was granted the following rights in relation to Best Brain Investments Limited, each of which will be automatically terminated upon the aforesaid share swap:

Information and Inspection Rights

As long as the Pre-IPO Investor or any of its associates are the holders of any share in the capital of Best Brain Investments Limited, Best Brain Investments Limited shall at all times:

- 1 keep true, accurate and up-to-date books and records of all the affairs of Best Brain Investments Limited;
- 2 make available to the Pre-IPO Investor and its duly authorised representatives full and complete access (including copying facilities) to the books, records, accounts, documents, premises and business activities of Best Brain Investments Limited;
- 3 keep the Pre-IPO Investor fully and promptly informed as to all material developments regarding Best Brain Investments Limited's financial and business affairs; and
- 4 promptly notify the Pre-IPO Investor of any significant litigation or arbitration affecting, or likely to affect, Best Brain Investments Limited, and of any bona fide offer to purchase, or subscribe for, any share capital of Best Brain Investments Limited.

Board Appointment Right

As long as the Pre-IPO Investor or any of its associates are the holders of any share in the capital of Best Brain Investments Limited, the Pre-IPO Investor is entitled to appoint one director to the board of directors of Best Brain Investments Limited immediately before the listing of WM Construction, WM Engineering and WM Foundation.

HISTORY, DEVELOPMENT AND REORGANISATION

Restrictions on Best Brain Investments Limited

Best Brain Investments Limited and each of the directors have covenanted with the Pre-IPO Investor that, for so long as the Pre-IPO Investor or any of its associates are the holders of any share in the capital of Best Brain Investments Limited, Best Brain Investments Limited shall not, without the prior written consent of the Pre-IPO Investor:

- 1 consolidate, subdivide, purchase, redeem or cancel any of its share capital, or alter any right applying to any share or class of shares in that capital;
- 2 take, or permit the taking of, any step to have itself voluntarily wound up;
- 3 register any transfer of any share in its capital except as permitted by its memorandum and articles of association;
- 4 be a party to any scheme of arrangement;
- 5 enter into, renew or continue after expiry, any contract that is:
 - 5.1 not on bona fide arm's length terms;
 - 5.2 with any director; or
 - 5.3 substantial, long term, onerous or restrictive of its freedom to provide and take goods and services by whatever means, from and to such persons, and in such places, as it may think fit;
- 6 factor or assign any of its debts;
- 7 institute any litigation, arbitration or tribunal proceedings, other than normal debt collection in the ordinary course of business; or
- 8 surrender or accept any trading losses or other amounts eligible for relief from corporation tax.

Confirmation from the Sponsor

The Sponsor has confirmed that the investment by the Pre-IPO Investor is in compliance with the Interim Guidance on Pre-IPO Investments issued on 13 October 2010 by the Stock Exchange, the Guidance Letter HKEx-GL43-12 issued on October 2012 and updated in July 2013 by the Stock Exchange and the Guidance Letter HKEx-GL44-12 issued in October 2012 by the Stock Exchange.

OVERVIEW

The first member and principal operating subsidiary of our Group, namely WM Construction, participated in the construction industry in Hong Kong since its incorporation in 1988 and has participated in the construction industry for more than 27 years. Currently, we are principally engaged in general building works and specialised building works in Hong Kong. We usually act as a main contractor and subcontract various parts of the project by trade to subcontractors, and primarily focus on project management, engineering design and technical submission, devising detailed work programmes, procurement of major construction materials, co-ordination with the customers and their consultants, as well as the quality control of the works undertaken by the subcontractors.

WM Construction has been included in the Register of General Building Contractors of the Buildings Department since October 2000 and in the Register of Specialist Contractors (Foundation Works) of the Buildings Department since July 2000. It was also included as a Group B (probationary) contractor in the List of Approved Contractors for Public Works under the category of “Buildings” since October 2005.

During the Track Record Period, our major customers are companies engaged in property investment and development, social service organisation and education organisation in the private sector in Hong Kong. For FY2014, FY2015 and the three months ended 30 September 2015, revenue derived from the customers in the private sector accounted for approximately 99.2%, 99.9% and 96.8% of our total revenue respectively. During FY2014, FY2015 and the three months ended 30 September 2015, revenue derived from our five largest customers amounted to approximately 65.4%, 84.8% and 81.7% of our total revenue respectively. Our five largest customers during the Track Record Period have maintained business relationship with us for a period ranging from 1 year to 17 years.

BUSINESS MODEL

We undertake general building works and specialised building works which are contracted by our customers on project basis. We generally act as main contractor and receive progress payments from the customers based on the site work done, pursuant to the contracts for the relevant projects.

When we acted as the main contractor in the projects we undertook during the Track Record Period, we delegated works to the subcontractors under supervision of our project management team. Our role as a main contractor generally includes overall project management and supervision of works conducted by the subcontractors to ensure execution and completion of projects within budget and time schedule as well as in compliance with specifications in the main contracts.

During FY2014, FY2015 and the three months ended 30 September 2015, the subcontracting fees paid by us amounted to approximately HK\$305.7 million, HK\$434.8 million and HK\$84.4 million, respectively, representing approximately 77.3%, 81.9% and 73.6% of our total direct costs, respectively, and the subcontracting fees paid to our Group’s five largest subcontractors accounted for approximately 42.7%, 42.6% and 42.8% of our Group’s subcontracting fees, respectively. Our five largest subcontractors during the Track Record Period have maintained business relationship with us for a period ranging from 1 year to 20 years.

BUSINESS

BUILDING WORKS UNDERTAKEN BY OUR GROUP

The building works undertaken by us can be generally classified into the following categories:

General building works

The general building works undertaken by us refer to the construction works performed by us at construction sites for residential buildings, commercial buildings, industrial buildings and general superstructure erection, and include erection of architectural superstructures, and renovation, fitting out, alteration and addition works.

Specialised building works

We also undertake demolition, site formation and foundation works, which are designated by the Building Authority as specialised works and required to be carried out by registered specialist contractors.

Foundation — The foundation works undertaken by us mainly include bored piling, driven H-piling, socketed H-piling, mini-piles, footing foundation and pile cap works.

Site Formation — The purpose of site formation work is to prepare a site to the required levels or topography for subsequent foundation works, building works and other works such as construction of access roads, and temporary or permanent drainage system. Site formation works include clearance of site, excavation by cut and fill, site levelling, stabilisation of existing slopes, formation of new slopes, construction of retaining walls and formation of access roads and drainage system.

Demolition — Demolition works refer to demolition of existing structures.

Further details of our general building works and specialised building works are set out in the paragraph headed “Scope of Business” below in this section.

The number of the projects which generated revenue of the Group and the amount of revenue, gross profit and gross profit margin generated from the two categories of building works during the Track Record Period are as follows:

	FY2014			FY2015			Three months ended 30 September 2015		
	Number of projects (Note)	Amount HK\$ million		Number of projects (Note)	Amount HK\$ million		Number of projects (Note)	Amount HK\$ million	
General building works	15	330.9	77.8%	23	488.2	86.2%	10	90.4	72.9%
Specialised building works	10	94.5	22.2%	9	78.0	13.8%	4	33.7	27.1%
Total	25	425.4	100.0%	32	566.2	100.0%	14	124.1	100.0%

Note: The number of projects refers to the number of projects which generated revenue recognised by the Group during the financial year/period.

BUSINESS

	FY2014		FY2015		Three months ended 30 September 2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%
General building works	15,432	4.7	28,405	5.8	5,683	6.3
Specialised building works	14,663	15.5	7,185	9.2	3,714	11.0
Total	30,095	7.1	35,590	6.3	9,397	7.6

QUALIFICATIONS

We hold various qualifications in respect of our construction services. As confirmed by our Hong Kong legal advisers, our Group holds all the necessary qualifications which are required to carry on our Group's activities in respect of our construction business in Hong Kong. Our Directors confirm that save as disclosed in the paragraph headed "Non-compliance" in this section, our Group has been in compliance with all relevant laws and regulations in Hong Kong pertaining to our construction business in all material aspects during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we have obtained the following necessary qualifications which are material to our business operations:

Relevant authority/ organisation	Relevant list/ category	License/ Qualification	Holder	Date of first grant/ registration	Validity period	Authorised contract value
Buildings Department	General Building Contractor	—	WM Construction	17 October 2000	6 November 2015 to 6 November 2018 (Note 1)	No limit
Buildings Department	Specialist Contractor — Demolition Works	—	WM Construction	16 December 2000	6 November 2015 to 6 November 2018 (Note 1)	No limit
Buildings Department	Specialist Contractor — Site Formation Works	—	WM Construction	8 May 2001	15 January 2016 to 31 March 2019 (Note 1)	No limit
Buildings Department	Specialist Contractor — Foundation Works	—	WM Construction	29 July 2000	12 May 2015 to 16 July 2018 (Note 1)	No limit
Development Bureau	Approved Contractor for Public Works — Buildings Category (Note 2)	Group B (probationary) (Note 3)	WM Construction	26 October 2005	Not Applicable (Note 4)	Contract of value up to HK\$185 million

BUSINESS

Notes:

1. The current qualifications were granted on the commencement of the validity period and will expire up to the last date of the validity period.
2. The List of Approved Contractors for Public Works (the “List”) comprises contractors who are approved for carrying out public works in one or more of the five major categories of building and civil engineering works, i.e. “Buildings”, “Port Works”, “Roads & Drainage”, “Site Formation” and “Waterworks”. The List is administered by the Professional Services Section, Development Bureau of the Hong Kong Government, which makes additions, deletions, alterations or amendments as appropriate to the List from time to time.
3. A probationary contractor in Group B is eligible to tender or for award of (i) any number of Group A contracts in the same category; and (ii) any number of Group B contracts in the same category, provided the total value of works in the Group B contracts that he already holds and the Group B contract being procured under the same category does not exceed HK\$185 million.
4. The relevant qualification is not subject to periodic renewal condition.

We have not experienced any refusal of renewal of the qualifications necessary for our operations during the Track Record Period and up to the Latest Practicable Date. We will renew the above existing qualifications before their respective expiry dates and our Directors are of the view that there are no material impediments for us to renew any of our qualifications upon expiry of the same.

COMPETITIVE STRENGTHS

The Directors believe that the following competitive strengths of the Group have contributed to its success to date.

Our diverse qualifications allow us to capture business opportunities

We are a well-established main contractor with extensive experience and qualifications in carrying out a variety of general and specialised building projects covering erection of architectural superstructure, alteration and addition, renovation, fitting-out, demolition, site formation and foundation.

We are a registered specialist contractor in the categories of foundation, demolition and site formation and a registered general building contractor with the Buildings Department. The Group is also a Group B (probationary) contractor under the Development Bureau. As such, the Group is eligible to tender for building contracts of the Hong Kong Government of any values up to HK\$185 million.

The Directors believe that with the abovementioned qualifications and our accumulated experience over 27 years, we will be able to continue to undertake various kinds of projects and capture the growth opportunities in the construction industry, in particular, the anticipated surge in the demand for housing construction and renovation services. On the other hand, if there is a downturn of property market in Hong Kong, the Group may minimise the impact by taking up more general and specialised building works relating to non-residential projects.

BUSINESS

During the Track Record Period, the revenue of the Group contributed by building works relating to residential properties and non-residential properties are as follows:

	FY2014		FY2015		Three months ended 30 September 2015	
	No. of projects	Revenue HK\$'000	No. of projects	Revenue HK\$'000	No. of projects	Revenue HK\$'000
Building works relating to residential properties	9	152,843 (35.9%)	7	232,830 (41.1%)	5	78,520 (63.3%)
Building works relating to non-residential properties	16	272,516 (64.1%)	25	333,364 (58.9%)	9	45,589 (36.7%)
Total	25	425,359 (100%)	32	566,194 (100%)	14	124,109 (100%)

For the 10 projects which are in progress and the one project which was awarded to Group but not commenced as disclosed in the paragraph headed “Construction Projects” below in this section, as at the Latest Practicable Date, the revenue expected to be recognised by the Group from these projects by residential properties and non-residential properties after the Track Record Period are as follows:

	For the nine months ending 30 June 2016		For the year ending 30 June 2017		For the year ending 30 June 2018	
	No. of projects	Revenue HK\$'000	No. of projects	Revenue HK\$'000	No. of projects	Revenue HK\$'000
Building works relating to residential properties	5	233,121 (54.7%)	3	214,556 (36.5%)	2	107,775 (68.5%)
Building works relating to non-residential properties	6	193,228 (45.3%)	4	372,842 (63.5%)	2	49,576 (31.5%)
Total	11	426,349 (100%)	7	587,398 (100%)	4	157,351 (100%)

Moreover, among the 45 tenders submitted by the Group within the current financial year from 1 July 2015 up to the Latest Practicable Date, 21 of such tenders are for building works relating to non-residential properties, and have a total tender sum of approximately HK\$469.7 million.

Accordingly, the business and operation of the Group did not and will not have a sole reliance on buildings works relating to residential properties. Our diverse qualifications and experience enables our Group to succeed and survive in the construction industry in Hong Kong.

We have long operational history and good reputation in the construction industry

The Group is an active construction company which was established more than 27 years ago. During the Track Record Period and up to the Latest Practicable Date, we have been undertaking 48 projects in Hong Kong with an aggregate contract sum of approximately HK\$2,634.3 million. We believe that our track record and our ability to satisfy our customers have created a good reputation in the construction industry. During the years of operations, the Group has established its reputation of being able to perform different kinds of construction works including alteration and addition works, demolition works, foundation works, site formation works and superstructure works. On top of that, we are proven to be able to deliver works to our customers' satisfaction under tight budget and time constraint.

During the years of operations, the Group has been maintaining good and long term relationship with customers, architecture firms, structural engineering firms and surveyor consulting firms in the construction industry to keep abreast of market development and potential business opportunities. In particular, we have established long business relationships with our top five customers, ranging from 1 to 17 years. For FY2014, FY2015 and the three months ended 30 September 2015, revenue derived from the top five customers accounted for 65.4%, 84.8% and 81.7% of our total revenue, respectively.

We have well established relationship with our subcontractors and suppliers

We have established long and stable business relationship with our major subcontractors, among which two major subcontractors have already had business relationships with us for over 10 years. Having long term and stable working relationships with our subcontractors enable us to have comprehensive assessment of their ability and quality of works and have stable subcontracting services.

We also maintain good relationships with our major construction materials suppliers, among which, three major suppliers have already had business relationships with us for over 10 years. This helps us to ensure the quality of materials supplied to us and ensure that our Group would have adequate supply of materials, particularly under tight supply situation.

We have experienced and professional management and provide our staff with quality training

Our management team has extensive industry knowledge and project management experience in general specialised building works. Our executive Directors, namely Mr. Kwok and Mr. Chan Siu Kay Francis, have over 31 and 19 years of experience in the construction industry, respectively. Our senior management has either academic or professional qualifications and some of them have experience in the construction industry ranging from 17 years to 23 years. Please refer to the section headed "Directors, Senior Management and Staff" in this prospectus for further details of the qualifications and experience of our executive Directors and senior management.

Their qualifications and experience facilitate the formulation of competitive tenders, which are essential to us in securing new business, and in carrying out efficient and timely implementation and management of project works.

Our Directors believe that the combination of our management team's collective expertise and knowledge of the industry, together with our highly qualified employees, have been and will continue to be the Group's valuable assets.

OUR BUSINESS STRATEGIES

We will continue to seek proactively opportunities in construction works from both the private and public sectors in Hong Kong. As disclosed in the above paragraph headed “Competitive Strengths — Our diverse qualifications allow us to capture business opportunities” in this section, we will continue to put attention to the categories of construction works we used to undertake, as we believe that such competitive strength will help our Group to alleviate the adverse effect caused by the cycles of the construction industry and to maintain the stable and healthy development of our Group. We have no preference to these categories of works and will pursue opportunities from all such categories, depending on our then available resources and capacity.

Enhance our participation in undertaking construction works from both the private sector and the public sector

The capacity of our Group in undertaking contracting projects depends on the amount of available working capital. There are often time lags between making payments to our Group’s subcontractors and other suppliers and receiving payments from the customers. In further developing our Group’s business, the Directors intend to undertake more building projects from both private and public sectors in the future and believe that the net proceeds from the Placing will strengthen our Group’s available financial resources and allow our Group to undertake more projects.

Although the Group’s main focus was in private sector and has a strong customer base in the private sector, the Directors believe that it would be beneficial to the Group to diversify its customer base to the public sector. The Group will more actively seek for construction works from Government departments and quasi-Government organisations.

WM Construction is on the List of Approved Contractors for Public Works maintained by the Development Bureau under the category of buildings, and is able to tender for general building works for the Hong Kong Government. Approved contractors within each category of the list are further divided into Group A, B or C according to the value of contracts for which they are normally eligible to tender. A contractor’s status in a particular group will be either probationary or confirmed. Probationary contractors are limited in the number and value of contracts for which they are eligible to tender and to be awarded. A Group B (confirmed) contractor is normally eligible to tender for contracts of up to HK\$185 million. A probationary contractor in Group B is eligible to tender or for award of (i) any number of Group A contracts in the same category; and (ii) any number of Group B contracts in the same category, provided the total value of works in the Group B contracts that he already holds and the Group B contract being procured under the same category does not exceed HK\$185 million.

In order to take up general building works in the public sector without such limitation on probationary contractors in Group B, we also plan to apply to the Development Bureau for confirmation status in Group B in the category of buildings in the List of Approved Contractors for Public Works.

BUSINESS

To be eligible for the qualification of Group B (confirmed) under the category of buildings, the contractor should meet the following requirements set out in the Contractor Management Handbook published by the Development Bureau:

- i. a minimum employed capital of HK\$10.1 million plus HK\$5.8 million for every \$86 million of annualised outstanding works or part thereof above HK\$150 million, subject to a maximum of HK\$21.7 million;
- ii. a minimum working capital of HK\$10.1 million or 10% on annualised outstanding works, whichever is higher;
- iii. satisfactory completion as the main contractor of one Government or non-Government building works contract executed in Hong Kong within the past 5 years, after inclusion in the Group B on probation, of value over 70% of the Group B limit (i.e. HK\$129.5 million, being 70% of HK\$185 million);
- iv. at least one member of the resident top management who shall have a minimum of three years local experience in managing a construction firm obtained in the past five years; and
- v. at least one technical staff has the qualifications of either (a) Higher Certificate in Building Studies/Civil Engineering from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent and two years local working experience in building works; or (b) Ordinary Certificate in Building Studies/Civil Engineering from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent and three years local working experience in building works.

As at the Latest Practicable Date, WM Construction fulfilled the requirements mentioned in (ii), (iii), (iv) and (v) above. For the capital requirement in (i) above, we intend to increase WM Construction's employed capital from the current amount of HK\$5 million to HK\$11 million by HK\$6 million through the net proceeds received by us from the Placing. Based on the reasons discussed above, our Group considers that there is no legal impediment for the Group's proposed application for confirmation status in Group B in the category of buildings in the List of Approved Contractors for Public Works.

Strengthen our manpower

We also plan to expand our scale by continuing to hire more professional and skilled staff and provide more on-the-job training to them. In this regard, we plan to hire additional staff (including but not limited to site foreman, quantity surveyor and senior accounting manager). Our Directors believe that by expanding our scale, we will be able to tender for larger scale construction projects and broaden our customer base by meeting the pre-qualifications of tenderers prescribed by the potential customers.

Establish an integrated management system for quality, environment, occupational health and safety management

Our Directors recognise that the maintenance of safety standard, quality control and environmental protection is vital in enhancing the reputation of the Group in the construction industry. Thus, in order to enhance these standards, the Directors believe obtaining ISO 14001:2004 certification for

BUSINESS

environmental management system and OHSAS 18001:2007 certification for occupational health and safety management system will help the Company to establish and implement an integrated management system for quality, environmental, health and safety management. The Directors believe that this can increase our chances in securing new contracts from our customers.

Furthermore, we shall continue to focus on the quality of works and services rendered to existing customers so that they can help us to enhance our brand through words of mouth. We will continue to proactively manage our current customer relations, expand our customer base and enhance customer loyalty. The Directors believe that will improve our competitiveness.

Adhere our one-stop-shop strategy and prudent financial management

Due to our experience in performing different kinds of construction works (including alteration and addition works, demolition works, foundation works, site formation works and superstructure works), we can provide a one-stop-shop experience to our customers (i.e. from demolition works to superstructure works). To facilitate our business expansion, we will continue to promote our one-stop-shop strategy actively.

We will continue to identify and capture emerging opportunities, and closely monitor our capital and cash positions, particularly labour costs and material costs which have augmented tremendously in recent years. We will also continue to focus on our internal control system to ensure adequate cash flow for our ongoing capital requirements, and to achieve maximum cost savings by streamlining our operation processes.

SCOPE OF BUSINESS

We are principally engaged as a main contractor in general and specialised building works in Hong Kong. The general building works we undertake comprise erection of architectural superstructure, renovation, fitting-out, alteration and addition, whereas the specialised building works we undertake comprise foundation, site formation and demolition. As a main contractor, we subcontract the works to various subcontractors and are responsible for the overall management, implementation and supervision of the building projects. On award of contracts from our customers, we classify the construction works under a project by the trades concerned and expertise required and engage suitable subcontractors to perform the works, and we focus on project management, engineering design and technical submission, devising detailed work programmes, procurement of major construction materials, co-ordination with the customers and their consultants, as well as the quality control of the works undertaken by the subcontractors.

General building works

We have been a registered general building contractor with the Buildings Department since October 2000. As main contractor, we are responsible for the overall management of the construction project. We delegate to our subcontractors to carry out the construction works including steel bar fixing, concreting, plastering and mechanical and electrical works. As main contractor, we generally focus on project management, technical submission, devising detailed work programmes, procurement of major construction materials, co-ordination with the customers or their representatives and subcontractors.

To monitor the performance of our subcontractors and the quality of works, we have put in place a number of control measures, such as inspection on the subcontractors' works. For further details, please refer to the paragraphs headed "Operating Procedures — Project implementation" and "Quality control" in this section.

During the Track Record Period and up to the Latest Practicable Date, we undertook 32 general building projects under which we were required to build residential and commercial buildings and hotels, and execute the works of alteration, renovation, and fitting-out of existing buildings such as multi-storey car park, hostel, hotels, elderly centre and factory building.

During the Track Record Period, revenue derived from the general building projects amounted to approximately HK\$330.9 million, HK\$488.2 million and HK\$90.4 million, representing approximately 77.8%, 86.2% and 72.9% of our total revenue, respectively.

Specialised building works

We have been a registered specialist contractor for foundation works and site formation works with the Buildings Department since 1999 and for demolition works since 2000.

Foundation works

Foundation works form the lowest and supporting parts of most construction works in Hong Kong. Quality of foundation works is essential to the safety of buildings, as superstructure works are constructed over and performed on top of the foundation works. Problems of sub-standard piling works affect building safety.

Foundation works delivered by our Group include bored piles, driven H-piles, socketed H-piles, mini-piles, footing foundation and pile caps. Different foundation works are used depending on the superstructure to be constructed (e.g. high-rise buildings against small structures), nature and occurrence of rocks and soils at the construction site, environmental protection consideration, neighbourhood of the construction site, costs and other features.

Site formation

Site formation works are performed to prepare a construction site to the required levels or topography for subsequent works for foundation, superstructure and other works such as construction of access roads, and temporary or permanent drainage system. They generally involve the clearance of construction site, demolition of existing structures, excavation by cut and fill to the design formation and/or basement level, site levelling reduction and stabilisation of existing slopes, formation of new slopes and associated infrastructure works (which include construction of road, drainage, sewage and water works).

Demolition works

Demolition works include dismantling, razing, destroying or wrecking any building or structure or any part thereof by pre-planned and controlled methods. We are generally responsible for carrying out the demolition works including precautionary measures in accordance with the approved plans and other related documents, and provide continuous supervision to the works.

BUSINESS

During the Track record Period and up to the Latest Practicable Date, we undertook 16 specialised building projects and revenue derived from the specialised building works during the Track Record Period amounted to approximately HK\$94.5 million, HK\$78.0 million and HK\$33.7 million, representing approximately 22.2%, 13.8% and 27.1% of our total revenue, respectively.

CONSTRUCTION PROJECTS

During the Track Record Period, the construction works undertaken by us were primarily in private sectors. The project period as provided under the contracts usually ranged from around 2 to 32 months, and the actual lengths of our projects (as officially extended by our customers, where applicable) usually ranged from around 2 to 36 months, depending on the size of the projects and the complexity of the works undertaken.

Projects completed

The following table sets out the details of the projects completed by us during the Track Record Period and up to the Latest Practicable Date:

Particulars of project	Main category of works	Project period (Note 2)	Contract sum (Note 3) (HK\$'000)	Amount of revenue recognised during the Track Record Period (HK\$'000)
Construction of a showcase bamboo pavilion at Sheung Yuet Road, Kowloon Bay	General building works — Superstructure	June 2015–October 2015	7,932	2,654 (FY2014: Nil FY2015: 108 Three months ended 30 September 2015: 2,546)
Refurbishment to changing room and toilets at Kowloon Tsai Sports Ground, Kowloon City (Note 1)	General building works — Fitting Out	June 2015–September 2015	4,499	4,000 (FY2014: Nil FY2015: Nil Three months ended 30 September 2015: 4,000)
Redevelopment project at Shanghai Street, Jordan	Specialised building works — Foundation	May 2015–November 2015	8,380	4,259 (FY2014: Nil FY2015: Nil Three months ended 30 September 2015: 4,259)
Fitting out works for multi storey car park in Kwai Fong (Note 1)	General building works — Fitting Out	March 2015–November 2015	1,885	Nil (Note 4)
Fitting out works for a park in Lai Chi Kok (Note 1)	General building works — Fitting Out	March 2015–June 2015	490	533 (FY2014: Nil FY2015: 533 Three months ended 30 September 2015: Nil)

BUSINESS

Particulars of project	Main category of works	Project period (Note 2)	Contract sum (Note 3) (HK\$'000)	Amount of revenue recognised during the Track Record Period (HK\$'000)
External wall canopy's structural and stabilisation work at Mok Cheong Street, Tokwawan	General building works — Consultant	February 2015– May 2015	400	400 (FY2014: Nil FY2015: 400 Three months ended 30 September 2015: Nil)
Alternation and addition works for hostel block at Mei Lai Road, Mei Foo	General building works — Fitting Out	January 2015– June 2015	10,780	10,282 (FY2014: Nil FY2015: 10,282 Three months ended 30 September 2015: Nil)
Residential development at Area N1d, Phase 16, Discovery Bay North	Specialised building works — Foundation	October 2014– November 2015	9,060	8,554 (FY2014: Nil FY2015: 8,536 Three months ended 30 September 2015: 18)
Fitting out works for elderly centre at Nathan Road, Mongkok	General building works — Fitting Out	September 2014– November 2014	2,388	2,267 (FY2014: Nil FY2015: 2,267 Three months ended 30 September 2015: Nil)
Fitting out works for early education and training centre at Mei Chuen House, Mei Tin Estate, Shatin	General building works — Fitting Out	August 2014– October 2014	4,078	3,607 (FY2014: Nil FY2015: 3,607 Three months ended 30 September 2015: Nil)
Renovation works for factory building at King Fuk Street, San Po Kong	General building works — Renovation works	July 2014– March 2015	2,750	2,750 (FY2014: Nil FY2015: 2,750 Three months ended 30 September 2015: Nil)
Redevelopment project at Ko Shing Street, Sheung Wan	Specialised building works — Demolition	February 2014– October 2014	2,198	1,738 (FY2014: 568 FY2015: 1,170 Three months ended 30 September 2015: Nil)

BUSINESS

Particulars of project	Main category of works	Project period (Note 2)	Contract sum (Note 3) (HK\$'000)	Amount of revenue recognised during the Track Record Period (HK\$'000)
Demolition and hoarding works at Gloucester Road, Wan Chai	Specialised building works — Demolition	June 2014– September 2014	6,800	6,300 (FY2014: Nil FY2015: 6,300 Three months ended 30 September 2015: Nil)
Fitting out works for integrated rehabilitation services centre at Woh Chai Street, Sham Shui Po	General building works — Fitting Out	June 2014– September 2014	21,780	19,601 (FY2014: 404 FY2015: 19,197 Three months ended 30 September 2015: Nil)
Foundation works at Kong Sin Wan Road, Pokfulam	Specialised building works — Foundation	June 2014–August 2015	60,420	52,445 (FY2014: Nil FY2015: 35,772 Three months ended 30 September 2015: 16,673)
Utility survey and trial pit excavation works for proposed commercial redevelopment at Queen's Road Central, Central	General building works — Superstructure	April 2014– August 2014	220	220 (FY2014: Nil FY2015: 220 Three months ended 30 September 2015: Nil)
Refurbishment of pool tiles for Sheung Shui Swimming Pool in Sheung Shui (Note 1)	General building works — Alternations and additions	November 2013– March 2014	3,590	3,756 (FY2014: 3,465 FY2015: 291 Three months ended 30 September 2015: Nil)
Fitting-out works for long stay care home at Tin Yip Road, Yuen Long	General building works — Fitting Out	November 2013– February 2014	21,380	20,300 (FY2014: 18,764 FY2015: 1,536 Three months ended 30 September 2015: Nil)
Ramp construction at Gascoigne Road, Jordan	General building works — Alternations and additions	August 2013– February 2015	33,262	27,197 (FY2014: 14,989 FY2015: 12,208 Three months ended 30 September 2015: Nil)

BUSINESS

Particulars of project	Main category of works	Project period (Note 2)	Contract sum (Note 3) (HK\$'000)	Amount of revenue recognised during the Track Record Period (HK\$'000)
Residential development at Lot 436, Siu Lam, Tuen Mun	Specialised building works — Foundation	August 2013– April 2014	28,200	31,100 (FY2014: 31,100 FY2015: Nil Three months ended 30 September 2015: Nil)
Residential redevelopment at Castle Peak Road, Tuen Mun	Specialised building works — Foundation	August 2013– March 2014	14,559	11,297 (FY2014: 11,209 FY2015: 88 Three months ended 30 September 2015: Nil)
Underground fuel oil tank at Tseung Kwan O Industrial Estate, Tseung Kwan O	General building works — Alterations and additions	June 2013– March 2014	21,637	19,380 (FY2014: 18,750 FY2015: 434 Three months ended 30 September 2015: 196)
Conversion of garment factory building at Kwai Cheong Road, Kwai Chung	General building works — Alterations and additions	June 2013– April 2015	403,865	308,359 (FY2014: 108,158 FY2015: 200,089 Three months ended 30 September 2015: 112)
Commercial re-development at Connaught Road, Central	General building works — Superstructure	March 2013– January 2015	101,000	85,609 (FY2014: 73,118 FY2015: 12,163 Three months ended 30 September 2015: 328)
Factory development at Dai King Street, Tai Po	Specialised building works — Foundation	February 2013– August 2013	24,500	2,513 (FY2014: 2,510 FY2015: 3 Three months ended 30 September 2015: Nil)
Alternation and addition works for a hotel at Sa Po Road, Kowloon City	General building works — Alternation and additions	January 2013– October 2013	8,300	3,322 (FY2014: 3,322 FY2015: Nil Three months ended 30 September 2015: Nil)

BUSINESS

Particulars of project	Main category of works	Project period (Note 2)	Contract sum (Note 3) (HK\$'000)	Amount of revenue recognised during the Track Record Period (HK\$'000)
Alteration and additional work at Kwai Cheong Road, Kwai Chung	General building works — Alteration and additions	March 2013– May 2013	2,700	55 (FY2014: 55 FY2015: Nil Three months ended 30 September 2015: Nil)
Piling foundation works at Chun Yeung Road, North Point	Specialised building works — Foundation	October 2012– December 2013	10,600	9,237 (FY2014: 9,210 FY2015: 27 Three months ended 30 September 2015: Nil)
Residential redevelopment at Begonia Road, Kowloon Tong	Specialised building works — Foundation	July 2012– December 2013	59,800	27,992 (FY2014: 27,992 FY2015: Nil Three months ended 30 September 2015: Nil)
Residential development at Pak Kung Street, Hung Hom	General building works — Superstructure	September 2012– November 2013	98,000	40,171 (FY2014: 37,793 FY2015: 2,378 Three months ended 30 September 2015: Nil)
Renovation works for a school at Queen's Road East, Wan Chai	Specialised building works — Foundation	January 2012– December 2012	26,386	619 (FY2014: 619 FY2015: Nil Three months ended 30 September 2015: Nil)
Residential development at Tai Tam Road, Hong Kong Island South	Specialised building works — Site formation and Foundation	March 2011– March 2014	40,080	9,921 (FY2014: 9,921 FY2015: Nil Three months ended 30 September 2015: Nil)
Alterations and additions works for data center at Tseung Kwan O Industrial Estate, Tseung Kwan O	General building works — Alterations and additions	September 2011– August 2012	39,338	754 (FY2014: 196 FY2015: 558 Three months ended 30 September 2015: Nil)

BUSINESS

Particulars of project	Main category of works	Project period (Note 2)	Contract sum (Note 3) (HK\$'000)	Amount of revenue recognised during the Track Record Period (HK\$'000)
Foundation works at Lot 414 Fu Tei, Tuen Mun	Specialised building works — Foundation	April 2012– December 2013	7,500	884 (FY2014: 884 FY2015: Nil Three months ended 30 September 2015: Nil)
Hotel development at Queen's Road West, Sheung Wan	Specialised building works — Foundation	March 2010– May 2014	19,000	485 (FY2014: 485 FY2015: Nil Three months ended 30 September 2015: Nil)
Fitting-out works for the elderly care centre at First Street, Sai Ying Pun	General building works — Fitting Out	January 2013– June 2013	20,480	3,754 (FY2014: 2,794 FY2015: 960 Three months ended 30 September 2015: Nil)
Development located at Parkes Street, Jordan	General building works — Superstructure	March 2014– December 2015	59,945 (Note 5)	118,016 (FY2014: 9,705 FY2015: 81,991 Three months ended 30 September 2015: 26,320) (Note 6)
			Total:	844,331 (FY2014: 386,011 FY2015: 403,868 Three months ended 30 September 2015: 54,452)

BUSINESS

Our Group as subcontractor:

Particulars of project	Main category of works	Project period (Note 2)	Contract sum (HK\$'000)	Amount of revenue recognised during the
				Track Record Period (HK\$'000)
Hotel development at Bonham Strand, Sheung Wan (Note 6)	General building works — Superstructure	April 2012– January 2014	71,866	26,410
				FY2014: 24,320
				FY2015: 2,090
				Three months ended 30 September 2015:
				<u>Nil</u>
Total:			26,410	
			(FY2014: 24,320	
			FY2015: 2,090	
			Three months ended 30 September 2015:	
			<u>Nil</u>	

Notes:

1. Only the customer of this project is from the public sector. The customers of the other projects are from the private sector.
2. Project period refers to the period from the date of actual commencement of our works to the date of completion of our works in such project stipulated on the practical completion certificates issued by the customers.
3. The contract sum refers to the contract sum stated in the original tender documents or contract, which is subject to adjustments due to variation orders and prolongation of the project period.
4. Our Group recognised the revenue for this project in October 2015 after the Track Record Period.
5. The contract sum of this project as stated in the contract does not take into account the works which are done by subcontractors nominated by the employer, and thus is less than the aggregate of the Group's revenue recognised during the Track Record Period and up to the Latest Practicable Date for this project, which aggregate sum includes the subcontracting fees received by our Group and paid to the nominated subcontractors for their works in accordance with the terms and conditions of the contract.
6. During the Track Record Period, our Group has only undertaken this one general building project as subcontractor. Nevertheless the duties and scope of the work of our Group in this project were substantially the same as the main contractor because the main contractor subcontracted substantially all of its works under the project to our Group.

BUSINESS

Projects in progress based on information available as at the Latest Practicable Date

As at the Latest Practicable Date, the aggregate contract values of our projects in progress amounted to approximately HK\$1,374.2 million. The following tables set out brief details of such projects in progress based on information available as at the Latest Practicable Date:

Particulars of project	Main category of works	Expected project period (Note 2)	Contract sum (Note 3) (HK\$'000)	Amount of revenue recognised during Track Record Period (HK\$'000)	Amount of revenue expected to be recognised after the Track Record Period for the		
					nine months ending 30 June 2016 (HK\$'000)	for the year ending 30 June 2017 (HK\$'000)	for the year ending 30 June 2018 (HK\$'000)
Fitting out works for a server room in Tai Po (Note 1)	General building works — Fitting out	August 2015–August 2016	3,998	Nil	3,198	800	—
Proposed Residential Redevelopment at Fu Shing Street, Tuen Mun	General building works — Superstructure	July 2015–June 2016	69,720	2,781 (FY2014: Nil FY2015: Nil Three months ended 30 September 2015: 2,781)	51,506	13,273	—
Construction of UPS Room located at On Po Lane, Tai Po (Note 1)	General building works — Fitting out	July 2015–August 2016	18,780	Nil	13,866	2,315	—
Proposed hotel development at Kimberley Street, Tsim Sha Tsui	General building works — Superstructure	April 2015–June 2017	156,190	10,631 (FY2014: Nil FY2015: 2,324 Three months ended 30 September 2015: 8,307)	53,995	91,460	4,480 (Note 5)

BUSINESS

Particulars of project	Main category of works	Expected project period (Note 2)	Contract sum (Note 3) (HK\$'000)	Amount of revenue recognised during Track Record Period (HK\$'000)	Amount of revenue expected to be recognised after the Track Record Period for the		
					nine months ending 30 June 2016 (HK\$'000)	for the year ending 30 June 2017 (HK\$'000)	for the year ending 30 June 2018 (HK\$'000)
Proposed redevelopment for hotel located at How Ming Street, Kwun Tong	General building works — Superstructure	March 2015–October 2017	477,068	22,974 (FY2014: Nil FY2015: 9,565 Three months ended 30 September 2015: 13,409)	118,331	278,267	45,096
Proposed commercial residential development located at Shun Ning Road, Sham Shui Po	Specialised building works — Foundation	October 2014–March 2016	58,800	38,812 (FY2014: Nil FY2015: 26,080 Three months ended 30 September 2015: 12,732)	17,215	—	—
Proposed residential redevelopment located at Lee Kung Street, Hung Hom	General building works — Superstructure	April 2014–March 2016	330,000	169,723 (FY2014: 15,028 FY2015: 122,267 Three months ended 30 September 2015: 32,428)	145,329	—	—
Demolition works for pharmaceutical manufacturing factory in Tai Po Industrial Estate	Specialised building works — Demolition	December 2015–April 2016	690	Nil	690	—	—
Improvement works for elderly centre in Kwun Tong	General building works — Fitting out	February 2016–April 2016	3,148	Nil	3,148	—	—
Residential development at Shun Ning Road, Shum Shui Po	General building works — Superstructure	March 2016–November 2017	255,829	Nil	18,053	140,079	97,697
Total:				244,921 (FY2014: 15,028 FY2015: 160,236 Three months ended 30 September 2015: 69,657)	425,331	526,194	147,273

BUSINESS

Notes:

1. The customers of these projects are from the public sector. The customers of the other projects are from the private sector.
2. Expected project period refers to the period from the date of commencement of our works to the expected date of completion of our scope of works as stipulated in the relevant contract (or expressly extended by the owner of the project, which may be subject to variation).
3. Contract sum refers to the contract value as stated in the original contract (and amended between the parties thereto, where applicable and is subject to adjustments due to variation orders and prolongation of the project period).
4. We act as main contractor in the projects in progress as at the Latest Practicable Date shown in the table above.
5. The revenue to be recognised from this project for the year ending 30 June 2018 is the revenue for certain building works under variation orders which are expected to be carried out by our Group within the financial year ending 30 June 2018 after the substantial completion of the project.

Project awarded but not commenced as at the Latest Practicable Date

As at the Latest Practicable Date, the aggregate contract value of the project awarded to us but not commenced amounted to approximately HK\$73.8 million. The following table sets out brief details of the project awarded to us but not commenced as at the Latest Practicable Date:

Particulars of project	Sector of our customer (Note 1)	Main category of works	Expected project period (Note 2)	Contract sum (Note 3) (HK\$'000)	Amount of revenue expected to be recognised after the Track Record Period (HK\$'000)
Foundation and ELS works for residential and commercial development In Tuen Mun	Private	Specialised building works — foundation and site formation	March 2016– August 2017	73,800	72,300 (Note 4)
			Total:	73,800	72,300

Notes:

1. This refers to the sector (i.e. public or private) to which our customer (i.e. the counterparty who signed contract with our Group) belongs.
2. Expected project period refers to the period from the date of commencement of our works to the expected date of completion of our scope of works as stipulated in the relevant contract.
3. Contract sum refers to the contract value as stated in the original contract.
4. A revenue amounting to approximately HK\$1.0 million, HK\$61.2 million and HK\$10.1 million is expected to be recognised in the nine months ending 30 June 2016 and each of the years ending 30 June 2017 and 2018, respectively. The total revenue of HK\$72.3 million expected to be recognised from this contract is less than the contract sum of HK\$73.8 million of this project because the contract sum includes a provisional sum of HK\$3.5 million for contingency, which may be expended in part or in whole, and our Group expects that HK\$2 million of this provisional sum will be expended.

Backlog

As at the Latest Practicable Date, we had ten projects which are in progress and one project which was awarded but not commenced, among which five, three and three of the eleven projects are expected to be completed in each of the years ending 30 June 2016, 2017 and 2018, respectively. Revenue of approximately HK\$426.3 million, HK\$587.4 million and HK\$157.4 million is estimated to be recognised for these projects in the nine months ending 30 June 2016 and each of the years ending 30 June 2017 and 2018, respectively.

SALES AND MARKETING AND CUSTOMERS

Sales and marketing

The projects undertaken by us are awarded by way of tender. In this connection, we believe that our proven track record, good relationship with customers and network in the industry as a result of our long presence in the industry are assets valuable to us in being invited to bid and winning tenders.

Having regard to the number and value of tender invitations and contracts awarded to us during the Track Record Period, we believe we maintain good relationship with our customers. We have contacts with architects and other consultants in the construction industry to keep us abreast of market development and potential business opportunities. Other marketing activities undertaken by our Group include putting up banners and/or signages displaying the names and logo of our trademark at construction sites where we work. Moreover, we believe that the Listing will be a breakthrough in promoting our Group to the construction industry as well as the general public, thus further enhancing our brand and future business development.

We do not maintain a specialised team of sales and marketing staff. Instead, the marketing works are mainly conducted by our executive Directors and senior management. For instance, our Directors and senior management may, from time to time, be engaged in business or social engagements (such as presentations or experience sharing sessions), attend workshops or campaigns organised by professional institutions and provide sponsorships to professional institutions. These activities help us maintain relationship with our customers and build our reputation in the market. From time to time, we may also send to prospective clients our Group's brochures for marketing.

Customers

Our customers (who are the counterparties to our contracts) may be divided into two categories: (a) private sector; and (b) public sector (including the Hong Kong Government and its related organisations).

The benefit for a contractor to only treat the projects whose immediate signing counterparty of the contracts are Government department as "public" projects (and excluding those projects whose ultimate owners are Government department but the main contractors are private companies) is for better credit risk management, as Government department by its nature will be less likely in default of payment comparing with private contractors as employers. Even when a contractor acts as subcontractor in projects whose ultimate owners are Government, as its immediate signing counterparty of the contract is a private main contractor, it (being the subcontractor) cannot enjoy benefit of the lower credit risk like when its counterparty is a Government department.

BUSINESS

Private sector

We usually engage in private sector projects. Our private sector customers mainly include companies engaged in property investment and development, social service organisation and education organisation in Hong Kong.

In some cases, construction works are undertaken by us as subcontractor via the administration of a general works main contractor. In such cases, the relevant private sector employer will enter into a main contract with the general works main contractor of the subject project which specifies, among other things, that the main contractor shall enter into a subcontract with a contractor with the requisite registrations. We will then enter into a subcontract with the main contractor and accordingly, the relevant private sector employer will be the employer of the project, while the main contractor is our direct customer.

Public sector

For projects which we directly enter into main contracts with the Hong Kong Government departments, we act as main contractor. In such cases, the Hong Kong Government (or the relevant works departments) will become the employer of the project as well as our direct customer.

Our revenue and gross profit attributable to the two sectors

The following tables set out the revenue, gross profit and gross profit margin attributable to our customers as categorised by public sector (including the Hong Kong Government and its related organisations) and private sector during the Track Record Period:

	FY2014			FY2015			Three months ended 30 September 2015		
	No. of projects (note)	Amount HK\$'000	Proportion %	No. of projects (note)	Amount HK\$'000	Proportion %	No. of projects (note)	Amount HK\$'000	Proportion %
Private	24	421,894	99.2	30	565,370	99.9	13	120,110	96.8
Public	1	3,465	0.8	2	824	0.1	1	3,999	3.2
Total	25	425,359	100.0	32	566,194	100.0	14	124,109	100.0

Note: The number of projects refers to the number of projects which generated revenue recognised by the Group during the financial year/period.

	FY2014		FY2015		Three months ended 30 September 2015	
	Gross profit margin HK\$'000	Gross profit margin %	Gross profit/ (loss) margin HK\$'000	Gross profit/ (loss) margin %	Gross profit margin HK\$'000	Gross profit margin %
Private	30,012	7.1	35,699	6.3	9,332	7.8
Public	83	2.4	(109)	(13.2)	65	1.6
Total	30,095	7.1	35,590	6.3	9,397	7.6

BUSINESS

During the Track Record Period, we focused on the building works in the private sector. However, our Group undertook one or two building works of relatively smaller contract sum for the public sector customers every year in the Track Record Period in order to have a job reference on at least one project every year for public sector customers. As our Group intended to have a more secured chance of success for the tender for such building works, our tender price for such building works was relatively competitive and thus resulted in a lower profit margin or even generated a gross loss for such building works during the Track Record Period.

Our top five customers

During the Track Record Period, our five largest customers accounted for approximately 65.4%, 84.8% and 81.7% of our revenue, respectively. We have not entered into any long-term master contracts with any of these customers. The following sets out the profile of our top five customers and the revenue they accounted for during the Track Record Period:

FY2014

Customer	Revenue and approximate percentage to the total turnover of our Group for that year (%)	The calendar year in which the customer first started to have business relationship with our Group	Principal business or sector of the customer	Main category of works undertaken by our Group for the customer
Customer A	HK\$108.2 million (25.4%)	2013	property investment and development	alteration and addition
Customer B	HK\$73.1 million (17.2%)	2000	property investment and development	superstructure
Customer C	HK\$37.8 million (8.9%)	2012	property investment and development	superstructure
Customer D	HK\$31.1 million (7.3%)	2009	property development	foundation
Customer E	HK\$28.0 million (6.6%)	2012	contractor for construction works	superstructure

BUSINESS

FY2015

Customer	Revenue and approximate percentage to the total turnover of our Group for that year (%)	The calendar year in which the customer first started to have business relationship with our Group	Principal business or sector of the customer	Main category of works undertaken by our Group for the customer
Customer A	HK\$202.4 million (35.7%)	2013	property investment and development	alteration and additions
Customer F	HK\$122.3 million (21.6%)	2014	property development	superstructure
Customer G	HK\$82.0 million (14.5%)	1998	property development	superstructure
Customer H	HK\$37.8 million (6.7%)	2009	social service organisation	fitting out
Customer I	HK\$35.8 million (6.3%)	2014	education organisation	foundation

Three months ended 30 September 2015

Customer	Revenue and approximate percentage to the total turnover of our Group for that period (%)	The calendar year in which the customer first started to have business relationship with our Group	Principal business or sector of the customer	Main category of works undertaken by our Group for the customer
Customer F	HK\$32.4 million (26.1%)	2014	property development	superstructure
Customer G	HK\$26.3 million (21.2%)	1998	property development	superstructure
Customer I	HK\$16.7 million (13.4%)	2014	education organisation	foundation
Customer J	HK\$13.4 million (10.8%)	2015	property development	superstructure
Customer K	HK\$12.7 million (10.2%)	2013	property development	foundation

None of our Directors, their associates or any Shareholder (who or which, to the best knowledge of the Directors, owns more than 5% of the issued share capital of the Company as at the Latest Practicable Date) has any interest in any of our five largest customers during the Track Record Period. All these five largest customers are Independent Third Parties. We are not aware that during the Track Record Period, our Group experienced any major disruption of business due to material delay or default of

payment by our customers due to their financial difficulties. Our Directors further confirm that they are not aware any of our major customers having experienced material financial difficulties that may materially affect our Group's business.

Key contract terms with our customers

The key terms of our contracts generally apply to all types of services provided by our Group. Generally, the major terms and conditions of the contracts between our customers and us (both as main contractor and subcontractor) include the scope of work, contractor's obligations, insurance, orders for variation, payment terms, retention money, guaranteed maintenance period, performance bonds and liquidated damages, duration of projects and termination of contract.

Scope of work

The scope of work is described and reference is made to detailed specifications and drawings annexed to the contracts. Nevertheless, the contracts usually stipulate that the scope of works described are not to be treated as exhaustive. We have to study all relevant documents and satisfy ourselves as to the full extent and nature of works to be completed.

Contractor's obligations

We, as main contractor, are responsible for, among other things, (i) organising, managing, planning and supervising the performance of the works; (ii) co-ordinating with the customer, subcontractors, and suppliers; (iii) providing and maintaining a safe site for works; (iv) carrying out the works with the materials, goods and workmanship of the types, standards and quality specified in the contract; and (v) carrying out the maintenance of equipment, plants and machinery where required.

Insurance

We are required to effect and maintain employees' compensation insurance in compliance with the provisions of the Employees' Compensation Ordinance in the joint names of our Group, the subcontractors and their respective sub-contractors of all tiers. We are also required to maintain contractors' all risks insurance that cover the basic scope as individually provided in the contract.

Orders for variation

The customer may issue instructions ordering variation to the design, quality or quantity of the works in the course of our performance of the relevant contract. Where the work for variation is the same as or similar in character to and is carried out under the same or similar conditions to the work prescribed in the contract, the rate for the work under the variation shall accord with the schedule of rates as provided in the contract. If there is no equivalent or similar items under the construction contract for reference, the customer and our Group will negotiate the adjustment in contract price based on reasonable cost and profit. If the parties fail to agree on the price at which the variation works are performed, the customer will be entitled to determine the price which is in its opinion reasonable.

Payment terms, retention money and guaranteed maintenance period

Please refer to the paragraph headed “Operating Procedures — Progress payment and retention money” below for details.

Performance bonds and liquidated damages

In order to secure due and timely performance of the main contractor, it is normal for customers in the private sector to request the main contractor to take performance bonds issued by a bank or an insurance company in favour of the customers. If we fail to observe the terms, conditions and specifications under the contract with the customer, the customer is entitled to seek compensation from the bank or the insurance company for financial losses incurred not exceeding the amount of the bond, and we will be required to reimburse the bank or the insurance company.

Generally, the amount of performance bond required for a project undertaken by us would not exceed 10% of the total contract sum. The performance bond normally expires after completion of the project. As at 30 June 2014 and 2015 and 30 September 2015, the amounts of outstanding performance bonds were approximately HK\$20.2 million, HK\$20.1 million and HK\$29.0 million respectively. During the Track Record Period, no performance bond was called by our customers.

It is also common to include in the main contract a liquidated damages clause in relation to the main contractor’s late completion of works. To provide for certain unforeseen circumstances which are beyond the control of the contractor (e.g. heavy rainfall, typhoon), a clause may be included in contracts only for “extension of time” which the contractor may use to offset liquidated damage claims arising out of possible late completion of works. In addition, a clause in relation to “extension of time” may be included for works arising out of “variation order” which are additional works beyond the scope of the original contract and performed at the request of the customer.

Duration of projects

Construction periods of our projects are affected by a wide range of factors (including technical complexity, geological conditions, input of machines and labour and expectation of employers) and may vary widely. Project duration may sometimes be lengthened due to unanticipated geological condition and exceptional technical complexities, for instance, adverse weather and variations of works.

Termination of contracts

Generally, our contracts provide that our customers are entitled to terminate the contract with us (either as main contractor or subcontractor) if we:

- without reasonable cause fail to commence or suspend the works, or fail to proceed with the works with due diligence;
- subcontract the works without written consent from the customer; or
- fail to remove defective materials or make good defective works after being instructed by the customer.

BUSINESS

On the other hand, for some private projects where we act as main contractor, we are entitled to terminate the contract if our customer fails to pay to us the amount due on any progress certificate within the period specified in the contract, or interferes with the issue of such certificate.

Specific term when we act as subcontractor

When we act as subcontractor in some projects, apart from those terms as disclosed above, the subcontracting agreement generally includes an additional term in relation to our obligation as subcontractor to observe the terms in the main contract.

Pricing policy

We generally adopt a cost-plus pricing model for setting our tender price. When we set our tender price, we usually take into account various factors including (i) the nature, scope and complexity of the project; (ii) estimated labour costs; (iii) estimated subcontracting fees; (iv) estimated type and amount of materials required; (v) project schedule proposed by the customer; and (vi) the then market condition.

It is important for us to assess the cost of the project prior to submit our tender so as to ensure the profitability of the works. We usually obtain pre-bid quotations from the suppliers and subcontractors for preparation of the bills of quantity or schedule of rates which forms part of the tender submission. The pre-bid quotation enables us to have a more accurate estimation on the project costs. Moreover there is usually a variation order clause in the contracts with the customers which allows us to execute additional works or modifications of the original scope of works.

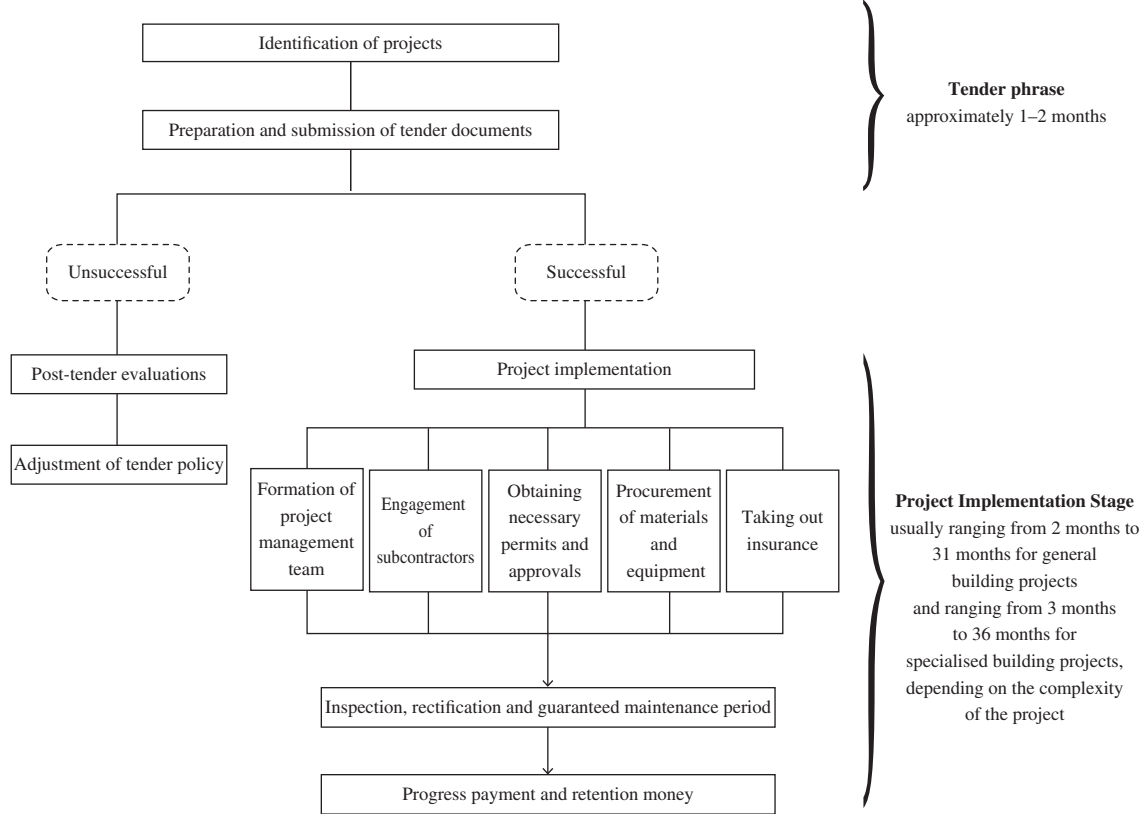
OPERATING PROCEDURES

The customer base, requisite technical expertise and relevant regulatory licences and qualifications relating to the general building works and the specialised 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 management of works contracts. 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.

BUSINESS

The key steps of our project workflows are as follows:



Identification of projects

Private sector projects

For private sector projects, private sector customers (such as property owner, developer or their professional consultants) usually issue invitation letter(s) to potential tenderers for their respective construction projects. Invitation letter(s) issued by private sector customers normally include brief description of the works required and 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.

Public sector projects

Contracts in the public sector in Hong Kong are normally awarded through open and competitive tendering procedures with a view to obtaining the best value for money. Tenders may be invited in the following ways:

(i) Open tendering

For government contracts with estimate value exceeding a certain limit, tender invitations are published in the Government Gazette and, if necessary, in the local press, on the Internet and in selected overseas journals. Tender invitations for works contracts under such limit may only be published in the web site of the Financial Services and the Treasury Bureau. All interested eligible contractors or suppliers are free to submit tenders.

(ii) Selective tendering

Tender invitations are published in the Government Gazette, on the Internet, and/or sent by letter to all contractors/suppliers on the relevant contractors list(s) as maintained by the Development Bureau for the purpose of selective tendering.

(iii) Pre-qualified tendering

Tender invitations are sent by letter to those pre-qualified suppliers/contractors approved by the Permanent Secretary for Financial Services and the Treasury. Invitations for pre-qualification will be published in the Government Gazette. If necessary, the invitations for pre-qualification will also be published on the Internet, local press and selected overseas journals for the particular trade/product. Consulates and trade commissions in Hong Kong and known suppliers/contractors will also be notified of the invitations for pre-qualification by letter, where appropriate.

(iv) Single and restricted tendering

Tender invitations are sent to only one or a limited number of contractors/suppliers approved by the Permanent Secretary for Financial Services and the Treasury or the Director of Government Logistics. This tendering method is only used when circumstances do not permit open tendering, for example, on grounds of extreme urgency or security, or for protection of patents or copyrights.

Construction services are procured by the individual works departments concerned under the general supervision of WBDB. In general, procuring departments are required to provide in the tender documents all the necessary information to assist the bidders to prepare their tenders, including standard contract forms covering the general aspects of tender and contract requirements, special conditions of contract, detailed price schedules, additional information and instructions applicable to a particular contract. The procuring department is responsible for evaluating the tenders to determine whether they meet the conditions and specifications laid down in the tender document. Tenders are generally evaluated by the formula approach or the marking scheme approach. These two methods basically involve a systematic evaluation of the tenderer experience, past performance record and particular technical ability. The formula approach is applied to general works projects. The marking scheme approach is generally used for non-recurring and relatively more complicated projects, which require evaluation on particular ability and past

experience on the contractor candidate. Both approaches take into consideration the quality of works of the tenderers in addition to their financial bids. For such reasons, a contract is not necessarily awarded to the lowest bid.

Public sector projects are sometimes contracted out by the main contractors to subcontractors, and such subcontractors may also be selected by way of tenders or upon private invitation. The selection criteria and process for subcontracting are determined by the main contractors.

Appointment of our Group as a subcontractor

From time to time, we are approached by main contractors of construction projects and requested to provide (after obtaining the preliminary specifications from the main contractors) an indication of our interest to act as their subcontractor in the subject projects. We believe that our Group is selected by main contractors mainly based on the information on the List of Registered Contractors maintained by the Buildings Department. Other factors that might be taken into account by main contractors include our Directors' connections, previous working relationship and referral from other customers or main contractors.

Preparation and submission of tender documents

Generally, we review the potential projects in hand to identify those which are profitable and manageable. We decide on which projects are to be pursued based on factors including (i) the scope, complexity and particular specification of the projects, (ii) our ability to meet the specified timetable, (iii) prior experience, (iv) availability of resources and expertise, (v) our current competitiveness and (vi) our financial conditions and the costs of the project.

Our executive Directors are principally in charge of all the tenders. Our Directors believe that tender review procedure is crucial to our business because most of our projects are secured through competitive tendering, and such review procedure allows us to conduct a preliminary assessment of the initial cash flow required to pay the set-up expenditures and the subsequent cash flow and accordingly budget for a project efficiently and accurately. Whether we are able to submit tender proposal at a competitive price with adequate profit margin and maintain our profitability depends on various factors, such as our ability to allocate manpower resources efficiently, select the appropriate subcontractors, procure materials and estimate and stay within the budget. Tender price is important, particularly for private sector projects, because once the tender price is fixed, the contractor generally will have to bear any additional costs incurred.

Pre-qualification

For projects requiring particular specialty on the part of the main contractor or for large-scale projects, we are required to make pre-qualification submission so as to allow the customer to assess our eligibility to tender. Our Directors believe that customers, in their assessment, take into account various factors, such as our organisation and resources, past job experience, proposed human resources deployment for the project, proposals for undertaking the project and safety and environmental protection track records.

Tender review and preparation process

Once we receive the tender documents, we will assess the feasibility of undertaking such project based on the technical requirements, completion time, quality expectation and possible risk factors associated with such project. In the event that we consider the project is commercially viable, our quantity surveyors will proceed to prepare for the tender submission.

The executive Directors and project managers of our Group review the requirements related to the projects in tender documents in order to ensure the requirements are adequately defined and that we have the capability to meet the defined requirements before submission of tender. Our project manager will also visit the site at which the project is to be taken in order to conduct a better assessment on the complexity of works to be involved.

Our quantity surveyors prepare the bill of quantities setting out a breakdown of quotation by items based on the scope of works and specifications set out in the tender invitation. We estimate the project costs by considering direct labour costs, subcontracting fees, construction material costs and insurance costs. We may obtain preliminary quotations from our suppliers, subcontractors and insurers in order to have a more accurate estimation on the project costs.

When reviewing a proposed tender, our executive Directors will, based on their experience and market knowledge, consider whether the tender is competitive in terms of pricing whilst certain level of profitability (having regard to the associated risks) can be achieved during their review of the tender documents.

Upon finalising the bill of quantities and other documents required for submission, our Group will submit the tender documents to the relevant counterparty. Our executive Directors takes the overall lead in the entire tender process and follows up with the potential customers on their requirements and the details of our tender.

In the event that the project requires particular specialty on the part of the main contractor, we may engage external consultants to advise on the assessment of the project and give recommendations.

For some contracts which we are allowed to recommend adjustment option(s) to the conforming design layout, appropriate adjustment proposals may be made by our project manager(s) (subject to approval by client or its authorised person) so as to reduce the cost of the project and to cope with uncertainties which may be encountered during construction.

It generally takes one to two months for us to prepare a tender submission. Our executive Directors will approve the tender submission before it is submitted. After the tender submission, we may be interviewed or enquired by the potential customer to clarify certain particulars of our tender submission. Generally it takes around one to five months before we are informed of the results of the tender.

BUSINESS

Tenders submitted during the Track Record Period

The table below sets out the number of projects tendered for and won by our Group for the Track Record Period by project nature:

	General building works		Specialised building works				
	Erection of architectural superstructure	Renovation, fitting-out, alteration and addition	Demolition	Site Formation	Foundation	Site Formation and Foundation	Total
FY2014							
Total number of projects tendered for	15	23	16	0	34	2	90
Total number of projects won	1	3	2	0	2	0	8
Success rate	6.7%	13.0%	12.5%	N/A	5.9%	0%	8.9%
FY2015							
Total number of projects tendered for	17	42	11	1	29	3	103
Total number of projects won	2	10	0	0	3	0	15
Success rate	11.8%	23.8%	0%	0%	10.3%	0%	14.6%
Three months ended 30 September 2015 and up to the Latest Practicable Date							
Total number of projects tendered for	11	13	5	0	16	0	45
Total number of projects won	1	2	1	0	1	0	5
Success rate	9.1%	15.4%	20%	N/A	6.3%	0%	11.1%

Our Group's strategy is to submit tenders for various categories of projects. This is to keep our presence in the market in order to remain on the contractors list, as well as to keep abreast of latest market requirements and pricing which is useful in tendering similar projects in future. Due to such strategy, the overall tender success rates of our Group were not high and fluctuated among the types of works during the Track Record Period as set out in the table above.

Our Directors consider that the price indicated in our tender submissions made in FY2015 might be slightly more competitive than other contractors, resulting in an increase of success rate in that financial year as compared with FY2014. We only may include more competitive terms selectively in few tender proposals, which are expected by us to generate satisfactory profits.

Since construction contracts are generally awarded on a project-by-project basis and contractors may take different pricing policies in setting their tender price. Our Directors consider that there is no industry standard in relation to the success rate of tendering in the construction industry. In light of the increase in revenue from approximately HK\$425.4 million for FY2014 to approximately HK\$566.2 million for FY2015 and the increase in profit from approximately HK\$12.5 million for FY2014 to approximately HK\$18.5 million for FY2015, respectively, our executive Directors consider that the lower success rate during the same period did not create material adverse effect on our financial condition and results of operation.

Project implementation

As a main contractor, we are responsible for the overall project planning and implementation, which includes arranging all necessary materials and expertise, providing technical know-how required for the works and carrying out the required project management so that the performance of the works is in accordance with the specifications and schedule agreed with the customers. As soon as we are formally engaged by our customer, we will submit a master programme, which is for the purpose of facilitating the overall management of the project, to our customer specifying (i) the organisation, management, planning, supervision and co-ordination of the works, (ii) the methods of construction and the resources for performance of the works, (iii) the names, particulars and job description of the site management and supervisory team personnel, and (iv) the sequence and timeframe for performance of the works.

The implementation process includes formation of a project management team, procurement of materials and equipment (if necessary) and engagement of subcontractors. Throughout the project implementation process, we generally assume the role of co-ordinating with customers, subcontractors and materials and equipment suppliers, and to take charge of the related management of these works. For details of procurement of materials and engagement of subcontractors, please refer to the paragraph headed “Suppliers and Subcontractors” below.

During the course of project implementation, we undertake regular monitoring, inspection, progress review and control over project expenses and payments so as to closely monitor and control the progress of the works of our subcontractors in accordance with our project schedule and budget. Our project manager prepares progress reports to our executive Directors on a bi-monthly basis. Such progress reports include works completed as of the date, issues encountered by workers and subcontractors, and actions to be taken compliance with the project schedule. We also hold progress meeting with the customer so as to report the progress of the works and discuss with it any major issues.

Formation of a project management team

Once a contract is awarded, usually a team will be formed to administer and supervise the implementation of the project. It generally comprises a general manager, a project manager, foremen, safety officers, site engineers and a number of technical staff chosen by the project manager. The project manager will report to our executive Directors regularly on the progress and status of the project and our executive Directors also closely monitor the progress of the project on a continuous basis to ensure compliance with the specifications agreed with the customer and the statutory requirements.

BUSINESS

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

Position	Responsibilities
General manager	Responsible for the overall operation of our Group including: ● establishing company policy ● reviewing management and promoting continual improvement ● reviewing resources and capability
Project manager	Responsible for assisting the general manager and performing the following functions: ● monitoring the overall operation of the project ● managing and controlling the operation of the project ● assessing the qualification and experience of all staff ● preparing and reviewing the project plan ● performing measurement ● improving the project
Assistant project manager	Responsible for: ● reviewing the customer requirement ● informing the related staff about the amended service requirement ● ensuring the fulfilment of the requirements in contracts
Site engineer/assistant engineer/ site agent	Responsible for: ● overseeing the engineering aspects of the development of the design, production of the construction documents in a project ● liaising with our customers and representatives of consultants on site
Site foreman	Responsible for: ● supervising at construction sites to ensure works are carried out in accordance with specifications and drawings ● checking all machinery and plant, including power and hand tools, to ensure their good condition
Safety officer	Responsible for: ● advising site management on safety issues and prevention of injury and legal requirements in respect of safety and health ● assisting with safety trainings for all levels of employees ● supervising the analysis and information on injuries and damage, assess accident trends and review overall safety performance ● recommending the use of posters, slides or films to promote awareness of injury prevention and damage control

BUSINESS

Position	Responsibilities
Safety supervisor	Responsible for: ● assisting the safety officer in promoting safety measures ● supervising the observance by the workers of the safety standards ● submitting weekly report to the safety officer
Quantity surveyor	Responsible for: ● preparing interim payment application ● preparing final accounts ● preparing subcontractors' interim payment ● executing site measurement works

Engagement of subcontractors

During the Track Record Period, we generally acted as the main contractor in our projects. Our Group subcontracts various parts of the project by trade on a back to back basis to our subcontractors in Hong Kong in order to minimise the number of employees employed directly by our Group, increase labour mobility and bring about cost efficiency. The works we subcontract to our subcontractors are generally labour intensive or require specific skill sets, such as demolition, hoarding, concreting, painting, redecoration and roofing. The scope of works to be subcontracted by our Group can be classified into labour only, labour and plants, labour and materials and/or plants only. Our Group will provide the other materials, plants or labour (as the case may be) to the subcontractors to enable them to carry out the works delegated.

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

Obtaining necessary permits and approvals

Our Group, as a main contractor, is required to obtain certain environmental permits and approvals in accordance with the applicable laws and regulations prior to commencement of a project. We apply to the relevant Government departments to obtain the requisite permits and approvals in relation to air pollution, waste disposal, noise pollution and others pursuant to environmental protection requirements. For further details of the necessary permits and approvals to be obtained by our Group, please refer to the paragraph headed “Laws and Regulations — Environmental Protection” in this prospectus.

Procurement of materials and equipment

Despite our subcontractors are generally required to equip themselves with the necessary materials for completing the works delegated to them, in order to ensure the quality of the materials to be used meets our customer's expectation and conforms to contractual requirement, our Group may purchase certain materials for our subcontractors. Where we require our subcontractors to equip themselves with the necessary construction materials, the costs of materials are generally included into the subcontract price. The major materials we purchase for our subcontractors include concrete and steel.

The materials we purchase are generally sent to the site directly by our suppliers. Our Group does not keep any materials as our inventory as the materials are procured on a project-by-project basis in accordance with the project specifications.

Most of the building construction works in our projects require the use of machinery. Our subcontractors are normally required to equip themselves with the necessary machinery for carrying out their works. For details on our machinery, please refer to the paragraph headed "Machinery" in this section.

Taking out insurances

Before the commencement of a project and in order to comply with the relevant laws and regulations in Hong Kong, our Group acting as the main contractor takes out the employees' compensation insurance and contractor's all risks insurance for the entire project. For further details of our insurance policy, please refer to the paragraph headed "Safety and Insurance — Insurance" in this section.

Inspection, rectification (if any) and guaranteed maintenance period

In the course of implementation and execution of the project, our project management team carries out regular quality check and inspection in order to ensure the conformity of the works performed by our subcontractors with the contractual specifications.

Our customers would normally require a guaranteed maintenance period (or back-to-back guaranteed maintenance period if we act as subcontractor), during which we are responsible for rectifying construction defects. When the works have been substantially completed and passed all inspections and tests required to be carried out in accordance with the contract, the customer will issue a practical completion certificate. The guaranteed maintenance period is usually 12 months from the date of the practical completion certificate, depending on the nature and scale of the project. In such connection, we may require a similar guaranteed maintenance period from our subcontractors.

Under the usual terms of the construction contracts, we shall finish all works that have not been completed and are liable to rectify all defective works (if any) during the guaranteed maintenance period. Our subcontractors conduct(s) rectification on the defective works identified by our customers. After completion of the rectification works, our customers or architects and/or engineers employed by them are required to issue a certificate indicating their satisfaction of the rectification works. During the Track Record Period, we did not experience any material claim by our customers in respect of our works, and have not made provision for any repair and maintenance cost in respect of defective works during the guaranteed maintenance period.

Progress payment and retention money

We normally receive progress payment from customers on a monthly basis with reference to the value of works done.

The following table sets out a typical timeline for receipt contract sums by our Group based on value of works done:

Milestone	Timeline
our Group sends to architects or engineers application for interim payment	usually monthly during contract period
authorised representative of customer issues progress certificate	certificate normally ranging from 30 days from the date of interim payment application
customer makes payment to our Group	approximately within 30 to 60 days from the date of issuance of progress certificate (or, as the case may be, presentation of invoice)
our Group receives half of the retention money from customer	upon the issue of certificate of completion of construction works under the contract
our Group receives the remaining half of the retention money from customers	upon the issue of certificate of completion of making good defect after the expiry of the maintenance period

In general, we send an interim payment application to the architect or engineers employed by our customers on a monthly basis according to the amount of works completed during the month. Once we send such monthly application, the authorised representative (who is usually the architect or quantity surveyor employed by the customers) will issue a progress certificate, certifying the works progress in the preceding month. It normally takes about 30 days from the date of interim payment application for such certificates to be issued. Following the issue of such certificate, the customer is generally obliged to pay our Group the amount certified less retention money. However, for certain private customers and at their request, our Group may issue a debit note or invoice based on the progress certificate issued. Payments are generally 30 to 60 days after the issue of the progress certificate by our customer (or, as the case may be, presentation of invoice).

In most construction contracts, there is a contract term for the customers to hold up retention money from the progress payment. The certified value retained at each stage is generally 5% to 10% of the progress payment. The maximum retention money for each project is generally 5% of the total contract sum. Generally, the first portion of the retention money is released within a period of time after the issue of certificate of completion of the project, and the second portion of the retention money is released to us after the issue of maintenance certificate after the expiry of the guaranteed maintenance period. As at 30 September 2015, unbilled retention receivables held by our customers included in amount due from customers for contract work amounted to approximately HK\$43.3 million.

BUSINESS

Our Group recognises construction contracts revenue based on the stage of completion of the respective contracts. Our customer (or its authorised person) will issue a progress certificate certifying the value of the construction work-in-progress for the preceding month. When recognising the construction contracts in progress at the end of the reporting period, the percentage of completion will be measured by the percentage of construction costs incurred to date as compared to the estimated total construction costs for the project.

Similarly, we normally pay our subcontractors on a monthly basis with reference to the value of the works done. If the main contract adopts milestone payment, we will, to the extent practicable, seek payment term for subcontractors on similar basis. We will release on a monthly basis to the subcontractor the relevant proportion of the subcontracting amounts within generally 30 to 60 days after we certify the work progress in the preceding month, but will hold up retention money. The retention money held by the Group from subcontractors is generally 5% to 10% of the monthly payment, subject to a maximum of 5% of the total contract sum. As at 30 September 2015, retention moneys payable to our subcontractors held by us amounted to approximately HK\$36.7 million.

Duration of our projects

The duration of our construction projects are affected by a number of factors, including but not limited to the nature of the projects, expectation of our customers, geological conditions, technical complexity, input of machines and labour and variation of works, and thus can vary widely. The expected project duration and completion time of a project is usually provided in the contract. The duration of our general building construction projects completed during the Track Record Period ranged from 2 months to 22 months and the duration of our specialised building projects completed during the Track Record Period usually ranged from 3 months to 36 months.

SUPPLIERS AND SUBCONTRACTORS

Procurement of materials and machinery

Most of the works involved in our foundation, site formation and demolition projects require the use of machinery and construction materials. In contrast, for general building works, machineries are used less extensively and we focus mainly on the procurement of the materials and equipment for general working purpose, which major equipment includes lifting gears, concreting equipment (such as vibration plate and vibration poker), temporary power supply equipment, air compressor, pump and hose (for dewatering) and breaking equipment (such as jack hammer and coring machine).

Our subcontractors are normally required to equip themselves with the necessary machinery for carrying out their works. On the other hand, in order to ensure that the quality of the materials to be used meets our customer's expectation and conforms to the contractual requirements, we may purchase certain materials for the subcontractors.

Major construction materials used by us include concrete, steel reinforcement bar, steel H-pile, mild steel casing, and fuel and oil, which are sourced by our Group in Hong Kong. In order to ensure the conformity of the quality of the materials with the contractual requirements, we may purchase materials from our suppliers. Proposed materials will be approved by the customer via our project management team prior to order. Among the major construction materials used, the cost of steel-type materials is usually the highest.

BUSINESS

Generally, unless the customers require us to select suppliers nominated by them, we select our suppliers from our approved list of suppliers. The amount and timing of construction materials to be ordered are assessed by the project manager of our project management team on a project-by-project basis depending on the progress of works and specific requirements of each project. Materials purchased by us are normally delivered by the supplier to the construction site directly. We generally do not keep excess inventory.

For general building works projects of which we are usually 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, including concrete and reinforcement steel. Our subcontractors are responsible for the procurement of construction materials required for them to complete their works. The construction materials purchased by subcontractors are usually paid by them and are inclusive under the subcontracting fees payable by us to them. We would take into account our estimated procurement costs of construction materials when considering the price of our tender before making tender application.

Generally, we select our suppliers based on their prices and past performances and none of our suppliers have entered into any long term supply agreements with us. We enter into agreements for supply of materials with our suppliers after we have been awarded a construction contract. We then place delivery order approximately from a few days to one month in advance depending on the types of materials to be ordered. During the Track Record Period, we have not experienced any significant delay in delivery of raw materials by our suppliers causing disruption to our works.

We generally adopt the following key terms in a standard contract made by us with a supplier for our purchases:

- (i) Product: the types of materials that our supplier is required to provide;
- (ii) Quantity: the amount of the specified materials that our Group required in that order;
- (iii) Price: the unit price and the total price of the materials ordered;
- (iv) Delivery time and location: the time and site location to where the materials should be delivered by our supplier. Since we place purchase orders for materials on a project-by-project basis and do not maintain a minimum inventory level, we generally require our suppliers to deliver the materials ordered directly to the site in accordance with our timetable; and
- (v) Payment terms: payments are usually settled by cheque or bank transfer in Hong Kong dollars. We normally settle the payment within 30 to 45 days upon delivery of the materials.

Payment terms

Materials, machinery and general works equipment purchased by us are normally settled by cheque payments in Hong Kong dollars. Our suppliers normally grant to us credit period of approximately 30 to 45 days.

BUSINESS

Construction materials costs and our five largest suppliers during the Track Record Period

We incurred approximately HK\$38.5 million, HK\$51.8 million and HK\$19.6 million in construction materials costs for FY2014, FY2015 and the three months ended 30 September 2015 respectively, representing approximately 9.7%, 9.8% and 17.1% of our total direct costs for each of the respective financial years and period. Construction materials costs incurred for our largest supplier (excluding our subcontractors) accounted for approximately 30.4%, 31.1% and 35.4% of our total construction materials costs for each of FY2014, FY2015 and the three months ended 30 September 2015 respectively, and construction materials costs incurred for our five largest suppliers (excluding our subcontractors) accounted for approximately 65.9%, 72.7% and 61.2% of our total construction materials costs for each of FY2014, FY2015 and the three months ended 30 September 2015. Our Directors consider that there are sufficient suppliers of direct materials (including concrete and cement, steel bars and other metal materials) in the market. As disclosed above, as there were about 196 suppliers on our approved list of suppliers as at the Latest Practicable Date, it is flexible for us to engage alternative suppliers.

The following sets out the profile of our five largest suppliers (excluding our subcontractors) and the material costs incurred for them for the Track Record Period:

FY2014

Supplier	Material costs and approximate percentage to the total material costs of our Group for that year	The calendar year in which the supplier first started to have business relationship with our Group	Principal business	Materials purchased
Supplier A	HK\$11.7 million (30.4%)	2003	Steel supplier	Steel reinforcement bar
Supplier B	HK\$5.8 million (15.0%)	2006	Concrete supplier	Concrete
Supplier C	HK\$3.5 million (9.2%)	2008	Steel supplier	H-steel pile
Supplier D	HK\$2.2 million (5.8%)	2012	Building material supplier	Tiles
Supplier E	HK\$2.1 million (5.5%)	2000	Concrete supplier	Concrete

BUSINESS

FY2015

Supplier	Material costs and approximate percentage to the total material costs of our Group for that year	The calendar year in which the supplier first started to have business relationship with our Group	Principal business	Materials purchased
Supplier B	HK\$16.1 million (31.1%)	2006	Concrete supplier	Concrete
Supplier F	HK\$7.9 million (15.2%)	2014	Steel supplier	Steel reinforcement bar
Supplier C	HK\$6.3 million (12.2%)	2008	Steel supplier	H-steel pile
Supplier A	HK\$5.2 million (10.1%)	2003	Steel supplier	Steel reinforcement bar
Supplier G	HK\$2.1 million (4.1%)	2005	Building material supplier	Mortar

Three months ended 30 September 2015

Supplier	Material costs and approximate percentage to the total material costs of our Group for that period	The calendar year in which the supplier first started to have business relationship with our Group	Principal business	Materials purchased
Supplier A	HK\$6.9 million (35.4%)	2003	Steel supplier	Steel reinforcement bar
Supplier H	HK\$1.5 million (7.7%)	2015	Concrete supplier	Concrete
Supplier I	HK\$1.5 million (7.7%)	2014	Steel supplier	H-steel pile
Supplier C	HK\$1.1 million (5.4%)	2008	Steel supplier	H-steel pile
Supplier J	HK\$1.0 million (5.0%)	2014	Building material supplier	Tiles

BUSINESS

None of our Directors, their associates or any Shareholders (who or which, to the best knowledge of our Directors, owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) have any interest in any of our five largest suppliers (excluding our subcontractors) during the Track Record Period. All these five largest suppliers are Independent Third Parties.

Inventory

We did not record inventory during the Track Record Period mainly because (i) the construction materials were usually delivered by our suppliers directly to our construction sites for immediate consumption and (ii) our Group generally did not keep excess inventory of construction materials due to limited storage space.

Our Directors consider that the amounts of construction materials remained at our construction sites as at 30 June 2014 and 2015 and 30 September 2015 were insignificant to our Group. Accordingly, the costs of construction materials were accounted for as an expense and included in direct costs in the combined statements of profit or loss and other comprehensive income of our Group for the Track Record Period.

Subcontracting

In line with the usual practice of the construction industry in Hong Kong, we do not maintain a large workforce of skilled labour in different specialised areas and semi-skilled labour. To maximise our cost efficiency and flexibility, and to utilise the expertise of other properly qualified contractors, we engage third party subcontractors to perform various parts of the works under our contracts. As such, we are able to undertake projects which are labour intensive and require specific construction skills through a significant pool of workers and technical staff in specific trades without the need to keep them as our employees. Such arrangement enables us to focus on quality control and overall project management and in turn allows us to deploy our resources in a more cost-effective manner.

Our subcontractors are not our employees or agents. We do not have any employment arrangement with our subcontractors and their employees.

Our major subcontractors include private companies and sole proprietors which have the skills and manpower available to carry out the works subcontracted to them.

For our general building works, we delegate the construction works to our subcontractors. The works subcontracted include installation of lifts, aluminum windows, louvres, glass balustrade, curtain wall and cladding and interior fitting out works.

For our specialised building works, we also subcontract the construction works to qualified subcontractors by entering into separate contracts with them. The works subcontracted include welding, steel bar fixing, concrete coring, excavation, pile cap construction, site investigation and foundation layout design.

Usual terms of contracts with our subcontractors

We generally enter into subcontracting agreements with the subcontractors on a project-by-project basis. The terms of our contracts with subcontractors, to certain extent, vary in accordance with the terms of the main contracts with our customers or main contractors (as the case may be) to meet the contractual requirements of our employers. However we generally adopt the following principal terms in a typical contract made by us with a subcontractor for any major works:

- scope of works and subcontracting rates or price, which will provide that it is inclusive of the costs of construction materials, labour costs and miscellaneous expenses to be incurred by the subcontractor. The scope of works subcontracted by us may be classified into (i) labour only, and (ii) labour with plants and/or materials;
- rights and obligations of the parties, such as the arrangement as to who is responsible for effecting relevant insurance, the subcontractor's obligations to observe the terms in the main contract and to procure construction materials;
- compliance, where the subcontractor is obliged to comply with all the relevant rules and regulations in connection with the works and the subcontractor's responsibilities and policies relating to quality control, work safety and environmental protection;
- prohibition of assignment or subcontracting by the subcontractor of all of their works under the subcontracting agreement, unless with the prior consent of the architect of our customer (in case of nominated subcontractor) and us;
- liquidated damages, which are payable by the subcontractor if the subcontractor fails to complete the works before the specified completion date;
- defect liability/maintenance period, which we generally require a period of 12 months from our subcontractors, during which our subcontractors are responsible to rectify all works defects identified by us or our customers;
- insurance which we are responsible for maintaining employees' compensation insurance against the employees of our subcontractors and any further subcontractor down the tier whereas our subcontractors are generally responsible for taking out separate insurance for their plants, machineries and equipment;
- order for variation, in respect of which we have the right to order variation and the rate for the works under such variation order(s) shall be determined with reference to the schedules of rates and/or bills of quantity as provided in the relevant contract. Should there be no equivalent items or similar items under the contract for reference, our subcontractors and our Group will negotiate the adjustment in contract price based on reasonable cost and profit. Where consensus cannot be reached, our Group is entitled to fix the price which, is in our opinion, reasonable;

BUSINESS

- retention money, where we will retain, which is generally 5% to 10% of the monthly payment, subject to a maximum of 5% of the total contract sum. The retention money would be released to the subcontractor generally upon completion of the guaranteed maintenance period. The amount payable to the subcontractor is the payment amount of works of our subcontractor as certified in the payment certificate issued by our customer or its consultant monthly;
- termination, which provides for our right to terminate the subcontracting agreement in the event that subcontractor suspends its works without reasonable cause, and subcontractor persistently neglects to rectify defective works or remove improper materials; and
- undertakings by subcontractor to indemnify our Group against:
 - (i) any breach, non-observance or non-performance by the subcontractor or its servants or agents of the provisions of the main contract;
 - (ii) any act or omission of the subcontractor, its servants or agents which involves our Group in any liability to our customer under the main contract;
 - (iii) any claim, damage, loss or expense due to or resulting from any negligence or breach of duty or relevant rules and regulations on the part of the subcontractor, its servant or agents; and
 - (iv) any loss or damage resulting from any claim under any statute in force for the time being by an employee of the subcontractor in respect of personal injury arising out of or in the course of his employment.

Criteria for selecting subcontractors

There are two types of subcontractors, namely, (i) those who are nominated by our customers and (ii) those selected by us. The pricing and major contractual terms (i.e. those as disclosed in the paragraph headed “Suppliers and Subcontractors — Usual terms of contracts with our subcontractors” above and payment method as disclosed in the paragraph headed “Subcontracting charges and payment to our subcontractors” below) of these two types of subcontractors are substantially similar, save for the subcontractors selected by us, the relevant subcontractors are usually not prohibited to assign or further subcontract.

Where a subcontractor is nominated by a customer, we generally retain the right to make reasonable objection and are not required to enter into a subcontract with the nominated subcontractor on grounds such as (i) the nominated subcontractor has poor safety record; (ii) the nominated subcontractor does not have the financial standing, solvency, technical competency or reliability to carry out the works to be delegated to it; and (iii) it is not financially viable to engage such nominated subcontractor in the light of the relevant contract sum. A nominated subcontractor is also subject to the same quality and safety measures as other subcontractors. If a nominated subcontractor causes any delay or disruption in the carrying out of the works, we are entitled to seek an extension of time from the customer without subjecting to any liquidated damages or penalty.

BUSINESS

The subcontracting charges incurred by us attributable to these two types of subcontractors during the Track Record Period are as follows:

Our subcontractors	Subcontracting charges incurred in					
	FY2014		FY2015		Three months ended 30 September 2015	
	Amount (HK\$ million)	Proportion (%)	Amount (HK\$ million)	Proportion (%)	Amount (HK\$ million)	Proportion (%)
Nominated by our customers	89.9	29.4	177.5	40.8	32.7	38.7
Selected by us	215.8	70.6	257.3	59.2	51.7	61.3
Total	305.7	100.0	434.8	100.0	84.4	100.0

All of our subcontractors are Independent Third Parties, except for Good Rise Engineering Limited (which had been owned as to 40% by Mr. Kwok, our executive Director and Controlling Shareholder). Further details of the subcontract works to Good Rise Engineering Limited during the Track Record Period are set out in the paragraph headed “Connected Transactions — Discontinued Connected Transactions — 1. Subcontract works by WM Construction to Good Rise” in this prospectus. We maintain a pre-approved list of subcontractors which is updated on an ongoing basis and generally select the subcontractors from the list based on their technical expertise, human resources, financial background, management structure, past performance, safety and compliance records, reputation and quotations.

Vicarious liability and control measures

In general, we are liable to our customers for the performance of our subcontractors under the main contract entered into between us and our customers. These include the acts, defaults or neglects of the subcontractors.

As a safeguard, subcontractors are required to observe, perform and comply with all the provisions under the main contracts of the relevant projects entered into between us and our customers, and they are deemed to have notice of most of the provisions of the main contracts. They shall send representatives to attend site meetings with us regularly or coordination meetings if so required by us. Usually they are required to order materials and equipment with reference to our requirements. Subcontractors are also responsible for making good all defects, shrinkages or other faults in the subcontract works within a reasonable time after receiving instructions from us.

As a further safeguard, we have been taking out employees’ compensation insurance to cover compensation and costs liable by our Group for personal injuries of the employees of our subcontractors in respect of the relevant construction project. As for the employees’ compensation claims and personal injuries claims, our Group was covered by the relevant insurance policies during the Track Record Period and up to the Latest Practicable Date. Please refer to the paragraph headed “Safety and Insurance — Insurance” in this section for further details.

BUSINESS

In order to monitor the performance of our subcontractors and to ensure that our subcontractors comply with the terms of the subcontracting agreement and the relevant laws, rules and regulations, we have put in place the following control measures:

- management team members act in accordance with the manuals of our quality management system;
- regular internal re-evaluation is carried out by our project team members on the subcontractors' compliance with the contractual specifications and timetable;
- regular and ad hoc meetings are conducted with the subcontractor's responsible personnel to review the performance of the subcontractor; and
- a monetary penalty scheme is imposed on the subcontractors such that their subcontracting charges will be deducted in accordance with their breach of our safety rules.

Employees of our subcontractors are required to possess all relevant certificates as required under the relevant laws and regulations. To ensure that they possess such certificates, our subcontractors are not permitted to commence any construction works, unless all the relevant certificates of their employees required for the carrying out of the construction works are given to the relevant project management team for registration. We are also committed to the prohibition of recruitment of illegal workers. We require all workers (including those employed by our subcontractors) entering our construction sites to gain entry on arrival using their access cards which contain their record. Those who fail to produce their access cards will be denied access to our construction sites.

List of our subcontractors

Our Directors believe that we maintain good working relationship with our subcontractors. Up to the Latest Practicable Date, one of our top five subcontractors had business relationships with us for at least 20 years. 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. To avoid relying on a few subcontractors to perform tasks which require specific skills, we maintain more than one subcontractor for each area of expertise on our pre-approved list of subcontractors, such as lifts installation and interior fitting out works. During the Track Record Period, we did not experience any material shortage or delay in the supply of services which we required from the subcontractors.

Subcontracting charges and payment to our subcontractors

We usually apply for the issuance of payment certificate from the architect or surveyor employed by the customer certifying the work progress done by us and our subcontractors (if any) on a monthly basis, upon receiving the application from our subcontractors. Our customers are then required to make payments within approximately 30 to 60 days after the issuance of the payment certificate. We usually specify in the subcontracts that payments to our subcontractors are made by us 30 to 60 days after we have certified the work progress done by our subcontractors, and the amount payable is determined in accordance with the amount as specified in the payment certificate.

BUSINESS

In order to manage our cash flows in terms of matching of payments from customers with payments to subcontractors, our quantity surveyors would closely monitor the incoming and outgoing cash flows. Our quantity surveyors also regularly conducts aging analysis of accounts receivable from our customers.

The subcontracting charges incurred by us amounted to approximately HK\$305.7 million, HK\$434.8 million and HK\$84.4 million for FY2014, FY2015 and the three months ended 30 September 2015 respectively, representing approximately 77.3%, 81.9% and 73.6% of our total direct costs for each of the respective periods. For each individual project, the amount of subcontracting charges payable are largely dependent on the nature and method of construction works required.

Our five largest subcontractors during the Track Record Period

The extent of involvement of subcontractors, and thus the subcontracting charges, are considered and estimated when we prepare for tendering of each project. Accordingly, our Directors believe that the slight fluctuation of subcontracting charges, if any, will not have material impact to our Group's financial performance, save for the gross profit margin which is affected by the proportion of subcontracting charges relative to total revenue. Subcontracting charges attributable to our largest subcontractor accounted for approximately 12.7%, 12.9% and 16.1% of our total subcontracting charges for each of FY2014, FY2015 and the three months ended 30 September 2015 respectively, while our five largest subcontractors accounted for approximately 42.7%, 42.6% and 42.8% of our total subcontracting charges for each of the corresponding periods. Our Directors consider that there are sufficient subcontractors in the market which are suitable for us to delegate some of our works. As we had about 235 subcontractors on our approved list of subcontractors as at the Latest Practicable Date, we are flexible to engage alternative subcontractors to take up part of our works.

The following sets out the profile of our five largest subcontractors in the Track Record Period:

For FY2014

	Value of subcontracting works performed and approximate percentage to the total subcontracting fees	The calendar year in which the subcontractor first started to have business relationship with our Group	Services provided
	<i>HK\$ (%)</i>		
Subcontractor A	HK\$38.7 million (12.7%)	2009	ELS works
Subcontractor B	HK\$29.6 million (9.7%)	2013	Electrical and mechanical services
Subcontractor C	HK\$24.2 million (7.9%)	2013	Aluminium window and curtain wall works
Subcontractor D	HK\$21.4 million (7.0%)	2003	Formwork services
Subcontractor E	HK\$16.4 million (5.4%)	1995	Aluminium window and curtain wall works

BUSINESS

For FY2015

	Value of subcontracting works performed and approximate percentage to the total subcontracting fees HK\$ (%)	The calendar year in which the subcontractor first started to have business relationship with our Group	Services provided
Subcontractor B	HK\$56.2 million (12.9%)	2013	Electrical and mechanical services
Subcontractor F	HK\$43.8 million (10.1%)	2013	Fitting works
Subcontractor D	HK\$35.5 million (8.2%)	2003	Formwork services
Subcontractor A	HK\$28.9 million (6.6%)	2009	ELS works
Subcontractor G	HK\$21.0 million (4.8%)	2013	Fitting out works

For the three months ended 30 September 2015

	Value of subcontracting works performed and approximate percentage to the total subcontracting fees HK\$ (%)	The calendar year in which the subcontractor first started to have business relationship with our Group	Services provided
Subcontractor H	HK\$13.5 million (16.1%)	2007	Piling works
Subcontractor I	HK\$7.7 million (9.1%)	2015	Fitting out works
Subcontractor J	HK\$6.1 million (7.2%)	2014	Curtain wall works
Subcontractor K	HK\$4.9 million (5.8%)	2014	Fire services, plumbing and drainage, electrical, air-condition installation
Subcontractor L	HK\$3.8 million (4.6%)	2015	Fitting out works

None of our Directors, their associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) has any interest in any of our five largest subcontractors during the Track Record Period. All these five largest subcontractors during the Track Record Period are Independent Third Parties.

MACHINERY

As disclosed in the paragraph “Suppliers and subcontractors — Procurement of materials and machinery” of this section above, most of the works involved in our foundation and site formation projects require the use of machinery. We normally require our subcontractors to equip themselves with the machinery required for carrying out the works delegated to them and provide the necessary workers for operation of the machinery. Where the use of the machinery is required in performing the works delegated and our subcontractors are responsible for providing such machinery, they are required under the subcontracting agreement to ensure that all machinery used complied with the relevant statutory safety requirements and the subcontractors are fully liable for all personal injuries and penalties due to the breach of the statutory safety requirements.

CREDIT POLICY

After entering a formal contract, we will closely monitor the payments from the customers pursuant to the terms of the contract. We submit to the customer payment application for interim payment on a monthly basis in respect of the value of work performed by our subcontractors and us in the preceding month. The applications generally include the estimated fee and description of the work done and the list of the construction materials delivered to the site. The architect or surveyor of the customer will then perform inspection and certify the value of work done. The interim certificate is usually issued by the customer within 30 days after the date of interim payment application. Settlement is monitored by our accounts department. For outstanding balances overdue, our management and project team will be alerted and take appropriate follow up action.

For construction works, credit terms given to our customers are generally set out in the relevant contract. Generally, payment is due about 30 to 60 days after the issue of the progress certificate by the authorised person or the invoice date of the relevant contract revenue (as the case may be). Settlement is normally made in cheque. As at 30 June 2014 and 2015 and 30 September 2015, our trade receivables were approximately HK\$57.2 million, HK\$69.5 million and HK\$52.0 million, respectively. The number of trade receivable turnover days is approximately 39.5 days, 40.8 days and 44.6 days for FY2014, FY2015 and the three months ended 30 September 2015 respectively.

We did not make any allowance for doubtful debts during the Track Record Period. Our Directors may determine specific allowance for doubtful debts on a case-by-case basis. Factors taken into account for such purpose includes length of business relationship, past reputation, financial strength and repayment history of the relevant customers.

QUALITY CONTROL

Our Directors believe that our financial results and hence our profits depend on our ability to meet our customers’ requirements. We place strong emphasis on quality control as it would assure completing works to meet or exceed our employer’s requirements, and it is also crucial for building safety, job reference and future business opportunities.

We have established formal quality management system in accordance with the requirements of ISO 9001 standards, by which we develop a sustainable performance-oriented culture with an emphasis on pursuing continuous improvement rather than adopting a short-term and project based approach. The quality management system of WM Construction, which is applicable to construction of buildings,

demolition of buildings with demolition design, construction of civil engineering works (site formation) and design and construction of foundation, was certified to comply with ISO 9001:2000 quality management system standard by Hong Kong Quality Assurance Agency in April 2003, and was subsequently certified to comply with ISO 9001:2008 quality management system standard by Castco Certification Services Limited in April 2010. The validity of such ISO 9001:2008 certification is subject to the continuing satisfactory operation of our management system and surveillance audits.

Our relevant project management team comprising our project manager and site agent is responsible for the quality control of each project. To ensure our works meet the required standards, we normally assign a site agent at each of the construction sites. Such site agent is responsible for monitoring the quality of works carried out by our subcontractors. Our project managers are responsible for monitoring progress and quality of works and ensuring that works are completed according to schedule. Furthermore, our project management team communicate frequently with and report to our executive Directors. Our executive Directors closely monitor the progress of each project to ensure that the 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 regulations and codes applicable to the works.

With regard to construction materials, unless our customers require us to order from designated suppliers, we generally procure materials from the list of our internally approved suppliers which we have satisfactory past business relationship in terms of consistency of quality. The Group will also engage independent experts to perform quality test on sample materials.

Our customers also carry out supervision to our building works at various stages of the project. The other quality control measures under our quality management system include:

- quality objectives are set and constantly reviewed after taking into account complaints, compliments and feedback from customers and subcontractors;
- a work method statement, which sets out the way a task or process is completed, is prepared by the project manager and submitted to the architect of the customer for approval before commencement of works;
- internal audit on the quality management system is performed on an annual basis for the purpose of assessing the extent to which the quality objectives have been achieved and ascertaining the degree of compliance with ISO 9001:2008 standard for quality management; and
- records such as inspection and test records, submissions, approvals and certificates of completion are maintained.

During the Track Record Period, there were no material disputes between our customers and us in respect of the quality of the works performed by us and/or our subcontractors.

BUSINESS

CERTIFICATION

The following table sets out the certification received by us in relation to our quality management system:

Year of grant	Period of validity	Description	Recipient	Awarding organisation/entity
2010	7 April 2010 to 6 April 2016	ISO 9001:2008 Quality Management System	WM Construction	Castco Certification Services Limited

The above certification may not be necessary for the provision of our services in Hong Kong. Our Directors believe that it could boost our corporate image and enhance our existing and potential customers' confidence towards our quality of work and services.

ENVIRONMENT

Our business is subject to the applicable laws and regulations in relation to environmental protection. Please refer to the section headed "Laws and Regulations" in this prospectus for further information about such laws and regulations.

We are committed to minimisation of any adverse impact on the environment resulting from our business activities to fulfill our responsibilities to the community, our customers which are environmentally conscious as well as the global and local environment.

We require our subcontractors to comply with our environmental management plan. Our staff are encouraged to contribute towards sustainability by adopting environmentally friendly construction method and planning their works to eliminate waste efficiently and to the maximum extent with a view to achieving long-term cost savings.

During the course of carrying out construction works, noise and vibration are inevitably generated through the use of our machinery. If the situation permits, we strive to minimise disturbances to residents in the vicinity of our construction sites. Generally speaking, the hours for operation is from 7:00 a.m. to 7:00 p.m. Monday to Saturday, and for percussive piles, the machines may only be permitted to operate for three hours a day in urban areas. Works are generally not permitted on Sunday and public holidays. Although we strictly adhere to the restricted hours of operations stipulated in the construction noise permit, we may from time to time receive complaints from nearby residents regarding disturbances caused by operation of our machinery. Under such circumstances, we will work with the person making the complaint with the aim of introducing measures to mitigate the disturbances caused.

The following are other environmental protection measures adopted by our Group:

- the project manager monitors all site operations which have significant environmental impact and ensure compliance with applicable environmental legislations, regulations and requirements;
- we provide education and training to our employees, subcontractors and workers on performance of the works in an environmentally friendly manner;

BUSINESS

- we collect feedback and suggestions from the customers and subcontractors for improvements in our environmental management system;
- advisory and warning signs, environmental labels and posters are displayed at the prominent locations around the work sites to enhance environmental awareness of the site personnel; and
- acoustic blankets are used at construction sites to minimise noise caused by constructions.

During the Track Record Period, the annual cost of compliance with applicable environmental laws and regulations in Hong Kong amounted to approximately HK\$2.5 million, HK\$3.3 million and HK\$0.7 million, respectively, which comprised levy for the Pneumoconiosis Compensation Fund on our projects.

During the Track Record Period and up to the Latest Practicable Date, we had no material non-compliance or violations on applicable environmental laws and regulations.

SAFETY AND INSURANCE

Health and work safety

We are concerned with the health and safety of our employees and we are committed to providing a safe and healthy working environment for the benefit of our staff, our subcontractors and the general public. To this end, we implement safety plan to promote occupational health and safety at construction sites and to ensure compliance with the applicable laws and regulations in Hong Kong.

Our safety plan is documented in writing and supplemented with instructions, training and demonstrations. We require strict implementation of and adherence to our safety plan. In addition, we have qualified safety officers approved by the Labour Department to monitor and implement our safety plan. 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 plan adopted and used during the Track Record Period sets out work safety measures to prevent common accidents which could happen at construction sites. Some details of our safety plan are set out below:

- Safety policies, objectives and record are documented, maintained and displayed in the sites and offices.
- The safety officer of a project will prepare a project safety plan at the commencement of the project. He will identify in such plan those operations and activities that are associated with identified hazards and will prescribe measures to control the identified risks.
- We provide internal training to all the staff of our Group on safety to enhance their knowledge. Special safety trainings are recommended for workers engaged in hazardous tasks, where necessary.
- All persons on site are required to receive site safety induction training before they commence working on site.

BUSINESS

- Tool box talks, safety activities and safety trainings are given by the safety officer to workers in order to enhance safety awareness of the workers.
- All personnel as well as the subcontractors and their workers are required to follow the general safety rules and the safety policies and measures adopted by the Group which are posted on conspicuous notice boards. Anyone who breaches any such rules will be subject to internal disciplinary actions.
- Site inspections and visits are carried out by our safety officers bi-weekly to ensure compliance with statutory provisions by all workers including subcontractors' employees.

Under the Factories and Industrial Undertakings (Safety Management) Regulation ("Safety Management Regulation"), contractors of certain industrial undertakings are required to develop, implement and maintain in respect of the undertakings a safety management system which contains a number of key process elements. Schedule 3 of the Safety Management Regulation prescribes the contractors who are required to develop, implement and maintain a safety management system. These contractors include, for instance, a contractor in relation to construction works (i) with a contract value of HK\$100 million or more, or (ii) having an aggregate of 100 or more workers in a day working in a single construction site. Such contractors are also required to have the system regularly (i.e. at least every 12 months) audited or reviewed. The purpose of safety audit includes an overall review and assessment of the (i) effectiveness and efficiency of the safety management system, and (ii) the application of the safety procedures on the site practice. During the Track Record Period, we appointed an independent safety auditor (who was registered with the Labour Department) to conduct several safety audits on WM Construction as required under the Safety Management Regulation.

Reportable accidents

Due to the nature of works in the construction industry, risks of accidents or injuries to workers are inherent. Although our Group has been implementing safety plan to mitigate such safety risks, the occurrence of accidents to workers at construction sites cannot be completely eliminated. For FY2014, FY2015 and the three months ended 30 September 2015, we recorded 2, 13 and 2 "reportable accidents", respectively. Four reportable accidents were recorded during the period from 1 October 2015 up to the Latest Practicable Date. "Reportable accidents" means workplace accidents that are required to be reported to an occupational safety officer of the Labour Department. For any accident that results in an employee being incapacitated from working for at least three days, the accident should be reported in writing within seven days after the date of accident. For more serious accidents that involve death or serious bodily injury to an employee, the employer has to notify the Labour Department within 24 hours after the accident.

Among the 21 reportable accidents, two involved injuries to workers employed by our Group and the remaining involved injuries to workers employed by our subcontractors. In 12 of the 21 reportable accidents, the injured persons resolved the claims with our insurers before any court action had been taken against the insurers and/or our Group. The aggregate amount settled between the insurers and the injured persons for the said 12 accidents is approximately HK\$0.7 million, which was fully covered by insurance. In relation to the other nine injured workers, eight were still in their sick leave period as at the Latest Practicable Date and the Group has not received any claim from either of them or the relevant

authorities yet or the injured workers are still receiving or have received periodical payments; and one has filed claim against our Group (details of which are disclosed in the paragraph headed “Litigation and Potential Claims” below in this section).

The time limit for a plaintiff to commence legal proceedings for an employee’s compensation claim is two years from the date of the relevant incident, while the time limit for a personal injury claim against us under common law is three years from the date of the relevant incident. 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. These accidents were caused during the usual and ordinary business of our Group and did not cause material disruption to our Group’s business. As such, these incidents did not and are not expected to have a material impact on our Group’s operations nor financial performance. For further details of our insurance policies, please refer to the paragraph headed “Safety and Insurance — Insurance” below in this section. Accordingly, our Directors consider that any potential claims which would arise in connection with these remaining eight reportable accidents would be covered by our insurance policies and will be dealt with and handled by the insurers and their solicitors, and our Group would not need to incur any unforeseeable additional material expenses associated with such potential claims.

During the Track Record Period and up to the Latest Practicable Date, no material injury and fatal accident have happened in the sites where our projects are located at and during the period when the projects were carried out by us. A table showing the nature of injuries in relation to our reportable accidents for FY2014, FY2015, the three months ended 30 September 2015 and the period from 1 October 2015 up to the Latest Practicable Date is set out below:

Details of accidents and nature of injuries

FY2014

1. Injured by contacting polluted water while working at water tank; bilateral feet chemical burn
2. Injured by bending down the body to hold wooden platforms while removing wooden platforms in switch room; waist twist

FY2015

1. Injured by hitting head and left leg while working and slipping on steel bars; head and left leg injury
2. Injured by slipping while transporting materials by cart; right second toe bone fracture
3. Injured by slipping while transporting iron brick bars; left forearm and chest injury
4. Injured while transporting materials by hanging tools; right second finger injury
5. Injured by losing balance while operating iron bar cutting machine; face and teeth injury
6. Injured by slipping hands while operating concrete crashing machines; right toe injury

BUSINESS

7. Injured by slipping while hanging nylon cloth for painting fireproof material on iron bars; right chest, right waist and thigh injury
8. Injured by a falling empty wooden box of one cubic meter; waist injury
9. Injured by slipping while working at construction site; right chest bone fracture
10. Injured by iron bars on floor while working at construction site; left foot cut
11. Injured by slipping while walking down from a pile of concrete of one meter high and stepping on an uncovered rock; ankle twist
12. Injured while operating iron bar cutting machine; left small finger injury
13. Injured while transporting bath tub; left foot injury

Three months ended 30 September 2015

1. Injured while operating iron bar bending machine; finger injury
2. Injured while transporting tiles; right hand cut

From 1 October 2015 up to the Latest Practicable Date

1. Injured while operating iron bar cutting machine; foot injury
2. Injured by slipping while coming down from scaffolding; fractured left heel bone
3. Injured while removing iron cage for storage of safety helmets; head injury and pain
4. Injured by broken iron bar as a result of inadvertent operation of a dredger by other worker; left knee injury and pain

Most of the above accidents which happened during the Track Record Period and up to the Latest Practicable Date resulted in contusion, laceration, bruise, sprain or fracture injuries in connection with manual transportation of materials or operation of equipment and the Directors considered that the primary causes of such accidents were the workers' lack of safety awareness or inappropriate use of equipment. To minimise the accidents, our Group will remind the workers of our Group's work safety measures and provide the relevant trainings to the workers on, in particular, the safety measures on transporting materials and operating equipment.

When any kind of accident occurs, the injured worker (including our employees and our subcontractors' employees) or the person who witnessed the accident is required to report to our site agent or safety officer, who will report the same to the project manager and general manager. Our safety officer will then investigate the accident by visiting the accident scene, examining the equipment or materials involved (if any) and taking statements from the injured employee, witness(es) of the accident and other personnel in relation to the particular project. We will also report to the insurance company pursuant to the terms of the insurance policies. If the accident is a "reportable accident" as assessed by our safety officer, he will prepare an accident report and submit it to the Labour Department within the

BUSINESS

period as specified under the relevant laws and regulations. Remedial actions will be taken by our project management team to remove imminent danger and to prevent reoccurrence of similar accidents in the future. Our safety officer will carry out follow-up inspection to ensure that remedial works are completed.

Accident rate and lost time injuries frequency rates (LTIFRs)

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

	In construction industry (Note 1)	Our Group's construction sites (Note 2)
Calendar year 2013		
accident rate per 1,000 workers	40.8	5.49
fatality rate per 1,000 workers	0.337	nil
Calendar year 2014		
accident rate per 1,000 workers	41.9	40.9
fatality rate per 1,000 workers	0.242	nil
Calendar year 2015		
accident rate per 1,000 workers	not available	34.6
fatality rate per 1,000 workers	not available	nil

Notes:

1. The figures are extracted from the Occupational Safety and Health Statistics Bulletin Issue No. 14 (July 2014) and No. 15 (August 2015) issued by Occupational Safety and Health Branch, Labour Department. The figures for 2015 have not yet been published as at the Latest Practicable Date.
2. Our Group's rates are calculated with reference to the number of injuries divided by the daily average site workers in our Group's construction sites during the year/period and multiply the result by 1,000. The daily average site workers consisted of employees of our Group and our subcontractors.

A table showing our Group's lost time injuries frequency rates (LTIFRs) is set out below:

Calendar year 2013	0.2
Calendar year 2014	1.5
Calendar year 2015	1.2

Notes:

- (i) LTIFR is a frequency rate that shows how many lost time injuries (LTIs) occurred over a specified time (e.g. per 100,000 hours) worked in a period. The LTIFR is calculated as dividing the number of lost time injuries of our Group happened in the year/period by the number of hours worked by the workers of our Group and our subcontractors over that year/period. "Number of hours worked by the workers" means the total number of hours (assuming 9 hours per working day) worked by our Group's workers on a "working day" during that year/period. The number of working days of workers for the calendar years 2013, 2014 and 2015 were 300 days, 300 days and 300 days respectively, and the number of workers worked on each working day may vary. A "working day" is

BUSINESS

defined as a day on which there is at least one worker of our Group working, irrespective of whether it is a public holiday. Therefore, the total number of working hours worked by the workers varies every year/period, depending on the works progress and requirements of our projects. The total number of working hours worked by workers for the calendar years 2013, 2014 and 2015 were 491,400 hours, 594,000 hours and 701,100 hours respectively.

- (ii) Our LTIs were determined based on the relevant medical certificates received by our Group.

Based on the above available information, our Directors consider that the accident rate of our Group is consistent with the industry average. During the Track Record Period, our Group recorded no fatal injuries at our construction sites. The increase in LTIFR during the Track Record Period is in line with the increase in accident rates per 1,000 workers as disclosed above. Having considered that our accident rates per 1,000 workers are lower than the industry average of approximately 40.8 in the calendar year 2013 and not higher than the industry average of approximately 41.9 in the calendar year 2014, our Directors are of the view that our occupational health and safety management system is effective.

Our Directors confirm that we complied in all material respects with all the relevant laws, rules and regulations relating to safety and health during the Track Record Period and thereafter up to the Latest Practicable Date. Our Group will continue to deploy adequate resources and make an effort to maintain and enhance our safety management policy in order to mitigate our risks relating to safety issues.

Insurance

It is a practice in the Hong Kong construction industry, as well as a term of most construction contracts between main contractors and customers, that the main contractor of a project will take out and maintain employees' compensation insurance and contractor's all risks insurance for the entire project. The coverage of such insurance policies includes all works performed by the main contractor and all its subcontractors. However, the subcontractors are generally required to maintain insurance over their own machinery.

During the Track Record Period and up to the Latest Practicable Date, all projects undertaken by us and the relevant employees are respectively protected by contractors' all risks and employees' compensation insurance. Such insurances are taken out by us as main contractor. When acting as a subcontractor, we generally will not take out separate insurance policies but will rely on the insurance policies taken out and maintained by the relevant main contractor. The reliance of us on the main contractors' insurance policies is explicitly provided for in the relevant subcontracting agreements.

Our contractor's all risks insurance general covers:

- loss of or damage to the permanent and temporary works constructed and erected or in the course of construction or erection in performance of the construction contract and all other property for which we and/or the subcontractors are responsible under the construction contract whilst on site. The amount of coverage equals to the contract sum under the relevant construction contract;
- costs and expenses necessarily incurred by us and/or the subcontractors with the consent of the insurance company in dismantling and removing debris of the portion or portions of the destroyed or damaged property as insured; and

BUSINESS

- loss of or damage to physical property of third parties, or accidental death, bodily injury, illness or disease suffered by any third parties arising out from the performance of works by us and/or the subcontractors.

Our Group has insurance cover for the liabilities under employee compensation and personal injury claims, which meets the statutory minimum insurance coverage of HK\$200 million per incident. Our Group considers such insurance coverage is generally sufficient for its liabilities under employees' compensation claims and personal injuries actions.

We have also maintained office protection insurance which covered loss of and damage to office contents in our office.

For FY2014, FY2015 and the three months ended 30 September 2015, the total insurance expenses incurred by us amounted to approximately HK\$16.6 million, HK\$6.7 million and HK\$1.9 million, respectively. Taking into account the industry practice and the insurances taken out by our Group as stated above, our Directors believe that we have obtained adequate insurance coverage for the operation of our business. Save as disclosed in the paragraph headed "Litigation and Potential Claims" in this section, the Directors confirm that no material claims have been made in respect of any of our insurance policies during the Track Record Period and up to the Latest Practicable Date.

SOCIAL RESPONSIBILITY

With the commitment to being a socially responsible corporation, we are dedicated to develop and implement sustainably good corporate policies in areas including environmental protection, staff management and development as well as occupational health and safety.

During the Track Record Period, we have made donations amounting to an aggregate of approximately HK\$1.8 million to sponsor charitable activities such as subsidising students in the PRC and to various charitable organisations as well as professional body such as the Hong Kong General Building Contractors Association Limited.

MARKET AND COMPETITION

Market overview

According to IPSOS Report, the gross output value of overall construction works performed by main contractors and subcontractors in Hong Kong grew from about HK\$70.5 billion in 2010 to about HK\$155.2 billion in 2014, at a CAGR of approximately 21.8%. In this connection, the gross output value of construction works performed by main contractors in the private sector increased at a pace from 2010 to 2014, at a CAGR of approximately 15.5%, from around HK\$30.3 billion to around HK\$54.0 billion.

The total gross value of construction works in nominal terms performed by main contractors at construction sites in 2014 reached around HK\$122.8 billion, of which around HK\$68.2 billion was solely invested in buildings. Therefore, it has illustrated that buildings are the most popular broad end-uses group in the construction industry of Hong Kong. The revenue of the building construction work contracting industry in Hong Kong increased from about HK\$46.8 billion in 2010 to about HK\$86.2

BUSINESS

billion in 2014, at a CAGR of about 16.5%. Such an increase was mainly due to the robust demand from large scale and complex multi-disciplinary building construction work projects, which include shopping malls and office buildings in Hong Kong in the past 5 years.

Supported by the Hong Kong government's housing policy, there is a foreseeable growth in construction works for the public sector. As the government fulfills its promise to increase the housing supply in Hong Kong, it is expected that the revenue of the building construction work contracting industry will have a substantial growth from around HK\$99.8 billion by the end of 2015 to around HK\$188.1 billion in 2019, at a CAGR of approximately 17.2%.

Moreover, there was a growth in the revenue of the foundation and site formation work contracting industry in Hong Kong from about HK\$11.8 billion to about HK\$22.6 billion from 2010 to 2014, at a CAGR of approximately 17.6%. The increase in revenue of foundation and site formation work contracting industry between 2010 and 2014 was mainly driven by works in the public sector.

Competition

According to the IPSOS Report, the top five contractors in the building construction industry accounted for approximately 23% of the total revenue of the industry in 2014, whereas the top five contractors in the foundation and site formation industry accounted for approximately 43.3% of the total revenue of the industry in 2014. In December 2015, there were about 694 registered general building contractors and 136, 174 and 105 registered specialist contractors for foundation, site formation and demolition, respectively.

For further details of the overall construction industry in Hong Kong as well as the segments of foundation and site formation, including the industry maturity and size, market trends and prospects, please refer to the section headed "Industry Overview" in this prospectus.

Our Directors consider that there are market entry barriers to the construction industry (and the three segments) in Hong Kong which hinder new players' entry. Such entry barriers include industry experience and capital intensiveness. Details of the entry barriers are set out in the paragraph headed "Industry overview — Competitive Landscape — Entry barriers" in this prospectus.

Further, as mentioned in the paragraph headed "Competitive Strengths — Our diverse qualifications allow us to capture business opportunities" above, as at the Latest Practicable Date, we hold those qualifications as disclosed in that paragraph. Such diverse qualifications enable us to undertake each of the four categories of construction works, namely general building works, foundation works, site formation works and demolition works, and thus to alleviate any cyclic effect of the construction industry and maintain stable and healthy development of our Group's business.

SEASONALITY

Our Directors believe that the building construction industry in Hong Kong does not exhibit any significant seasonality.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, our Group did not engage in any research and development activity.

INTELLECTUAL PROPERTY RIGHTS

We have applied for registration of two trademarks in Hong Kong. Detailed information of our intellectual property rights is set out in the paragraph headed “B. Further Information about Our Business — 2. Our intellectual property rights” in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not involved in any proceedings with regard to, and we have not received notice of any claims of, infringement of any intellectual property rights that may be threatened or pending in which we may be involved either as a claimant or respondent.

EMPLOYEES

As at the Latest Practicable Date, we had 72 full-time employees who were directly employed by our Group in Hong Kong. A breakdown of our employees by function as at the same date is set forth below:

	As at the Latest Practicable Date
Directors (of our Company and its subsidiaries)	2
Project management (including project managers, foremen and quantity surveyors)	38
Administration, accounting and finance	12
Other direct employees	<u>20</u>
Total	<u><u>72</u></u>

The relationship and cooperation between our management and employees have been good and is expected to remain amicable in the future. There has not been any incident of work stoppage or labour shortage during the Track Record Period and up to the Latest Practicable Date, which adversely affected our operations.

We believe that our employees are important assets to our Group. New employees are required to undergo training to familiarise themselves with the applicable rules and regulations and the requirements of their job before they start work. They are usually subject to a three-month probation period. At the end of the probation period, they will be confirmed to be employed as full-time employees, if their respective supervisors are satisfied with their performance during the probationary period.

The remuneration payable to our employees include basic salaries, allowances, pension and discretionary bonuses. The ability to recruit and retain experienced and skilled labour is crucial to our business development and growth. The basic salaries of our employees are generally determined by the employee’s rank, position, qualification, experience and performance. The discretionary bonuses are paid on an annual basis, depending on the duration of services and performance of the individual staff and

BUSINESS

the profit of our Group in the preceding financial year. Our staff related costs primarily include salaries, wages and bonuses, contribution to defined contribution retirement plan and directors' remuneration. For FY2014, FY2015 and the three months ended 30 September 2015, our wages were approximately HK\$27.7 million, HK\$31.1 million and HK\$7.4 million, respectively, which were charged to our direct costs and administrative expenses. We have also adopted the Share Option Scheme which will become effective upon Listing. The Share Option Scheme is designed to provide incentives and rewards to our employees.

We also emphasise on the continuing education and quality training of our staff to enhance their work performance. Our employees also receive in-house training on a regular basis to enhance their technical knowledge on industry quality standards, safety standards, site management and operation of tools. We consider that our training programme is not only used as a platform to upgrade the skills of our employees regularly, but is also used to encourage greater cohesion within our Group. These measures increase overall efficiency and loyalty to our Group, and also serve as a means of retaining quality employees. We review the performance of our employees from time to time in order to determine salary adjustments and promotion appraisals.

As disclosed in the paragraph headed "Laws and Regulations — C. Contractor Licensing Regime" in this prospectus, we must comply with certain specific personnel requirements in order to retain the various qualifications held by our Group. Set out below are the details of the relevant staff:

Personnel required	Number of personnel	Name	Position in our Group	Year of engagement with our Group
Registered general building contractor				
Technical director	1	Kwok Tung Keung	Executive Director	22
Authorised signatory	3	Kwok Tung Keung	Executive Director	22
		Chan Siu Kay Francis	Executive Director	19
		Li Kim Piu Gary	Senior Project Manager	5
Registered specialist contractor (foundation)				
Technical director	1	Kwok Tung Keung	Executive Director	22
Authorised signatory	2	Kwok Tung Keung	Executive Director	22
		Keung Yun Yuen	Project Manager	7
Registered specialist contractor (site formation)				
Technical director	1	Kwok Tung Keung	Executive Director	22
Authorised signatory	3	Kwok Tung Keung	Executive Director	22
		Chan Siu Kay Francis	Executive Director	19
		Keung Yun Yuen	Project Manager	7

BUSINESS

Personnel required	Number of personnel	Name	Position in our Group	Year of engagement with our Group
<i>Registered specialist contractor (demolition)</i>				
Technical director	1	Kwok Tung Keung	Executive Director	22
Authorised signatory	1	Kwok Tung Keung	Executive Director	22

Notes:

1. We are required to have a minimum of one technical director, who shall be a director from the board of directors of the company 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.
2. We are required to have a minimum of one authorised signatory, who shall be a person appointed by the company to act for that company for the purposes of the Buildings Ordinance.

In the event that we fail to comply with the specific personnel requirements for our qualification as registered general building contractor or registered specialist contractor, the Buildings Department may remove our name from the relevant register pursuant to section 8C of the Buildings Ordinance, thereby disallowing our Group from carrying out any general building works and specialised building works. If any of our technical directors and/or authorised signatories for our qualification as registered general building contractor or registered specialist contractor resigns or retires, the compliance with the relevant requirements under the Buildings Ordinance can be maintained by the other alternate technical directors and/or authorised signatories. Immediate steps to arrange for a replacement of the alternate technical directors and/or authorised signatories will be taken upon such resignation or retirement.

Where any specific personnel resigns and our Group is required to apply to the relevant authority for replacement by qualified alternate personnel, the application process generally takes approximately three months. To ensure the continuing compliance with the personnel requirements, save for Mr. Kwok who is required to give not less than six months' prior written notice, all specific personnel mentioned above are required to give not less than three months' prior notice to our Group to terminate their employment so to allow our Group sufficient time in arranging alternate replacement. Relevant trainings are also provided to our employees and assistances are given to our employees for attaining professional certifications and registrations such that our employees are able to acquire the requisite skills, knowledge, experience and qualifications for the retention of various qualifications held by our Group. For instance, we encourage and provide financial assistance for our employees to pursue further studies in related fields and to attend trainings provided by relevant organisations and professionals. Our employees also receive in-house trainings to enhance their technical knowledge including knowledge on industry quality standards and safety standards. Persons with the relevant experience and qualifications may also be immediately hired in case of resignation or retirement of any specific personnel mentioned above.

BUSINESS

Our Directors believe that we have sufficient alternate personnel in our Company with the appropriate experience and qualifications to maintain our qualifications. Furthermore, our Directors believe that in the event that any such specific personnel resigns, alternate qualified personnel can be hired without any impediment to maintain the relevant qualification. In addition, as disclosed in the section headed “Business — Our Business Strategies — Strengthening our manpower” in this prospectus, we intend to expand our labour resources by recruitment of additional staff, especially experienced or skilled staff members to ensure that the specific personnel requirements can be complied with on a continuing basis if the abovementioned personnel depart from our Group.

As at the Latest Practicable Date, Mr. Kwok was the only technical director and/or authorised signatory in respect of the qualifications of WM Construction as registered general building contractor and registered specialist contractor. Nevertheless, our Directors consider that we are not overly reliant on Mr. Kwok in this regard because:

- i. to mitigate the associated risk, our Group submitted an application to the Building Authority in December 2015 for the addition of Mr. Chan Siu Kay Francis, an executive Director as a new technical director of our Group in respect of the qualification as registered general building contractor and registered specialist contractor (in the demolition, foundation and site formation categories), and will submit an application to the Building Authority for the addition of Mr. Chan Siu Kay Francis as a new authorised signatory (in respect of the qualification as a registered specialist contractor (demolition)) in addition to Mr. Kwok. It is expected that the approval process will take approximately three to four months. Our Directors believe that Mr. Chan can fulfill the requirements as stipulated in the Buildings Ordinance and it is unlikely that there will be any impediment for Mr. Chan’s application;
- ii. in the event that Mr. Kwok ceases to act as technical director and/or authorised signatory for WM Construction, our construction work would not be suspended if we could appoint an acceptable replacement within a reasonable period of time. The Buildings Department does not provide any definition on “reasonable period of time”. To the best knowledge and belief of our Directors, a period of around three to six months is generally allowed by the Buildings Department, during which we are allowed to appoint acceptable replacement to maintain the relevant license; and
- iii. under the service agreement of Mr. Kwok with our Company, Mr. Kwok is required to give not less than six months’ prior written notice to our Group to terminate his employment with us, which provides us with sufficient time to appoint an acceptable replacement.

During the Track Record Period, we had not experienced any significant difficulties in recruiting employees, and had not experienced any significant staff or labour disputes. Our Directors consider that the management policies, working environment, career prospects and benefits extended to our employees have contributed to the establishment of harmonious relation between our Group and the employees. During the Track record Period and up to the Latest Practicable Date, there was no labour union established by our employees.

BUSINESS

PROPERTIES

We do not own any property and we lease all of the premises occupied by us.

Address	Landlord	Approximate gross floor area	Use	Rental	Term
Parking no. PC11 at Freder Centre, 3 Mok Cheong St, Tokwawan, Kowloon	An Independent Third Party	N/A	Parking	HK\$2,400	From 15 September 2015 to 14 May 2016
Room D, 3/F, Freder Centre, 3 Mok Cheong St, Tokwawan, Kowloon	An Independent Third Party	10,000 sq. ft.	Headquarters office	HK\$64,000 (inclusive of property tax and government rent, but exclusive of government rate, management fee and utilities)	From 15 September 2015 to 14 May 2016
Flat B, 1st Floor, Kimberley Street, TST, Kowloon, Hong Kong	An Independent Third Party	500 sq. ft.	Staff quarter	HK\$14,000 (inclusive of government Rates and management charges, but exclusive of garbage collection charges)	From 14 April 2015 to 13 April 2017
Unit A on 11th Floor of Selwyn Factory Building, 404 Kwun Tong Road, Kwun Tong, Kowloon	An Independent Third Party	1,700 sq. ft.	Site office	HK\$14,000 (inclusive of government rent, government rates, property tax and management charges but exclusive of other outgoings)	From 1 April 2015 to 31 March 2016
Parking no. 11 and parking no. 12 at Selwyn Factory Building, 404 Kwun Tong Road, Kwun Tong, Kowloon	An Independent Third Party	N/A	Parking	HK\$5,000 (inclusive of property tax, government rates, and government rent)	From 20 March 2015 to 19 March 2016

BUSINESS

Address	Landlord	Approximate gross floor area	Use	Rental	Term
Room D3, 7/F, Block D, Merlin Centre, 65 Po On Rd, Sham Shui Po, Kowloon	An Independent Third Party	350 sq. ft.	Staff quarter	HK\$9,600 (inclusive of management fee, property tax, government rate and government rent, but exclusive of utilities)	From 20 January 2015 to 19 January 2017
Parking no. 16 at Freder Centre, 3 Mok Cheong St, Tokwawan, Kowloon	An Independent Third Party	N/A	Parking	HK\$3,000	From 1 December 2014 to 30 November 2016
Room 9, 1/F, Block 2, Wah Fung Industrial Centre 33–39 Kwai Fung Crescent, Kwai Fong	An Independent Third Party	2,500 sq. ft.	Storage of documents	HK\$10,000 (inclusive of management fee, property tax, government rate and government rent, but exclusive of utilities)	From 1 August 2014 to 31 July 2016

As at the Latest Practicable Date, no single property interest forming part of our non-property activities has a carrying amount of 15% or more of our total assets. According to section 6(2) of the Companies (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance with respect to the requirement of the inclusion of a property valuation report in this prospectus. Our Directors confirm that none of our property interests is individually material to our Group in terms of rental expenses.

We had also sub-leased portion of our head office to Good Rise Engineering Limited, details of which are further set out in the paragraph headed “Connected Transactions — Discontinued Connected Transactions — 2. Tenancy agreement with Good Rise” of this prospectus.

INTERNAL CONTROLS

Our Directors are responsible for the formulation and overseeing the implementation of our internal control measures and effectiveness of risk management system, which is designed to provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

In July 2015, our Group appointed an independent internal control consultant (namely, SHINEWING Risk Services Limited), to review our internal control system. The work scope of our internal control consultant includes reviewing and assessing our procedures, systems and controls (including accounting and management systems). Through an initial review during August 2015, our internal control consultant identified some findings in our internal control system and recommended certain measures to be implemented by us. Based on such recommendations, we implemented the measures to improve our internal control system. According to the results of the follow-up review performed by our internal control consultant in December 2015, our Group adopted and implemented all recommendations of our internal control consultant.

In addition, our Group has adopted the following internal control policies and procedures to (i) prevent bid-rigging and offering bribes during the tendering process; and (ii) ensure that there have not and will not be any illegal workers at the construction sites:

Prevent bid-rigging and offering bribes

- appropriate training(s) from relevant organisations (e.g. ICAC) and legal professionals will be arranged for our management team and employees to enhance their awareness of the effect and consequences of bid-rigging/offering of bribes and to ensure compliance with the Competition Ordinance. Effective whistle blowing policy is also in place to minimise the risk of fraudulent act, criminal offence or wrong doing in the work environment;
- checklists are created to help our Group in detecting signs which may suggest the occurrence of bid rigging during the tendering process. Items in the checklist include whether (i) the same subcontractor is often the lowest bidder; (ii) regular subcontractors fail to bid on a tender they would normally be expected to bid for, but have continued to bid for other tenders; (iii) there is a geographic allocation of winning tenders; (iv) identical mistakes in the bid documents or letter submitted by different companies, such as spelling errors or miscalculations; (v) bids from different companies contain a significant number of identical estimates of the cost of certain items; (vi) there are sudden and identical increases in price or price ranges by bidders that cannot be explained by cost increases; and (vii) a subcontractor's bid is much higher for a particular contract than that subcontractor's bid for another similar contract;
- in addition, our Group conducts periodic comparative analyses of subcontracting fees, material costs and other overheads in tender proposals with those of projects with similar nature, which will allow our Group to detect whether suspectable bid rigging is undergoing. Furthermore, any evidence of bid rigging or other forms of anti-competitive behavior will be reported to the appropriate authorities;
- for government projects, a "Letter of Anti-collusion Undertaking" or "Confirmation Letter for Compliance with Anti-Collusion Clauses in Tender" will generally be signed by our Directors for and on behalf of our Group to the Government to express our acknowledgement and to confirm that we will comply with the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). We have to declare that we have read and fully understand the letter and the anti-collusion clause stated in the tender. We also have to warrant that we have not communicated and will not communicate to any person other than the Government the

BUSINESS

amount of the tender price or any part thereof. In addition, we have to agree that if any non-disclosure of information or bribery act is found, tender will be terminated and we will be held legally responsible;

- for non-government projects, a “Statement of ‘No Conflict of Interest’ by Tenderers” will generally be signed by our Directors for and on behalf of our Group to declare that we are not related to any company executing the works or services in the contract for the full duration. We also have to acknowledge that the tender submitted by us for the required works or services will not be further considered if any other company that is related to us has been awarded a contract or contracts;
- the abovementioned “Letter of Anti-collusion Undertaking”, “Confirmation Letter for Compliance with Anti-Collusion Clauses in Tender” and “Statement of ‘No Conflict of Interest’ by Tenderers” are required to be signed upon the request of the relevant customer;
- probability of offering bribes by subcontractors is minimised by having multiple layers of review and approval during the subcontractor’s tendering process (i.e. by our tendering department, project manager and Director(s)). Regular subcontractor’s evaluations are also conducted by our project management team to ensure that subcontractors maintain an up-to-standard operating environment, healthy financial supports and sounded reputation;
- our internal control policies are clearly stipulated and made known to all staff. Moreover, we adopt a zero-tolerant attitude towards corruption and fraud;
- work procedures relating to our Group’s operation such as tendering procedures are laid down in a concise document for staff compliance;
- to enhance checks and balances within the Group, major duties and functions, such as purchasing department, tendering department, and project department which handle subcontracting arrangement and purchase of building materials, that are susceptible to abuse corruption are segregated and assigned to different staff members;
- all tenders received are registered and are kept under lock as soon as they are received. Access to such tenders is restricted to authorised staff only;
- a gifts and hospitality policy which sets out guidelines and procedures for offering and/or accepting gifts and hospitality is in place and provided to all staff for compliance. All gifts and/or hospitality with a value over HK\$500, whether offered or accepted by an employee, must be recorded in the Company’s gifts and hospitality register. Our general manager is designated with the responsibility to monitor all entries made in the register;
- all employees are required under their terms of employment to (i) undertake not to engage in any bribery and/or bid-rigging activities; (ii) disclose any external employment, engagement and/or business interest and to declare any conflict of interest. Potential conflicts of interest that may increase the risk of bribery and bid-rigging will be monitored by the appropriate senior officers;

BUSINESS

- all employees who are involved in the tendering process, our general manager and Directors have entered into confidentiality agreements with our Group undertaking (i) to keep secret and confidential all business, financial (in particular the tender prices received from our subcontractors or submitted by our Group to our customers) and technical information and know-how of our Group; (ii) not to discuss and/or communicate with any person other than our customer the amount of our tender price or any part thereof; and (iii) not to, save and except to their direct supervisor, our general manager and/or our Directors for the purpose of facilitating our Group in determining the tender price to be submitted to customers, discuss internally the tender prices submitted and/or received by our Group before any formal agreement is entered with our customers and/or subcontractors (as the case may be);
- the final tender prices to be submitted by our Group to our customer are determined by our general manager and executive Directors and are not disclosed to any other employees before the results of tender were made known to us;
- a channel for complaints has been established for staff, customers and subcontractors and made known to all concerned. Complaints will be handled promptly by designated staff and reported to the management of our Group. Our Directors will be informed of cases of serious complaints that may affect our Group's business or reputation; and
- to ensure our employees comply with all laid down rules and procedures, the management of our Group will conduct routine and sudden checks for any irregularities.

In respect of illegal workers at the construction sites

- all workers (both permanent and temporary) hired by our Group are required to show their registration name, registration number, date of registration and the expiry date of worker registration card to site supervisor when signing the contract. Moreover, they need to provide a copy of Hong Kong Identity Card and our administration department will verify whether the information is identical with the contract. The relevant project manager and/or our Director will also conduct site visit to ensure all site workers are comply with regulations and ensure that the site supervisor performs his duty accordingly; and
- for workers hired by subcontractors, relevant clause is included in the subcontractor contract for these workers to agree that they understand and will comply with Hong Kong regulations on the employment of legal workers. The subcontractor is solely responsible for legal actions or damages if any non-compliance is found. Our Group has the contractual right to check any Hong Kong Identity Card, worker registration card and green card of any employees of the subcontractor.

Our Directors confirmed that, to their best knowledge, our Group did not engage in any bribery and/or bid-rigging activities during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

As there had not been any related, whether actual or pending, investigations by any regulators or authorities during the Track Record Period and up to the Latest Practicable Date, our Directors believe that these policies and procedures could effectively prevent our Group (i) from involving in bid-rigging and offering bribes; and (ii) ensure compliance with (a) the Competition Ordinance in which bid-rigging is an offence and (b) the Prevention of Bribery Ordinance.

RISK MANAGEMENT

During the Track Record Period, we assessed and managed the risks arising from our operations based on the experience of our Group's management and our professional and technical staff. As advised by the independent internal control consultant, in order to improve our Group's internal control and risk management system in the future, our Group has established the following on-going process for identifying, evaluating and managing the significant risks faced by our Group. The key procedures that our Group has established and implemented are summarised as follows:

- (i) risks will be identified by our management team and reviewed by our Board;
- (ii) action plan will be considered, so long as the risk is required to be recognised, addressed and mitigated;
- (iii) our Board will monitor regulatory compliance by the Group. Further risk may be identified through communications between the heads of different departments and from public information; and
- (iv) our Group has appointed Titan Financial Services Limited as its compliance adviser (with effect from the Listing Date) to give advice to our Board on regulatory compliance with the GEM Listing Rules and SFO.

Our Directors confirm that during the Track Record Period, no material failure occurred and we believe that our internal control and risk management system are sufficient and effective.

BUSINESS

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and as at the Latest Practicable Date, our Group was or is involved in a number of material claims, litigations and pending or threatened claims of material importance against our Group.

Set out below are the details of outstanding claims and litigation against our Group as at the Latest Practicable Date:

Claimant/Plaintiff	Nature	Amount claimed	Status
Plaintiff: an employee of WM Construction's subcontractor	The plaintiff claimed for damages for personal injuries (left knee injury) sustained by him while working at the construction site. The accident happened in May 2013.	HK\$556,555.74 plus interest	An application under the Employees' Compensation Ordinance was made in July 2014. The writ of summon, statement of claims and statement of damages were filed in April 2015. WM Construction is the 3rd defendant in the claim. The case is taken over by the insurer.
Plaintiff: an employee of WM Construction's subcontractor	The plaintiff claimed for damages for personal injuries (foot injury) sustained by him while working at the construction site. The accident happened in October 2015.	Amount claimed as compensation to be assessed	An application under the Employee's Compensation Ordinance was made in February 2016. WM Construction is the 2nd respondent in the claim. The case is taken over by the insurer.

Our Directors are of the view that occurrence of personal injury claims and employees' compensation claims is not uncommon in the industry. 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, the above incidents are covered by the insurance taken out by our Group and 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 "Safety and Insurance — Insurance" in this section.

BUSINESS

No provision was made in the financial statements of our Group in respect of the aforementioned ongoing claims having taken into account (i) the uncertainty in the total amount involved for the relevant claim; (ii) the coverage by the relevant insurance as mentioned above; and (iii) the indemnity given by our Controlling Shareholders as mentioned in the paragraph headed “E. Other Information — 1. Tax and other indemnities” in Appendix IV to this prospectus for details of the Deed of Indemnity.

Regarding the potential litigations in relation to employees’ compensation claims and common law personal injury claims, no provision was made in the financial statements of our Group having considered (i) the uncertainties as to whether such claims will be commenced; (ii) the uncertainties in the total amount that will be involved for such claims, if any; and (iii) the indemnity given by our Controlling Shareholders as above mentioned.

Set out below are the details of the material claims and litigations against our Group which were settled (either by settlement or court judgement) during the Track Record Period and up to the Latest Practicable Date:

Claimant/Plaintiff	Nature	Amount claimed	Status
Plaintiff: an employee of WM Construction’s subcontractor	The plaintiff claimed for damages for personal injuries (left shoulder rotator cuff tear) sustained by him while working at the construction site. The accident happened in December 2012.	HK\$600,000 plus interest	The writ of summons was filed with the court in May 2015. WM Construction is the 3rd defendant in the claim. The claim was settled in August 2015. The settlement amount was covered by the insurance policy taken out by our Group.
Plaintiff: an employee of WM Construction’s subcontractor	The plaintiff claimed for damages for employees’ compensation and personal injuries (post- concussion syndrome, skull fracture, hearing impairment and tinnitus) sustained by him while working at the construction site. The accident happened in July 2012.	HK\$3,768,629.5 plus interest	The writ of summons was filed with the court in September 2014. WM Construction is the 2nd defendant in the claim. The claim was settled in April 2015. The settlement amount was covered by the insurance policy taken out by our Group.

BUSINESS

Claimant/Plaintiff	Nature	Amount claimed	Status
Plaintiff: an employee of WM Construction's subcontractor	The plaintiff claimed for damages for personal injuries (fracture left tibia and distal fibula injuries) sustained by her while working at the construction site. The accident happened in December 2011.	HK\$1,208,990.5 plus interest	The writ of summons was filed with the court in August 2014. WM Construction is the 2nd defendant in the claim. The claim was settled in May 2015. The settlement amount was covered by the insurance policy taken out by our Group.
Plaintiff: an employee of WM Construction's subcontractor	The plaintiff claimed for damages for personal injuries (left foot injury with left foot fracture) sustained by him while working at construction site. The accident happened in September 2009.	HK\$2,190,412.8 plus interest	The writ of summons for July 2012. WM Construction was the 3rd defendant in the claim. The claim was settled in November 2014. The settlement amount was covered by the insurance policy taken out by our Group.

Details of litigations involving non-compliance by our Group with regulatory requirements under the laws of Hong Kong during the Track Record Period and up to the Latest Practicable Date are set out in the paragraph headed "Non-compliance" in this section below.

NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we inadvertently failed to comply with certain regulatory requirements under the laws of Hong Kong and accordingly were subject to the relevant criminal prosecution, details of which are summarised in the table below.

Non-compliance	Date of incident	Penalty and status
Failing to take adequate steps to prevent person from falling from a height of two meters or more contrary to Regulations 38B(1), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance	25 August 2014	Convicted on 22 January 2016 and a fine of HK\$50,000 was imposed. Notice of Appeal against Conviction dated 4 February 2016 was filed
	17 January 2015	WM Construction was acquitted on 15 February 2016
Failing to take all reasonable steps to ensure that no workman remained on the site unless the workman were wearing suitable safety helmets contrary to Regulations 48(1)(b), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance	23 June 2014	Convicted on 27 July 2015 and a fine of HK\$15,000 was imposed. Notice and grounds of appeal against the conviction were filed on 7 August and 9 November 2015, respectively. Notice of abandonment of appeal was filed on 31 December 2015. Notice of appeal against conviction dismissed on 31 December 2015.
Failing to ensure, so far as was reasonably practicable, suitable and adequate safe access to and egress from a place of work was provided and properly maintained contrary to Regulations 38A(2), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance	25 August 2014	Convicted on 22 January 2016 and a fine of HK\$35,000 was imposed. Notice of Appeal against the Conviction dated 4 February 2016 was filed

BUSINESS

Non-compliance	Date of incident	Penalty and status
Failing to ensure that a live conductor was placed and safeguarded to prevent electrical hazard so far as was reasonably practicable contrary to Regulations 6, 31(1) and 31(2) of the Factories and Industrial Undertakings (Electricity) Regulations made under the Factories and Industrial Undertakings Ordinance	6 November 2014	Convicted on 18 September 2015 and a fine of HK\$8,000 was imposed. Notice of appeal against the conviction was filed on 29 September 2015

As confirmed by our executive Directors, the convictions against us arose because the workers did not follow the safety guidelines of our Group. The non-compliance did not involve intentional misconduct, fraud or dishonesty on the part of our Group and Directors. Accordingly, our Directors consider that the legal consequences of the convictions resulting from the above non-compliance events, each of which involved imposition of fines not more than HK\$50,000, did not have material adverse impact on our Group and thus such non-compliance incidents do not have material impact on our Group nor are systemic.

Moreover subsequent to the inspection of our project site at Parkes Street by the Labour Department on 15 September 2015, WM Construction received two summons dated 26 February 2016 in relation to WM Construction's failing to take adequate steps to prevent a person from falling from a height of two meters or more contrary to Regulations 38B(1), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations (the "**Regulations**") and to ensure that, so far as was reasonably practicable, suitable and adequate safe access to and egress from a place of work was provided and properly maintained contrary to Regulations 38A(2), 68(1)(a) and 68(2)(g) of the Regulations. The hearings for the two summons before the magistrate were scheduled on 24 March 2016 and the maximum potential penalty for each of the two charges is HK\$200,000 under the Regulations.

Our Controlling Shareholders entered into the Deed of Indemnity in favour of our Group whereby the Controlling Shareholders agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities which may arise as a result of any litigation, arbitration, legal proceedings and/or non-compliance of our Group on or before the date on which the Placing becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed "E. Other information — 1. Tax and other indemnities" in Appendix IV to this prospectus. Our Directors consider that the non-compliance events disclosed above will not have any material adverse impact on the operation or financial position or business of our Group.

Internal control measures to prevent recurrence of non-compliance incidents

To prevent the occurrence of any non-compliance in the future, our Group, as recommended by our internal control consultant, has adopted and implemented the following internal control measures to ensure compliance with the applicable rules and regulations:

- i. The site agents closely monitor the safety environment of construction sites, including ensuring:
 - everyone who enters to the site wears suitable safety helmets;
 - suitable and adequate safety facilities are installed in the site, such as live conductor, working platforms, guard-rails, barriers and etc, when necessary.
- ii. The site agents report the accidents to the Labour Department pursuant to the Employees' Compensation Ordinance and maintain a register of the accident and circulate the register to the general manager timely, if any.
- iii. The project managers perform additionally irregular site visits to ensure all safety measures are placed in the construction site.
- iv. The executive Directors are responsible for monitoring the updates of relevant rules and regulations and discussing with the site agents accordingly. External lawyers will be consulted for legal advice if necessary and the audit committee will be reported and informed of significant issues.
- v. Trainings and seminars are provided to the site agents and the project managers regularly, at least annually, in relation to the compliance with relevant rules and regulations.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Placing, Mr. Kwok and Best Brain Investments Limited shall control more than 30% of our issued share capital. For the purpose of the GEM Listing Rules, Mr. Kwok and Best Brain Investments Limited are our Controlling Shareholders.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE ASSOCIATES

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

Financial independence

Our Group has an independent financial system, and makes financial decisions according to our Group's own business needs. We have sufficient capital to operate our business independently, and adequate internal resources and a strong credit profile to support our daily operations.

During the Track Record Period, WM Construction and Sino Image Limited (as the borrowers) were provided with a banking facility of HK\$57.4 million by a bank, of which HK\$50 million was made available to WM Construction and Sino Image Limited as co-borrowers, whereby any one of them has the entitlement to draw the facility in full. The said banking facility was, inter alia, secured with: (1) a personal guarantee, to the amount of HK\$57 million, provided by Mr. Kwok; and (2) legal charge over various properties owned by San Bright Development Limited (as the mortgagor). As well, the banking facility to Sino Image Limited were secured with: (a) a personal guarantee, to the amount of HK\$57 million, provided by Mr. Kwok; and (b) a corporate guarantee, to the amount of HK\$57 million, provided by WM Construction.

Sino Image Limited is a company incorporated in Hong Kong on 9 November 2006, and owned as to 100% by Mr. Kwok. It is a general trading company, not engaging in business competing with our Group.

San Bright Development Limited is a company incorporated in Hong Kong on 6 September 1988, and owned as to 100% by Mr. Kwok. It is an investment holding company, not engaging in business competing with our Group.

On 23 October 2015, the banking facility granted to Sino Image Limited was cancelled, and in this relation, our Directors confirm that Sino Image Limited had not utilised any of the banking facility prior to the cancellation of the same on 23 October 2015.

Conditional upon the Listing of the Company on the GEM of the Stock Exchange, the personal guarantee provided by Mr. Kwok, and the legal charge granted by San Bright Development Limited, shall be released upon Listing, and shall, thereafter, be replaced by a corporate guarantee executed by our Company.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

During the Track Record Period, WM Construction was provided with a banking facility of HK\$54.0 million by another bank. The said banking facility was secured by personal guarantee, to unlimited extent, provided by Mr. Kwok. Such personal guarantee provided by Mr. Kwok in favour of the bank shall be released on or before Listing.

Details of the abovementioned banking facility provided to our Group are set out in the section entitled “Financial Information” and “Appendix I — Accountants’ Report” to this prospectus.

Operational independence

We have established our own organisational structure which is comprised of individual departments, each with specific areas of responsibilities. Our Group did not share its operational resources, such as suppliers, subcontractors, customers, marketing, sales and general administration resources, with the Controlling Shareholders, and/or their close associates during the Track Record Period. Save for the subcontracting relationship, and the tenancy agreement, with Good Rise Engineering Limited, details of which has been disclosed in the section headed “Connected Transactions” of this prospectus, no services, premises and facilities were provided by the Controlling Shareholders and/or their associates to our Group during the Track Record Period.

Our Directors confirm that, save as disclosed above, none of our Controlling Shareholders, our Directors, or their respective close associates, had any relationship with the suppliers, subcontractors and customers of our Group during the Track Record Period.

Our Directors are of the view that our Group is able to operate independently of the Controlling Shareholders after the Listing.

Independence of management

Our Board is comprised of two executive Directors, one non-executive Director and three independent non-executive Directors.

Each of our Directors is aware of his fiduciary duties as a Director which requires, among other things, that he acts for the benefit, and in the best interests, of our Company, and does not allow any conflict to occur between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors, or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in the quorum.

Three of the members of our Board are independent non-executive Directors who are either well-educated, and have extensive experience in different areas, or are professionals, and they have been appointed pursuant to the requirements under the GEM Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Furthermore, our Board's main function includes the provision of approvals for the overall business plans and strategies of our Group, the monitoring of the implementation of such policies, and of the strategies and management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, where under no single Director shall have any decision-making power unless otherwise authorised by our Board.

Having considered the above factors, our Directors are satisfied that they are able to perform their relevant roles in our Company independently, and are of the view that our Group is capable of managing its business independently of our Controlling Shareholders and their respective associates after the Listing.

CORPORATE GOVERNANCE MEASURES

Our Company shall adopt the following measures to manage any conflict of interest, and to safeguard the interests of the Shareholders:

- (1) our independent non-executive Directors shall review relevant matters pertaining to the compliance by our Controlling Shareholders with the provisions of the Deed of Non-competition on an annual basis;
- (2) our Controlling Shareholders undertake to provide all information requested by our Company required for the annual review by our independent non-executive Directors, and the enforcement, of the Deed of Non-competition;
- (3) our Company shall disclose decisions on issues reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition by our Controlling Shareholders in our Company's annual reports;
- (4) our Controlling Shareholders shall make a declaration on compliance with the Deed of Non-competition on an annual basis in our Company's annual report; and
- (5) the Articles provide that a Director shall abstain himself from participating in Board meetings (nor shall he be counted in the quorum of such meetings), and voting on any resolution of the Board approving any contract and/or arrangement and/or other proposal in which he or any of his associates is materially interested, unless a majority of the independent non-executive Directors expressly require him to attend.

Further, any transaction that is proposed to be entered into between our Group and the Controlling Shareholders, and/or their respective associates, shall be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, reporting, annual review, announcement and independent shareholders' approval requirements.

With the measures set out above, the Directors believe that the interest of the Shareholders shall be protected.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

DEED OF NON-COMPETITION

Mr. Kwok and Best Brain Investments Limited (each the “Covenantor”, and collectively, the “Covenantors”) entered into a deed of non-competition dated 9 March 2016 (the “Deed of Non-competition”) in favour of our Group, with an aim to avoid any possible future competition between our Group and each of the Covenantors. Pursuant to the Deed of Non-competition, each of the Covenantors has jointly and severally, and irrevocably and unconditionally undertaken and covenanted with our Company (for itself, and as trustee of our subsidiaries) that, during the period that the Deed of Non-competition remains effective, he and his associates shall not, directly or indirectly, be interested, involved or engaged, or acquire or hold any right or interest, in any business which competes with the existing business engaged by our Group from time to time, save for the holding of not more than 5% of shareholding interest (individually or with his associates) in any company listed on a recognised stock exchange, and he or his associates are not entitled to appoint a majority of the directors or management of that company.

Each of the Covenantors further undertakes that if he and/or his associates is aware of any project, or new business opportunity, that may compete with the business or our Group, he and/or his associates shall refer such project or new business opportunity to our Group for consideration.

Our Company shall adopt the following procedures to ensure that the provisions of the Deed of Non-competition are observed at all times:

- (a) our independent non-executive Directors shall review, on an annual basis, the above undertakings from the Covenantors, and evaluate the effective implementation of the terms and conditions of the Deed of Non-competition; and
- (b) each of the Covenantors shall further undertake and covenant with our Company that:
 - (i) for so long as the Deed of Non-competition remains in effect, he shall promptly provide our Company with such information as our Company may from time to time reasonably request to ascertain compliance by the Covenantors of their obligations under the Deed of Non-competition; and
 - (ii) if requested by our Company, he shall issue a letter to our Company, confirming his full compliance with the relevant terms and conditions of the Deed of Non-competition, and consenting to our Company’s disclosure of the contents of such letter in the annual report of our Company, and/or such other documents as otherwise published by our Company.

The terms and conditions of the Deed of Non-competition are conditional on, and take effect upon, the Listing.

The Deed of Non-competition shall terminate on the earliest date on which: (i) our Company becomes wholly-owned by the Covenantors and/or their respective associated (whether individually or collectively); or (ii) the securities of our Company cease to be listed on the Stock Exchange, or any other stock exchange recognised under the SFO.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

NO COMPETING INTEREST/BUSINESS

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

CONNECTED TRANSACTIONS

CONNECTED PERSONS

Good Rise Engineering Limited (“Good Rise”)

Good Rise (which had been owned as to 40% by Mr. Kwok, our executive Director and Controlling Shareholder) had been an associate of Mr. Kwok under the GEM Listing Rules, and, therefore, a connected person of our Company as defined under the GEM Listing Rules. The principal activity of Good Rise is construction and engineering. Good Rise is primarily engaged in cement works in Hong Kong. It is noted that Mr. Kwok has disposed of all his interests in Good Rise to Independent Third Parties on 17 November 2015. Accordingly, Good Rise has ceased to be a connected person of our Company prior to the Latest Practicable Date.

Ms. Kwok Hong Kei

Ms. Kwok Hong Kei (who is the daughter of Mr. Kwok) is an associate of Mr. Kwok under the GEM Listing Rules, and, therefore, a connected person of our Company as defined under the GEM Listing Rules.

Ms. Kwok Tung Yin

Ms. Kwok Tung Yin (who is the sister of Mr. Kwok) is an associate of Mr. Kwok under the GEM Listing Rules, and, therefore, a connected person of our Company as defined under the GEM Listing Rules.

DISCONTINUED CONNECTED TRANSACTIONS

During the Track Record Period, we entered into the following transactions with Good Rise, who has ceased to be a connected person of our Company following the completion of the aforesaid disposal by Mr. Kwok.

1. Subcontract works by WM Construction to Good Rise

For FY2014, WM Construction subcontracted various plastering works and miscellaneous works to Good Rise, in the ordinary course of business, on normal commercial terms, and on arm's length basis, in relation to which the subcontracting fee was approximately HK\$12.5 million, as set out under note 27 to the Accountants' Report in Appendix I to this prospectus.

The contract sum for the plastering works and miscellaneous works subcontracted by WM Construction to Good Rise was determined with reference to the market price for similar works payable by WM Construction to Independent Third Party subcontractors. No similar transaction has been entered into between WM Construction and Good Rise since May 2014.

As at 30 June 2015, taking into account the upfront payment paid by our Group to Good Rise, the aggregate amount due from Good Rise to our Group in respect of the plastering works and miscellaneous works carried out by Good Rise for subcontract entered into prior to May 2014 amounted to approximately HK\$500,000, such amount has been fully settled on 30 September 2015.

CONNECTED TRANSACTIONS

2. Tenancy agreement with Good Rise

Pursuant to a tenancy agreement entered into between WM Construction and Good Rise dated 1 September 2007 (the “Tenancy Agreement”), WM Construction sub-letted part of the premises situated at “Unit D, 3/F., Freder Centre, 3 Mok Cheong Street, Tokwawan, Kowloon, Hong Kong” (the “Premises”) to Good Rise at a monthly rental of HK\$5,300 (the “Tenancy”). The monthly rental for the Tenancy, which was determined after arm’s length negotiation between WM Construction and Good Rise, with reference to the gross floor area taken up by Good Rise in proportion to the total gross floor area of the Premises, was revised to HK\$10,000 and HK\$10,600 with effect from 1 June 2013, and 1 June 2015, respectively. The Independent Third Party valuer is of the opinion that the monthly rental for the Tenancy is better than normal commercial terms as the monthly rental receivable by WM Construction under the Tenancy is higher than the prevailing market monthly rent for similar premises in similar location. The Tenancy has been terminated via mutual consent prior to the Latest Practicable Date. All rental payable by Good Rise under the Tenancy Agreement has been fully settled as of the Latest Practicable Date.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions with our connected persons which shall continue following the Listing, and, thereby, constitute continuing connected transactions within the meaning of the GEM Listing Rules.

Employment contract with Ms. Kwok Hong Kei

On 4 August 2014, Ms. Kwok Hong Kei entered into a written employment contract with WM Construction Limited, pursuant to the terms of which Ms. Kwok Hong Kei was employed by WM Construction Limited as a technical trainee. We expect Ms. Kwok Hong Kei shall continue to be employed by WM Construction Limited at the same position upon, and following, the Listing. Our Directors estimate that the annual salary payable to Ms. Kwok Hong Kei shall not exceed HK\$144,000, and HK\$144,000 for each of the years ending 30 June 2016 and 30 June 2017 respectively, as determined by our Directors with reference to the contractual amount payable to Ms. Kwok Hong Kei under the employment contract, and the expected increase in her salary during the relevant period.

Since the applicable percentage ratios (other than the profits ratio) for this transaction are less than 5%, with annual aggregated values below HK\$3,000,000, the transaction constitutes a de minimus continuing connected transaction, which is exempted from the reporting, announcement and independent shareholders’ approval requirements applicable under Chapter 20 of the GEM Listing Rules.

Employment contract with Ms. Kwok Tung Yin

On 15 September 2003, Ms. Kwok Tung Yin entered into a written employment contract with WM Construction Limited, pursuant to the terms of which Ms. Kwok Tung Yin was employed by WM Construction Limited as an office assistant. We expect Ms. Kwok Tung Yin shall continue to be employed by WM Construction Limited at the same position upon, and following, the Listing. Our Directors estimate that the annual salary payable to Ms. Kwok Tung Yin shall not exceed HK\$117,600 and HK\$117,600 for each of the years ending 30 June 2016 and 30 June 2017 respectively, as determined by our Directors with reference to the contractual amount payable to Ms. Kwok Tung Yin under the employment contract, and the expected increase in her salary during the relevant period.

CONNECTED TRANSACTIONS

Since the applicable percentage ratios (other than the profits ratio) for this transaction are less than 5%, with annual aggregated values below HK\$3,000,000, the transaction constitutes a de minimus continuing connected transaction, which is exempted from the reporting, announcement and independent shareholders' approval requirements applicable under Chapter 20 of the GEM Listing Rules.

Our Directors (including our independent non-executive Directors) have confirmed that the terms of the employment contracts were entered into, and conducted, on normal commercial terms or better, and in the interests of our Company and Shareholders as a whole.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

INFORMATION ON DIRECTORS, SENIOR MANAGEMENT AND STAFF

The table below sets out information on our Directors, senior management and staff:

Name	Age	Date of joining our Group	Present position	Date of appointment as Director	Responsibilities in our Group	Relationship with other Directors or senior management
Kwok Tung Keung (郭棟強)	57	16 July 1993	Executive Director and chairman of the Board Chairman of the nomination committee, and a member of the remuneration committee Compliance officer	22 September 2015	Responsible for the financial and operational aspects of our Group, and the formulation of business development strategies of our Group	No
Chan Siu Kay Francis (陳紹基)	45	6 November 1996	Executive Director	21 December 2015	Responsible for the business development and monitoring of all projects within the Group	No
Lee Kin Kee (李建基)	52	21 December 2015	Non-executive Director	21 December 2015	Responsible for the supervision and improvement of financial management of our Group	No
Li Kar Fai Peter (李嘉輝)	51	9 March 2016	Independent non-executive Director Chairman of the audit committee, and a member of the remuneration committee and nomination committee	9 March 2016	Responsible for the supervision and provision of independent judgment to our Board	No
So Chi Wai (蘇志偉)	57	9 March 2016	Independent non-executive Director A member of the audit committee and remuneration committee	9 March 2016	Responsible for the supervision and provision of independent judgment to our Board	No
Wong Shuk Fong (黃淑芳)	32	9 March 2016	Independent non-executive Director Chairman of the remuneration committee, and a member of the audit committee and nomination committee	9 March 2016	Responsible for the supervision and provision of independent judgment to our Board	No

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Name	Age	Date of joining our Group	Present position	Date of appointment as Director	Responsibilities in our Group	Relationship with other Directors or senior management
Wong Che Keung Andy (黃自強)	48	23 March 2014	Senior Management/ Contracts Manager	N/A	Responsible for the contract administration, finances, cost planning, and dealing with contractual claims of our Group	No
Chan Ka Po Phoebe (陳嘉寶)	43	10 June 2001	Senior Management/Chief Quantity Surveyor	N/A	Responsible for the overall monitoring and management of quantity surveying, contractual disputes and litigation of our Group	No
Lee Kai Man (李啟民)	41	21 May 2001	Senior Management/ Quantity Surveyor Manager	N/A	Responsible for the management of contractual and financial aspects for individual projects of our Group	No
Chan Yat Lui (陳溢磊)	32	1 January 2016	Financial Controller/ Company Secretary	N/A	Responsible for the oversight of our Group's finance and accounts function and internal controls; provision of financial and business advice to the Board and senior management of our Group	No

DIRECTORS

The Board currently comprises 6 Directors, including 2 executive Directors, 1 non-executive Director and 3 independent non-executive Directors.

Executive Directors

Mr. Kwok Tung Keung (郭棟強), aged 57, is our executive Director. He was appointed as a Director on 22 September 2015, and an executive Director and the chairman of the Board on 21 December 2015. Mr. Kwok is responsible for the financial and operational aspects of our Group, and is responsible for the formulation of business development strategies of our Group. He is the co-founder of WM Engineering, and founder of WM Foundation.

Mr. Kwok has over 31 years of experience in the civil engineering industry. Prior to joining our Group in July 1993, Mr. Kwok served as a Contract Administration Trainee, and was later promoted as a Contract Administration Assistant, with Hip Hing Construction Co. Ltd. from September 1984 to

DIRECTORS, SENIOR MANAGEMENT AND STAFF

September 1986. From October 1986 to December 1989, Mr. Kwok worked as a Project Manager with Augustine Cheung & Associates. From January 1989 to June 1990, Mr Kwok worked as an Assistance Project Manager with Vic-Way Investment Company Limited, and was promoted to the position of Project Manager in January 1990. From August 1990 to May 1993, Mr. Kwok worked as a Project Manager with Chee Cheung Hing & Co. Ltd. Mr. Kwok gained sound knowledge in civil engineering and commercial management during such periods. Mr. Kwok joined WM Construction in July 1993 as a project manager. He was later appointed as the managing director of WM Construction from July 1999 onwards.

Mr. Kwok also holds various posts in the construction and civil engineering industries. He is, currently, the President of the Hong Kong General Building Contractors Association, the President of the Hong Kong Society of Registered Safety Auditors and Review Officers, a member of the Building and Civil Engineering Training Board of the Vocational Training Council and a committee member of the Construction Industry Safety & Health Committee.

Mr. Kwok obtained a Bachelor of Science in Building Construction & Management degree from the University of Reading in the United Kingdom in July 1984.

In the three years preceding the Latest Practicable Date, Mr. Kwok has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Chan Siu Kay Francis (陳紹基) (“Mr. Chan”), aged 45, is our executive Director. He was appointed as a Director on 21 December 2015, and an executive Director on 21 December 2015. Mr. Chan is responsible for business development and monitoring of all projects within the Group.

Mr. Chan has over 19 years of experience in the civil engineering industry. He joined WM Construction as a Project Co-ordinator in November 1996. He is, currently, a general manager and director of both WM Construction and WM Engineering. He has over 19 years of experience in project planning and monitoring, building construction and coordination, cost control, renovation and fitting-out work.

Mr. Chan obtained a Diploma in Building Studies from Morrison Hill Technical Institute in Hong Kong in August 1991, a Higher Diploma in Building from the City Polytechnic of Hong Kong in December 1994, a Bachelor of Science in Building Management degree from the University of Northumbria at Newcastle in the United Kingdom in June 1996, and a Master of Science in Construction and Real Estate degree from the Hong Kong Polytechnic University in November 2004. He was granted a Corporate Membership in the Building Discipline by the Hong Kong Institution of Engineers in February 2000, and a Professional Member of Asia Pacific Institute of Building in August 2004.

In the three years preceding the Latest Practicable Date, Mr. Chan has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Non-executive Director

Mr. Lee Kin Kee (李建基), aged 52, was appointed as our non-executive Director on 21 December 2015. Mr. Lee is responsible for the supervision and improvement of the financial management of our Group.

Mr. Lee has 28 years of experience in the finance industry. Before joining our Group, he served as an Audit Assistant with Price Waterhouse Company in August 1987, and was promoted to a Senior Accountant II in July 1990 before he left his position in October 1990. From October 1990 to January 1994, he served with the Elec & Eltek Group, and held the positions of Senior Officer with the Department of Audit & System Review, and, in the Department of Group Finance & Treasury, the positions of Senior Accountant, Manager (Management Accounting) and Manager (Corporate Accounting & Credit Control). From January 1994 to July 1994, he served with Technic Holdings Corporation as a Finance Manager. From August 1995 to March 1997, he served with Asia Commercial Holdings Limited as a PRC Financial Controller. From July 1998 to July 2001, he served with SEI Interconnect Products (Hong Kong) Limited, initially as an Assistant Manager of the Accounting Department, and, from January 1999 onward, as a Manager of Accounting Department. From July 2001 to November 2004, he served with Wah Shing Toys Company Limited, initially as a Financial Controller in the Finance Department, and, from February 2004 onwards, as a Director in the Production & Material Control Department. From December 2004 to July 2007, he served with Musical Industries Limited as a General Manager. From August 2007 to December 2008, he served with United Luminous International (Holdings) Limited as a Financial Controller. From January 2009 to March 2010, he served with Traxon Technologies Limited as its Finance & Accounting Director. From March 2010 onwards, he serves with Optiled Lighting International Limited as a Financial Controller.

Mr. Lee obtained a Diploma in Accounting from the Hong Kong Baptist College in December 1987, a Master's degree in Business Administration from the University of Canberra in Australia in May 2001, and an Executive Diploma in Supply Chain & Logistics Management from the Chinese University of Hong Kong in September 2004. He was admitted as an associate in the then Hong Kong Society of Accountants in February 1992, and became a fellow thereof in October 2000.

In the three years preceding the Latest Practicable Date, Mr. Lee has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Independent non-executive Directors

Mr. Li Kar Fai Peter (李嘉輝) (“Mr. Peter Li”), aged 51, was appointed as our independent non-executive Director on 9 March 2016.

Mr. Peter Li has over 20 years of experience in auditing, corporate finance and accounting. Prior to joining our Group, he worked as a Staff Accountant with Price Waterhouse Company in August 1987, and left Price Waterhouse Company as an Audit Manager in May 1995. While working for Price Waterhouse Company, he had an opportunity to familiarise himself with the auditing and accountancy procedures employed by a wide range of companies in Hong Kong. From November 1997 to June 2001, he worked with Asia Aluminum Manufacturing Company Limited as a senior financial manager and company secretary. From February 2002 to February 2006 and from March 2007 to October 2011, he

DIRECTORS, SENIOR MANAGEMENT AND STAFF

worked with Inno-Tech Holdings Limited (a company listed on the GEM, stock code: 8202) as a financial controller and company secretary, and is, currently, since 1 January 2016, the financial controller of Glory Flame Holdings Limited (a company listed on GEM, stock code: 8059).

Mr. Peter Li has been an independent non-executive director of Brilliance Worldwide Holdings Limited (a company listed on GEM, stock code: 8312) since November 2010, and Asia Coal Limited (a company listed on the Main Board, stock code: 835) since March 2006.

Mr. Peter Li obtained a Bachelor of Arts in Accountancy degree from the City Polytechnic of Hong Kong in November 1992, and became an associate member of the then Hong Kong Society of Accountants since September 1997.

Save as disclosed above, in the three years preceding the Latest Practicable Date, Mr. Peter Li has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. So Chi Wai (蘇志偉) (“Mr. So”), aged 57, was appointed as our independent non-executive Director on 9 March 2016.

Prior to joining our Group, Mr. So worked as Civil Engineering Graduate with the Lands and Works Branch of the Hong Kong Government from September 1981 to June 1983. From July 1983 to September 1990, he worked with the Geotechnical Engineering Office of the Government as an Assistant Geotechnical Engineer, and was promoted to the position of Geotechnical Engineer in June 1984. After furthering his studies from September 1990 to June 1991, he resumed his previous position with the Geotechnical Engineering Office from July 1991 to July 1995. From August 1995 to September 1996, he worked with Paul Tong & Associates as an Associate Director. From October 1996 until the present, he started his business, and has been a Director of Philip So & Associates Limited, which specialises in the provision of detailed design for high-rise building, façade system, steel structure, slopes, bridges, foundation, marine works, interim flood protection measures and other civil project and technical or geotechnical advice to clients including developers, architects and contractors.

Mr. So holds various professional qualifications in the geotechnical and civil engineering industries. He is, currently, a member of the Hong Kong Institution of Engineer, a Registered Structural Engineer, a Registered Geotechnical Engineer, and a Registered Inspector.

Mr. So obtained a Bachelor of Science degree from the University of Hong Kong in August 1981, and a Master of Science degree from the Imperial College in the United Kingdom in October 1991.

In the three years preceding the Latest Practicable Date, Mr. So has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Ms. Wong Shuk Fong (黃淑芳) (“Ms. Wong”), aged 32, was appointed as our independent non-executive Director on 9 March 2016. Ms. Wong joined Mastercraft International Holdings Limited (a company listed on the Main Board, stock code: 3966) (“Mastercraft”) as financial controller and company secretary in February 2011, and became an executive director of Mastercraft in July 2015.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Ms. Wong resigned from the positions of executive director and company secretary of Mastercraft in February 2016, and is currently a financial controller of Mastercraft International Limited, a subsidiary of Mastercraft.

From August 2006 to May 2010, Ms. Wong served with CCIF CPA Limited, initially as an Auditor II (A2) before being promoted to Auditor I (A1) in July 2007, Senior Auditor (S2) in July 2008, and an Assistant Manager (S1) in January 2010. During that time, Ms. Wong was involved in the handling of initial public offerings, auditing and substantial corporate transactions for listed companies in Hong Kong. In July 2010, she established her own business in Hong Kong of providing advice on tax matters, and assistance to listed companies in the preparation of public financial reports and corporate announcements.

Ms. Wong obtained a Bachelor of Business degree from the University of Technology, Sydney in May 2005, and a Master of Commerce in Accounting degree from the University of New South Wales in September 2006. She was accredited as a certified public accountant by CPA Australia and Hong Kong Institute of Certified Public Accountants in August 2010 and March 2015 respectively.

Save as disclosed above, in the three years preceding the Latest Practicable Date, Ms. Wong has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

SENIOR MANAGEMENT

Mr. Wong Che Keung Andy (黃自強) (“Mr. Andy Wong”), aged 48, joined WM Construction in August 1995 as a Quantity Surveyor. In June 1997, he left WM Construction temporarily, and re-joined WM Construction in March 2014 as a Contracts Manager.

Mr. Andy Wong has over 23 years of experience in surveying works. He joined Davis Langdon & Seah Hong Kong Limited as a Quantity Surveying Assistant in August 1990, and left as an Assistant Quantity Surveyor in August 1992 to further his studies. He re-joined Davis Langdon & Seah Hong Kong Limited as an Assistant Quantity Surveyor in August 1994 and left in August 1995 as a Senior Assistant Quantity Surveyor. From June 1997 to March 2014, he served with Cheung Kong (Holdings) Limited as a Quantity Surveyor in June 1997, as a Senior Quantity Surveyor in January 2008, as an Assistant Contracts Manager in January 2011 and as a Contracts Manager in January 2012.

Mr. Andy Wong obtained a Bachelor of Science in Quantity Surveying degree from the London South Bank University in July 1994, and a Master of Science in Construction and Real Estate degree from the Hong Kong Polytechnic University in December 2007. He was elected a Professional Member of the Royal Institution of Chartered Surveyors in September 2007, was admitted as a Member of the Australian Institute of Building in September 2007, a Member of the Chartered Institute of Building in October 2007, a Member of Hong Kong Institute of Construction Managers in December 2008, was elected a Member of the Hong Kong Institute of Surveyors in July 2009, and became a Registered Professional Surveyor in October 2010.

In the three years preceding the Latest Practicable Date, Mr. Andy Wong has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Ms. Chan Ka Po Phoebe (陳嘉寶) (“Ms. Phoebe Chan”), aged 43, joined WM Construction in June 2001 as a Senior Quantity Surveyor, and was promoted to the position of Quantity Surveying Manager in April 2007, and to the position of Chief Quantity Surveyor in November 2015.

Ms. Phoebe Chan has over 20 years of experience in surveying works. From February 1995 to June 1996, she served in C. S. Toh & Sons & Associates as an Assistant Quantity Surveyor. From August 1996 to January 1999, she served with Faithful & Gould Limited as an Assistant Quantity Surveyor, and left as a Quantity Surveyor. From January 1999 to June 2001, she served with Pionic Unit Construction Company Limited as a Senior Quantity Surveyor and Project Manager before joining our Group in June 2001.

Ms. Phoebe Chan obtained a Bachelor of Science in Building Technology and Management degree from the Hong Kong Polytechnic in November 1994. She was elected a Member of the Hong Kong Institute of Surveyors in May 2006, a Professional Member of the Royal Institution of Chartered Surveyors in October 2006, and became a Registered Professional Surveyor in the Quantity Surveying Division in October 2007.

In the three years preceding the Latest Practicable Date, Ms. Phoebe Chan has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Lee Kai Man (李啟民) (“Mr. K.M. Lee”), aged 41, joined WM Construction in May 2001 as a Quantity Surveyor, and was promoted to the position of a Quantity Surveyor Manager in April 2012. He obtained a Higher Diploma in Building from the City University of Hong Kong in November 1997, and has over 17 years of experience in building works. Before joining our Group in May 2001, he served with Nishimatsu Construction Co., Ltd. as an Assistant Quantity Surveyor from September 1998 to May 2000. He served with To’s Universe Construction Co., Ltd as a Quantity Surveyor from May 2000 to May 2001.

In the three years preceding the Latest Practicable Date, Mr. K.M. Lee has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Chan Yat Lui (陳溢磊) (“Mr. Y.L. Chan”), aged 32, joined our Company in January 2016. He is, currently, our Company’s financial controller and company secretary.

From June 2005 to May 2011, Mr. Y.L. Chan served in with Yiu Cho Yan Certified Public Accountant as an Audit Supervisor. From June 2011 to November 2014, he joined KLC Kennic Lui & Co. Certified Public Accountants, initially as a Senior and then a Manager I. He rejoined Yiu Cho Yan Certified Public Accountant in January 2015, and served until December 2015 as an Audit Manager before joining our Company.

Mr. Y.L. Chan was admitted to the degree of Associate of Business Administration in Accountancy in the City University of Hong Kong in November 2005, He became a certified public accountant at the Hong Kong Institute of Certified Public Accountants in February 2010, and a Certified Tax Adviser of the Taxation Institute of Hong Kong in September 2010.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

In the three years preceding the Latest Practicable Date, Mr. Y.L. Chan has not held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Mr. Y.L. Chan, who is our Company's financial controller, also acts as the company secretary of our Company. Please refer to his biography as set out in the paragraph headed "Senior Management" in this section.

COMPLIANCE OFFICER

Mr. Kwok, who is an executive Director, also acts as the compliance officer of our Group. Please refer to his biography as set out in the paragraph headed "Directors — Executive directors" in this section.

BOARD COMMITTEE

Audit Committee

Our Company established an audit committee on 9 March 2016 pursuant to a resolution of the Directors passed on 9 March 2016 in compliance with Rule 5.28 of the GEM Listing Rules. The written terms of reference of the audit committee are in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee are, inter alia, to review and supervise the financial reporting process and internal control system of our Group.

At present, the audit committee of our Company consists of three (3) members, all of whom are our independent non-executive Directors, namely, Mr. Peter Li, Mr. So and Ms. Wong. Mr. Peter Li is the chairman of the audit committee.

Remuneration Committee

Our Company established a remuneration committee on 9 March 2016 pursuant to a resolution of the Directors passed on 9 March 2016 in compliance with Rule 5.34 of the GEM Listing Rules. The written terms of reference of the remuneration committee are in compliance with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the remuneration committee are, inter alia, to make recommendations to the Board, on a regular basis, on our Company's policy and structure for the remuneration of all Directors and senior management of our Company, and on the establishment of a formal and transparent procedure for developing remuneration policy.

The remuneration committee consists of four (4) members, where three (3) of them are independent non-executive Directors. The members are Mr. Kwok, Mr. Peter Li, Mr. So and Ms. Wong. Ms. Wong is the chairman of the remuneration committee.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Nomination Committee

Our Company established a nomination committee on 9 March 2016 pursuant to a resolution of the Directors passed on 9 March 2016 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the nomination committee are, inter alia, to regularly review the structure of the Board, and make recommendations to the Board regarding any proposed change to the structure of the Board.

The nomination committee consists of three (3) members, two (2) of whom are independent non-executive Directors. The members are Mr. Kwok, Mr. Peter Li and Ms. Wong. Mr. Kwok is the chairman of the nomination committee.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors' remuneration

The aggregate amount of remuneration (including salaries, allowances and benefits in kind, pension scheme contributions) paid to our Directors by us in respect of FY2014, FY2015 and the three months ended 30 September 2015 were approximately HK\$2.5 million, HK\$3.0 million and HK\$0.8 million respectively.

During the Track Record Period, no remuneration as an inducement to join, or upon joining, our Group, or compensation for loss of office, was paid by our Group to our Directors. No Director has waived any emoluments during the Track Record Period.

Of the five individuals with the highest emoluments in our Group, two were Directors of them for FY2014, FY2015 and the three months ended 30 September 2015. The emoluments in respect of the remaining three individuals for FY2014, FY2015 and the three months ended 30 September 2015 were approximately HK\$2.7 million, HK\$3.1 million and HK\$0.8 million respectively.

During the Track Record Period, no remuneration as an inducement to join, or upon joining, our Group, or compensation for loss of office was paid by our Group to the five highest paid individuals.

Retirement benefit schemes

All of our Group's employees have joined a mandatory provident fund scheme (the "MPF Scheme") which is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong). Our Group has complied with the relevant prescribed laws and regulations, and relevant contributions have been paid by our Group in accordance with the aforesaid laws and regulations.

Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme are set out in the paragraph headed "D. Share Option Scheme" in Appendix IV to this prospectus. The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. Our Directors consider the Share Option Scheme, with its broad basis of participation, shall enable us to reward our

DIRECTORS, SENIOR MANAGEMENT AND STAFF

employees, our Directors and other selected participants for their contributions to us. This shall be in accordance with Chapter 23 of the GEM Listing Rules, and other relevant rules and regulations. Save as disclosed above, no incentive schemes have been adopted by our Company in relation to our senior management and key employees.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Titan Financial Services Limited to be our compliance adviser, who shall have access to our Company's authorised representatives, Directors and other officers at all times. The compliance adviser shall advise our Company on on-going compliance requirements, and other issues, under the GEM Listing Rules and other applicable laws and regulations in Hong Kong after the Listing. The compliance adviser's appointment shall commence on the Listing Date, and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier.

Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser shall advise our Company under the following circumstances:

1. before the publication of any regulatory announcement, circular or financial report;
2. where a transaction, which might be a notifiable or connected transaction, is contemplated, including Share issues and Share repurchases;
3. where our Company proposes to use the proceeds of the Placing in a manner different from that detailed in this prospectus, or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
4. where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

As at the date of this prospectus, details of the respective shareholdings of our substantial Shareholders in our Company are as follows:

Name	Nature of Interest	No. of Shares held	Approximate percentage of shareholding
Best Brain Investments Limited ⁽¹⁾	Beneficial owner	300	75%
Mr. Kwok ⁽²⁾	Interest in controlled corporation	300	75%
NEO Paramount Limited ⁽³⁾	Beneficial owner	100	25%
Mr. Lee Kin Kee ⁽⁴⁾	Interest in controlled corporation	100	25%

Notes:

- (1) Best Brain Investments Limited holds 75% of the issued share capital of our Company.
- (2) Best Brain Investments Limited is legally and beneficially owned as to 100% by Mr. Kwok
- (3) NEO Paramount Limited holds 25% of the issued share capital of our Company.
- (4) NEO Paramount Limited is legally and beneficially owned as to 100% by Mr. Lee Kin Kee, the non-executive Director of our Company.

So far as our Directors are aware, the following persons shall, immediately following the completion of the Placing and the Capitalisation Issue (not taking into account any exercise of the Offer Size Adjustment Option), have an interest or short position in the Shares, or underlying Shares, which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who shall, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Group:

Name	Nature of Interest	No. of Shares held after the Placing and the Capitalisation Issue	Approximate percentage of shareholding after the Placing and the Capitalisation Issue
Best Brain Investments Limited ⁽¹⁾	Beneficial owner	400,000,000	50%
Mr. Kwok ⁽²⁾	Interest in controlled corporation	400,000,000	50%
NEO Paramount Limited ⁽³⁾	Beneficial owner	160,000,000	20%
Mr. Lee Kin Kee ⁽⁴⁾	Interest in controlled corporation	160,000,000	20%

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) Best Brain Investments Limited holds 50% of the enlarged issued share capital of our Company.
- (2) Best Brain Investments Limited is legally and beneficially owned as to 100% by Mr. Kwok
- (3) NEO Paramount Limited holds 20% of the enlarged issued share capital of our Company.
- (4) NEO Paramount Limited is legally and beneficially owned as to 100% by Mr. Lee Kin Kee, the non-executive Director of our Company.

Save as disclosed in this section, our Directors are not aware of any person(s) who, immediately following completion of the Placing and the Capitalisation Issue (not taking into account any exercise of the Offer Size Adjustment Option), shall 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 shall 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 Group, and are, therefore, regarded as substantial shareholders under the GEM Listing Rules.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

Undertakings

Our Controlling Shareholders have provided undertakings to the Company and the Stock Exchange as required by Rule 13.19 of the GEM Listing Rules, and are bound by the non-disposal restrictions — imposed by Rule 13.16A of the GEM Listing Rules.

SHARE CAPITAL

The authorised and issued share capital of our Company are as follows:

Number of Shares comprised in the authorised share capital: *HK\$*

2,000,000,000 Shares	20,000,000

Assuming the Offer Size Adjustment Option is not exercised, and without taking into account any Shares which may be granted under the Share Option Scheme, the share capital of our Company immediately following the completion of the Placing and the Capitalisation Issue will be as follows:

Shares issued and to be issued, fully paid or credited as fully paid, upon completion of the Placing and the Capitalisation Issue *HK\$*

400 Shares in issue as at the date of this prospectus	4
639,999,600 Shares to be issued pursuant to the Capitalisation Issue	6,399,996
<u>160,000,000 Shares to be issued pursuant to the Placing¹</u>	<u>1,600,000</u>
 <u><u>800,000,000 Shares in total</u></u>	 <u><u>8,000,000</u></u>

Note:

1. The share capital of our Company will be enlarged by up to an additional 36,000,000 Shares in the event that the Offer Size Adjustment Option is exercised in full.

ASSUMPTIONS

The above tables assume that the Placing becomes unconditional and does not take into account any exercise of any options to be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issue Mandate and Repurchase Mandate as described below.

RANKING

The Placing Shares, including the Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option, will rank *pari passu* in all respects with all other Shares in issue as at the date of this prospectus, and in particular, will rank in full for all dividends and other distributions declared, paid or made on the Shares after the date of this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions stated in the paragraph headed “Conditions of the Placing” under the section headed “Structure and Conditions of the Placing” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Placing and the Capitalisation Issue (such share capital being exclusive of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option); and
- (ii) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the Repurchase Mandate.

Our Directors may, in addition to the Shares which they are authorised to issue under this mandate, allot, issue and deal with the Shares pursuant to (a) a rights issue; (b) the exercise of rights of subscription, exchange or conversion under the terms of any warrants or convertible securities issued by our Company or any securities which are exchangeable into Shares; (c) the exercise of the subscription rights under options granted under the Share Option Scheme or any other similar arrangement of our Company from time to time adopted for the grant or issue to officers and/or employees and/or consultants and/or advisors of our Company and/or any of its subsidiaries and/or other persons of Shares or rights to acquire Shares; or (d) any scrip dividend or similar arrangement providing for allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of our Company.

The Issue Mandate will expire:

- at the conclusion of our Company’s next annual general meeting;
- upon the expiration of the period within which our Company is required by applicable laws or the Articles or the Companies Law to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever occurs first.

For further details of the Issue Mandate, see the paragraph headed “A. Further Information about our Company and Our Subsidiaries — 3. Written resolutions of our then Shareholders passed on 9 March 2016” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions stated in the paragraph headed “Conditions of the Placing” under the section headed “Structure and Conditions of the Placing” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Placing and the Capitalisation Issue (such share capital being exclusive of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option).

The Repurchase Mandate relates only to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “A. Further Information about our Company and Our Subsidiaries — 6. Repurchase of Shares by our Company” in Appendix IV to this prospectus.

The Repurchase Mandate will expire:

- at the conclusion of our Company’s next annual general meeting;
- upon the expiration of the period within which our Company is required by applicable laws or the Articles or the Companies Law to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever occurs first.

For further information about the Repurchase Mandate, refer to the paragraph headed “A. Further Information about our Company and Our Subsidiaries — 3. Written resolutions of our then Shareholders passed on 9 March 2016” in Appendix IV to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our combined financial statements, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus. Our Company's combined financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"). You should read the entire Accountants' 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 Company in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Company believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Company's expectations and projections will depend on a number of risks and uncertainties over which our Company does not have control. For further information, you should refer to the section "Risk factors" in this prospectus.

OVERVIEW

We are principally engaged in general building works and specialised building works in Hong Kong. We generate revenue by provision of general building works and specialised building works which are contracted by our customers on project basis. The general building works undertaken by us refer to the construction works performed by us at construction sites for residential buildings, commercial buildings, industrial buildings and general superstructure erection, and include (i) erection of architectural superstructures, and (ii) renovation, fitting out, alteration and addition works. We also undertake specialised building works, which comprise demolition, site formation and foundation works.

We usually act as a main contractor, and primarily focus on project management, engineering design and technical submission, devising detailed work programmes, procurement of major construction materials, co-ordination with the customers and their consultants, as well as the quality control of the works undertaken by the subcontractors.

Our major operating subsidiary, WM Construction, has been included in the Register of General Building Contractors of the Buildings Department since October 2000 and in the Register of Specialist Contractor for foundation works, demolition works and site formation works since July 2000, December 2000 and May 2001, respectively. It was also included as a Group B (probationary contractor) in the List of Approved Contractors for Public Works under the category of "Buildings" since October 2005.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Construction activities in Hong Kong

All our operations and management were located in Hong Kong during the Track Record Period and up to the Latest Practicable Date. Given our customers are mostly private sector property developers, the future growth and profitability of the construction industry largely depends on the continued prosperity of the property market and the construction industry in Hong Kong. The nature, extent and timing of these construction projects will, however, be determined by an interplay of a variety of factors, including the Government's policies on the property market in Hong Kong, its land supply and public housing policy, the investment of property developers and the general conditions and

FINANCIAL INFORMATION

prospects of Hong Kong's economy. These factors may affect the availability of construction projects from the private sector or other institutional bodies. Our Group believes that since the construction sectors are cyclical in nature, the demand of our service may be reduced with the downturn in the construction sector, as well as reduction in the overall value and number of property development projects due to economic downturn. As such, our performance and profitability may be adversely impacted.

Profitability of our projects

The profitability of our construction business is dependent on the price of our tender, which is determined based on the estimated costs to be incurred plus a mark-up. If a significant mark-up is made upon the estimated costs, then our tender price may be less competitive. On the other hand, if the tender price set by us is too low, then in the event that the time and costs actually involved in completing the construction works undertaken by us exceed our estimation at the time when the tender was submitted, which may be caused by factors beyond our control such as shortage of labour, our profitability may be materially and adversely affected.

In addition, our customers may, in the course of project implementation, make "variation order" to our Group and request our Group to alter the scope of works or perform additional works on top of the terms and scope of original contracts by way of "variation order". The terms of these "variation order" are agreed between our Group and the quantity surveyor authorised by the customer in accordance with the principles that, inter alia, any additional work carried out which is the same as or similar in character to and executed under the same or similar conditions and circumstances to any item of work priced in the original contract shall be valued at the rate set out in the original contract for such item of work. In the event our Group and the quantity surveyor authorised by the customer fail to reach an agreement on the rate at which the variation works are determined, or if we and our customers take different views on the valuation on variation work, there may arise dispute and the settlement of our payment applications may be prolonged and thereby affect our liquidity and financial position. There is also no assurance that we will be able to maintain the same or similar profit margins for works performed under these variation orders.

Subcontracting fees and material costs

Subcontracting fees and construction material costs represent a significant portion of our direct costs. During the Track Record Period, (i) our subcontracting fees amounted to approximately HK\$305.7 million, HK\$434.8 million and HK\$84.4 million respectively, representing approximately 77.3%, 81.9% and 73.6% of our direct costs respectively; and (ii) construction material costs amounted to approximately HK\$38.5 million, HK\$51.8 million and HK\$19.6 million respectively, representing approximately 9.7%, 9.8% and 17.1% of our direct costs respectively. In the preparation of the tender, we can only estimate the construction cost, including subcontracting fees and construction material costs, with reference to the pre-bid quotations obtained from the suppliers and subcontractors as well as the experience of our management. Once the contract is awarded, in the event we fail to accurately estimate the amount of subcontracting costs or construction materials costs during the tendering stage, or if there is a significant increase in the construction material costs, or where we come across unforeseen circumstances such as technical difficulties or project delay leading to a material increase in the subcontracting costs, our profitability may be adversely affected and in extreme cases may lead to loss for a project.

FINANCIAL INFORMATION

The following sensitivity analysis illustrates the impact of hypothetical changes of subcontracting costs and material costs on profit before taxation for FY2014, FY2015, the three months ended 30 September 2014 and the three months ended 30 September 2015, with reference to the historical fluctuation of our direct costs during the Track Record Period:

Subcontracting fees change by:

	Impact on profit before taxation			
	FY2014	FY2015	Three months ended 30 September 2014	Three months ended 30 September 2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
+10%	(30,566)	(43,477)	(10,737)	(8,438)
+5%	(15,283)	(21,738)	(5,369)	(4,219)
-5%	15,283	21,738	5,369	4,219
-10%	30,566	43,477	10,737	8,438

Material costs change by:

	Impact on profit before taxation			
	FY2014	FY2015	Three months ended 30 September 2014	Three months ended 30 September 2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
+10%	(3,851)	(5,183)	(1,353)	(1,957)
+5%	(1,925)	(2,592)	(676)	(978)
-5%	1,925	2,592	676	978
-10%	3,851	5,183	1,353	1,957

Direct labour costs

Our construction works generally require skilled labour input. For any given project, workers with different skills may be required. During the Track Record Period, our labour costs, as part of direct costs, amounted to approximately HK\$22.2 million, HK\$24.6 million and HK\$5.5 million respectively, representing approximately 5.7%, 4.6% and 4.8% of our total direct costs respectively. According to the IPSOS Report, the shortage of skilled construction workers is expected to result in an increase in the average hourly wage of construction workers in Hong Kong in the next few years. Therefore, there is no guarantee that the supply of skilled labour and average labour costs will be stable. Further, there can be no assurance that there is no further increase in the minimum wages requirements under the Minimum Wage Ordinance or enactment of new labour laws, rules and regulations which may lead to further increases in our labour costs.

FINANCIAL INFORMATION

In the event that we fail to retain our existing labour and/or recruit skilled labour in a timely manner to cope with the demand of our existing or future projects and/or there is a significant increase in the costs of labour, we may not be able to complete our projects on schedule and within our estimated budgets and therefore our operations and profitability may be adversely affected.

The following sensitivity analysis illustrates the impact of hypothetical changes of direct labour costs on profit before taxation for FY2014, FY2015, the three months ended 30 September 2014 and the three months ended 30 September 2015, with reference to the historical fluctuation of our direct costs during the Track Record Period:

Direct labour costs change by:

	Impact on profit before taxation			
			Three months ended	Three months ended
	FY2014	FY2015	30 September 2014	30 September 2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
+10%	(2,217)	(2,464)	(645)	(553)
+5%	(1,109)	(1,232)	(323)	(277)
-5%	1,109	1,232	323	277
-10%	2,217	2,464	645	553

Timing of collection of our trade receivables and unbilled retention receivables

The credit terms in relation to the settlement of amounts due from our customers arising from the projects carried out by our Group vary from contract to contract. Our credit terms typically range from 30 to 60 days from the date of invoice on progress payment of contract work, depending on the terms and conditions of the contracts. Our trade receivables were approximately HK\$57.2 million, HK\$69.5 million and HK\$52.0 million as at 30 June 2014 and 2015 and 30 September 2015, respectively. We did not experience default in receiving the receivables during the Track Record Period and accordingly did not make any allowance for doubtful debt. However, there is no assurance that the financial position of our customers will remain healthy in the future. We also cannot assure that we will be able to collect receivables from our customers on a timely basis or that there will not be any future dispute in terms of collection of receivables with our customers which may result in significant delay in receivables collection.

In addition, retention monies are generally required by our customers to secure our Group's due performance of the contract. Typically, the amount of retention money is subject to negotiation between the parties and ranges from 5.0% to 10.0% of the value of the works certified, subject to a maximum retention of 5.0% of the awarded contract value or a monetary cap. Our unbilled retention receivables amounted to approximately HK\$23.6 million, HK\$40.8 million and HK\$43.3 million as at 30 June 2014 and 2015 and 30 September 2015, respectively. In the event our customers fail to pay the retention monies on a timely basis or at all, our liquidity may be adversely affected.

FINANCIAL INFORMATION

Our Group may, from time to time, be engaged in prolonged negotiation of the settlement of payment applications, in particular in respect of final payment, which is not uncommon in the construction industry. If our customers experience financial distress or are unable to settle their payments due to us or release the retention monies to us in a timely manner or at all, the financial performance and position of our Group could be adversely affected.

Payment practice of our projects

As at 30 June 2014 and 2015 and 30 September 2015, our cash and cash equivalents were approximately HK\$16.6 million, HK\$28.5 million and HK\$44.3 million, respectively. As a main contractor, we normally incur net cash outflows at the early stage of carrying out our works when we are required to pay the setting up expenditures in advance of payments from our customers. Our customers will pay progress payments after our works commence and such works and payments are certified by the architects of our customers. Accordingly, the cash flows of a particular project will turn from net outflows at the early stage into accumulative net inflows gradually as the works progress.

We undertake a number of projects at any given period, and the cash outflow of a particular project could be compensated by the cash inflows of other projects. If we take up too many significant projects, which require substantial initial setting up costs without cash inflow from other projects at a particular point of time, our corresponding cash flow position may be adversely affected. For FY2014, the net cash used in operating activities of our Group amounted to HK\$5.2 million, and for FY2015 and the three months ended 30 September 2015, the net cash from operating activities of our Group amounted to HK\$17.1 million and HK\$16.0 million, respectively.

BASIS OF PRESENTATION

Our Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 22 September 2015. Before the completion of the Reorganisation, WM Construction, WM Foundation and WM Engineering are wholly owned by Mr. Kwok. In preparation of the Listing, the companies comprising our Group underwent the Reorganisation, further details of which are explained in the section headed “History, Development and Reorganisation” in this prospectus.

Pursuant to the completion of Reorganisation, the Company has become the holding company of the companies now comprising the Group by interspersing the Company and Focus Wealth, Focus Achieve and Well Joint between Mr. Kwok and WM Construction, WM Engineering and WM Foundation, respectively. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the combined financial statements has been prepared as if the Company had always been the holding company of the Group.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period and the statements of financial position as at 30 June 2014, 30 June 2015 and 30 September 2015 as set out in Section A of the Accountants’ Report in Appendix I to this prospectus are prepared as if the current group structure had been in existence throughout the Track Record Period.

FINANCIAL INFORMATION

When necessary, adjustments are made to the financial statements of our subsidiaries to bring their accounting policies into line with our Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of our Group are eliminated in full on combination.

SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable.

Revenue from construction contracts is based on the stage of completion at the end of the reporting period. The percentage of completion is determined using methods that measure reliably the work performed. The methods used include the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income is recognised, on a straight-line basis, over the terms of the respective leases.

Service income is recognised when the services are provided.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment loss on tangible assets

At the end of the reporting period, our Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, our Group estimates the recoverable amount of the cash-generating unit to which the asset

FINANCIAL INFORMATION

belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, measured based on the proportion that revenue recognised with reference to contract cost incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts billed for work performed but not yet paid by the customer are included in the combined statements of financial position under trade receivables.

FINANCIAL INFORMATION

Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Our Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, amounts due from a related company and a director, pledged bank balances and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate except for short-term receivables where the recognition of interest would be insignificant.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

FINANCIAL INFORMATION

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re- organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on trade receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

FINANCIAL INFORMATION

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Financial liabilities

Our Group's financial liabilities including trade and bills payables, other payables and accrued charges, amounts due to a director and a subsidiary and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value. Subsequently to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised throughout the guarantee period on a straight-line basis.

Derecognition

Our Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expires.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Our Group derecognises financial liabilities when, and only when, our Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme as defined contribution plan are recognised as an expense when employees have rendered services entitling them to the contributions.

KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of our Group's accounting policies, which are described in Note 3 in the Accountants' Report of our Company set out in Appendix I to this prospectus, our management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Construction contract

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 our management on the basis of quotations from time to time provided by our major contractors, suppliers or vendors involved and the experience of our management. In order to keep the budget accurate and up-to-date, our 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.

Recognised amounts of construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table sets out our Group's combined statements of profit or loss and other comprehensive income for FY2014, FY2015, the three months ended 30 September 2014 and the three months ended 30 September 2015. This information is derived and should be read in conjunction with the combined financial information contained in the Accountants' Report in Appendix I to this prospectus.

	FY2014	FY2015	Three months ended 30 September 2014	Three months ended 30 September 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i>
Revenue	425,359	566,194	140,260	124,109
Direct costs	<u>(395,264)</u>	<u>(530,604)</u>	<u>(131,548)</u>	<u>(114,712)</u>
Gross profit	30,095	35,590	8,712	9,397
Other income	1,051	3,184	750	833
Administrative expenses	(16,061)	(16,739)	(4,331)	(4,671)
Other expenses	—	—	—	(1,105)
Finance costs	<u>(153)</u>	<u>(132)</u>	<u>(37)</u>	<u>(28)</u>
Profit before taxation	14,932	21,903	5,094	4,426
Income tax expense	<u>(2,388)</u>	<u>(3,434)</u>	<u>(741)</u>	<u>(747)</u>
Profit and total comprehensive income for the year/period attributable to the owners of the Company	<u>12,544</u>	<u>18,469</u>	<u>4,353</u>	<u>3,679</u>

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED ITEMS FROM COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our Group's revenue was principally generated from the provision of general building works and specialised building works in Hong Kong. Our revenue from construction contracts is based on the stage of completion at the end of each reporting period. The percentage of completion is determined with reference to the proportion that contract cost incurred for work performed to date bear to the estimated total contract costs. During the Track Record Period, our major customers are property developers in the private sector in Hong Kong. For FY2014, FY2015 and the three months ended 30 September 2015, revenue derived from the customers in the private sector accounted for approximately 99.2%, 99.9% and 96.8% of our total revenue, respectively. The following table sets forth a breakdown of our revenue and the percentage contribution to our total revenue by private and public sectors for the periods indicated.

	FY2014		FY2015		Three months ended 30 September 2014		Three months ended 30 September 2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Private	421,894	99.2	565,370	99.9	139,969	99.8	120,110	96.8
Public	<u>3,465</u>	<u>0.8</u>	<u>824</u>	<u>0.1</u>	<u>291</u>	<u>0.2</u>	<u>3,999</u>	<u>3.2</u>
	<u>425,359</u>	<u>100.0</u>	<u>566,194</u>	<u>100.0</u>	<u>140,260</u>	<u>100.0</u>	<u>124,109</u>	<u>100.0</u>

The revenue from general building works represented the construction works performed by us at construction sites for residential buildings, commercial buildings, industrial buildings and general superstructure erection, which include erection of architectural superstructures, and renovation, fitting out, alteration and addition works while the revenue from specialised building works represented the works undertaken by us for demolition, site formation and foundation works, which are designated by the Building Authority as specialised works and required to be carried out by registered specialist contractors.

FINANCIAL INFORMATION

We have been undertaking 48 general and specialised building projects during the Track Record Period and up to the Latest Practicable Date, details of which can be referred to the section headed “Business — Construction projects”. The following table sets forth a breakdown of our revenue and the percentage contribution to our total revenue by categories of building works for the periods indicated:

	FY2014		FY2015		Three months ended 30 September 2014		Three months ended 30 September 2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
General building works	330,861	77.8	488,220	86.2	120,999	86.3	90,427	72.9
Specialised building works	<u>94,498</u>	<u>22.2</u>	<u>77,974</u>	<u>13.8</u>	<u>19,261</u>	<u>13.7</u>	<u>33,682</u>	<u>27.1</u>
	<u>425,359</u>	<u>100.0</u>	<u>566,194</u>	<u>100.0</u>	<u>140,260</u>	<u>100.0</u>	<u>124,109</u>	<u>100.0</u>

We generally adopts a cost-plus pricing model for setting our tender price for our construction contracts. In deciding whether or not to submit a tender and pursue a project, our Group would take into consideration several principal factors including, but not limited to, the profitability and manageability of the project, the scope, complexity and particular specification of the projects, our ability to meet the specified timetable, our prior experience, the availability of our resources and expertise, our current competitiveness and our financial conditions and the costs of the project. Further details can be referred to the paragraph headed “Business — Operating Procedures — Preparation and submission of tender documents” in this prospectus.

Direct costs

Our direct costs primarily represent costs directly associated with the provision of our general building works and specialised building works. The table below sets forth a breakdown of our direct costs by nature and percentage contribution to total direct costs for the periods indicated:

	FY2014		FY2015		Three months ended 30 September 2014		Three months ended 30 September 2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Subcontracting fees	305,661	77.3	434,767	81.9	107,373	81.6	84,376	73.6
Material costs	38,508	9.7	51,832	9.8	13,529	10.3	19,569	17.1
Direct labour costs	22,173	5.7	24,638	4.6	6,452	4.9	5,531	4.8
Site overhead costs	<u>28,922</u>	<u>7.3</u>	<u>19,367</u>	<u>3.7</u>	<u>4,194</u>	<u>3.2</u>	<u>5,236</u>	<u>4.5</u>
	<u>395,264</u>	<u>100.0</u>	<u>530,604</u>	<u>100.0</u>	<u>131,548</u>	<u>100.0</u>	<u>114,712</u>	<u>100.0</u>

FINANCIAL INFORMATION

Subcontracting fees

Our subcontracting fees remained to be the largest component of our direct costs during the Track Record Period. The subcontracting fees represents the services fees we paid to our subcontractors for various services.

Material costs

Material costs primarily include costs of procuring materials from our suppliers such as steel reinforcement bar, H-steel pile and concrete for construction projects.

Direct labour cost

Direct labour costs primarily include the salaries, wages and other benefits provided for our quantity surveyors and our Group's project management team, such as project managers, site agents, safety officers and site foremen, who are directly involved in the construction projects.

Site overhead costs

Site overhead costs primarily include, but not limited to, (i) insurance expenses for contractors' all risks insurance and employees' compensation insurance; (ii) costs of miscellaneous site expenditure such as Government levy and establishment of temporary site office; and (iii) others such as electricity and water, parts and consumables, transportation, site security costs and rental expenses.

The table below sets forth a breakdown of our direct costs and the percentage contribution to our total direct costs for the period indicated by categories of building works:

	FY2014		FY2015		Three months ended 30 September 2014		Three months ended 30 September 2015	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	(unaudited)							
General building works	315,429	79.8	459,815	86.7	115,770	88.0	84,744	73.9
Specialised building works	<u>79,835</u>	<u>20.2</u>	<u>70,789</u>	<u>13.3</u>	<u>15,778</u>	<u>12.0</u>	<u>29,968</u>	<u>26.1</u>
	<u><u>395,264</u></u>	<u><u>100.0</u></u>	<u><u>530,604</u></u>	<u><u>100.0</u></u>	<u><u>131,548</u></u>	<u><u>100.0</u></u>	<u><u>114,712</u></u>	<u><u>100.0</u></u>

FINANCIAL INFORMATION

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by categories of building works and by private and public sectors for the periods indicated.

	FY2014		FY2015		Three months ended 30 September 2014		Three months ended 30 September 2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
General building works	15,432	4.7	28,405	5.8	5,229	4.3	5,683	6.3
Specialised building works	14,663	15.5	7,185	9.2	3,483	18.1	3,714	11.0
	<u>30,095</u>	<u>7.1</u>	<u>35,590</u>	<u>6.3</u>	<u>8,712</u>	<u>6.2</u>	<u>9,397</u>	<u>7.6</u>

	FY2014		FY2015		Three months ended 30 September 2014		Three months ended 30 September 2015	
	Gross profit	Gross profit margin	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Private	30,012	7.1	35,699	6.3	8,871	6.3	9,332	7.8
Public	83	2.4	(109)	(13.2)	(159)	(54.6)	65	1.6
	<u>30,095</u>	<u>7.1</u>	<u>35,590</u>	<u>6.3</u>	<u>8,712</u>	<u>6.2</u>	<u>9,397</u>	<u>7.6</u>

Gross profit for each category of building work is calculated as the revenue of the respective category minus direct costs allocated to the respective category. Direct costs of the respective category mainly includes subcontracting fees, direct labour costs, material costs and site overhead costs.

The gross profit and gross profit margin of our Group are generally attributable to our tender price of the projects. Our management usually takes into account various factors in considering the tender price and profit margin of a project, such as (i) the nature, scope and complexity of the project; (ii) estimated direct labour costs; (iii) estimated subcontracting fees; (iv) estimated type and amount of materials needed; (v) project schedule proposed by our customer; and (vi) the then market condition. 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.

FINANCIAL INFORMATION

Our gross profit and gross profit margin from public sector remained to be lower than our gross profit and gross profit margin from private sector during the Track Record Period. In order to keep our Group in the public sector market, we have made a competitive tender price for those projects in the public sector undertaken by us during the Track Record Period which allowed us to have a more secured chance of success for the tender. Therefore, we generated a gross profit of approximately HK\$83,000 and HK\$65,000 in FY2014 and the three months ended 30 September 2015 respectively and incurred a gross loss of HK\$0.1 million in FY2015 for those projects in the public sector.

Nevertheless, the gross profit margin of specialised building works are generally higher than general building works. According to the IPSOS Report, the market of specialised building works is relatively less competitive than that of general building works. In addition, our Directors are of the view that the level of expertise required and the complexity of specialised building works are usually higher than that of general building works and therefore our management can achieve higher profit margin on specialised building projects.

Please refer to the paragraph headed “Financial Information — Period-to-period Comparison of Results of Operations” in this prospectus for a discussion of the fluctuation of the Group’s gross profit margin during the Track Record Period.

Other income

Other income represents bank interest income, rental income, interest income from payments for life insurance policy and financial guarantee income. The following table sets forth the breakdown of other income for FY2014, FY2015, the three months ended 30 September 2014 and the three months ended 30 September 2015:

	FY2014		FY2015		Three months ended 30 September 2014		Three months ended 30 September 2015	
	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
Bank interest income	108	10.3	31	1.0	—	—	—	—
Rental income	606	57.6	432	13.5	65	8.7	32	3.8
Interest income from payments for life insurance policy	225	21.4	302	9.5	77	10.3	77	9.3
Financial guarantee income	112	10.7	2,419	76.0	608	81.0	724	86.9
	<u>1,051</u>	<u>100.0</u>	<u>3,184</u>	<u>100.0</u>	<u>750</u>	<u>100.0</u>	<u>833</u>	<u>100.0</u>

FINANCIAL INFORMATION

Rental income

Rental income represents income from (i) subletting part of our head office to Good Rise Engineering Limited, details of which can be referred to in the paragraph headed “Connected Transactions — Discontinued Connected Transactions — 2. Tenancy agreements with Good Rise”; and (ii) subletting of a portion of a leased property to an Independent Third Party, which was terminated in December 2015.

Interest income from payments for insurance policy

Interest income from payments for life insurance policy represents interest income from a life insurance policy with an insurance company to insure a Director of the Company.

Financial guarantee income

Financial guarantee income represents income derived from the amortisation of financial guarantee liability as at the end of each accounting period, details of which can be referred to the paragraph headed “Assets and Liabilities — Financial guarantee liability” of this section.

Administrative expenses

Administrative expenses mainly include staff costs, entertainment, rental and utilities, professional fees, bank charges, charity donation, depreciation and others. The following table sets forth the breakdown of our administrative expenses during the Track Record Period:

	FY2014		FY2015		Three months ended 30 September 2014		Three months ended 30 September 2015	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	(unaudited)							
Staff costs	5,630	35.1	6,696	40.0	1,757	40.6	1,848	39.6
Entertainment	3,566	22.2	2,296	13.7	441	10.2	360	7.7
Rental and utilities	2,470	15.3	2,544	15.2	613	14.2	822	17.6
Professional fees	1,720	10.7	2,240	13.4	523	12.0	404	8.6
Bank charges	184	1.1	199	1.2	69	1.6	136	2.9
Charity donation	479	3.0	542	3.3	415	9.6	792	17.0
Depreciation	301	1.9	175	1.0	44	1.0	18	0.4
Others	<u>1,711</u>	<u>10.7</u>	<u>2,047</u>	<u>12.2</u>	<u>469</u>	<u>10.8</u>	<u>291</u>	<u>6.2</u>
	<u>16,061</u>	<u>100.0</u>	<u>16,739</u>	<u>100.0</u>	<u>4,331</u>	<u>100.0</u>	<u>4,671</u>	<u>100.0</u>

FINANCIAL INFORMATION

Staff cost

Staff cost primarily includes salaries, wages and bonuses, contributions to defined contribution retirement plan, staff welfare, leave pay provision of accounting and administrative staff and directors' remuneration.

Rental and utilities

Rental and utilities represents the rental costs and related electricity and water charges of our head office and warehouses.

Professional fees

Professional fees primarily attributable to safety management fees, legal fees, company secretarial fees incurred during the Track Record Period.

Charity donation

Charity donation represents donations to sponsor charitable activities such as subsidising students in the PRC and to various charitable organisation as well as professional body such as Hong Kong General Building Contractors Association Limited.

Others

Others mainly include travelling expenses, repair and maintenance expenses, advertising, license fees, insurance and stationery and printing.

Other expenses

Other expenses represent listing expenses in relation to the proposed Listing.

Finance costs

Finance costs represent interests on bank borrowings wholly repayable within five years. Details of our bank borrowings are disclosed in the paragraph headed "Indebtedness" in this section.

Income tax expenses

Our Group was not subject to any income tax in the Cayman Islands and BVI during the Track Record Period. The provision for Hong Kong profit tax was calculated at 16.5% of our estimated assessable profits for the Track Record Period.

FINANCIAL INFORMATION

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

FY2015 compared to FY2014

Revenue

The revenue of our Group increased from approximately HK\$425.4 million in FY2014 to approximately HK\$566.2 million in FY2015, representing an increase of approximately 33.1% or approximately HK\$140.8 million.

A breakdown of revenue analysed by revenue scale from individual building works is set out below:

	Number of projects		Corresponding amount of revenue recognised	
	FY2014 (Note)	FY2015 (Note)	FY2014 HK\$'000	FY2015 HK\$'000
Revenue from individual building works:				
HK\$50.0 million or above	2	3	181,275	404,347
HK\$10.0 million to below				
HK\$50.0 million	9	6	199,946	115,701
HK\$5.0 million to below HK\$10.0 million	3	3	28,836	24,401
HK\$1.0 million to below HK\$5.0 million	4	8	12,091	18,122
Below HK\$1.0 million	<u>7</u>	<u>12</u>	<u>3,211</u>	<u>3,623</u>
	<u>25</u>	<u>32</u>	<u>425,359</u>	<u>566,194</u>

Note: The number of projects refers to the number of projects which generated revenue recognised by the Group during the financial year/period.

In FY2015, we had three projects contributed revenue over HK\$50.0 million each with an aggregate revenue of approximately HK\$404.3 million whereas there were only two projects contributed revenue over HK\$50.0 million each in FY2014 with an aggregate revenue of approximately HK\$181.3 million.

FINANCIAL INFORMATION

The number of the projects which generated revenue to the Group and the amount of revenue generated by categories of building works and by private and public sectors in FY2014 and FY2015 are as follows:

	Number of projects contributed revenue to us		Corresponding amount of revenue recognised	
	FY2014	FY2015	FY2014	FY2015
	(Note)	(Note)	HK\$'000	HK\$'000
General building works	15	23	330,861	488,220
Specialised building works	<u>10</u>	<u>9</u>	<u>94,498</u>	<u>77,974</u>
	<u>25</u>	<u>32</u>	<u>425,359</u>	<u>566,194</u>
	Number of projects contributed revenue to us		Corresponding amount of revenue recognised	
	FY2014	FY2015	FY2014	FY2015
	(Note)	(Note)	HK\$'000	HK\$'000
Private	24	30	421,894	565,370
Public	<u>1</u>	<u>2</u>	<u>3,465</u>	<u>824</u>
	<u>25</u>	<u>32</u>	<u>425,359</u>	<u>566,194</u>

Note: The number of projects refers to the number of projects which generated revenue recognised by the Group during the financial year/period.

The increase of our revenue from approximately HK\$425.4 million in FY2014 to approximately HK\$566.2 million in FY2015 was mainly attributable to an increase in revenue from general building works of approximately HK\$330.9 million for FY2014 to approximately HK\$488.2 million in FY2015, which is in line with the increase in number of general building projects contributed revenue to us from 15 projects in FY2014 to 23 projects in FY2015. The effect was partially offset by the decrease in revenue from specialised building works of approximately HK\$94.5 million for FY2014 to approximately HK\$78.0 million for FY2015, which is in line with the decrease of number of specialised building projects contributed revenue to us from 10 projects in FY2014 to 9 projects in FY2015.

In FY2014 and FY2015, our Group focused on the private sector but also intended to keep ourselves in the public sector market. The revenue from private sector remained our major source of revenue and accounted for over 99% of our total revenue in both FY2014 and FY2015 as we had only one and two projects from the public sector contributed revenue to us in FY2014 and FY2015 respectively. These projects had a relatively smaller contract sum and contributed revenue of approximately HK\$3.5 million and HK\$0.8 million to us in FY2014 and FY2015 respectively.

FINANCIAL INFORMATION

Direct costs

Our direct costs increased from approximately HK\$395.3 million for FY2014 to approximately HK\$530.6 million for FY2015, representing an increase of approximately HK\$135.3 million or 34.2%. Such increase was a result of the combined effects of (i) the increases in our subcontracting fees and material costs; and (ii) the decrease of our site overhead costs.

Our subcontracting fees increased from approximately HK\$305.7 million for FY2014 to approximately HK\$434.8 million for FY2015, representing an increase of approximately HK\$129.1 million or 42.2%. Such increase was primarily due to the increase in amount of works outsourced to subcontractors, which is in line with the growth of our revenue in FY2015 as compared to FY2014.

Our material costs increased from approximately HK\$38.5 million for FY2014 to approximately HK\$51.8 million for FY2015, representing an increase of approximately HK\$13.3 million or 34.5%. Such increase was mainly due to the increase in the steel reinforcement bar, H-steel pile and concretes used in performing our building works in FY2015 as a result of our growth in business during the period, and the increase in the price of cement and concrete.

Our site overhead costs decreased from approximately HK\$28.9 million for FY2014 to approximately HK\$19.4 million for FY2015, representing a decrease of approximately HK\$9.5 million or 32.9%. Such decrease was primarily due to the decrease in insurance costs included in the site overhead cost from HK\$16.3 million for FY2014 to HK\$6.4 million for FY2015 as the initial insurance costs of project-related insurance policies of some huge projects have already incurred in FY2014.

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by categories of building work and by private and public sectors for the periods indicated.

	FY2014		FY2015	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
General building works	15,432	4.7	28,405	5.8
Specialised building works	<u>14,663</u>	<u>15.5</u>	<u>7,185</u>	<u>9.2</u>
	<u>30,095</u>	<u>7.1</u>	<u>35,590</u>	<u>6.3</u>
	FY2014		FY2015	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Private	30,012	7.1	35,699	6.3
Public	<u>83</u>	<u>2.4</u>	<u>(109)</u>	<u>(13.2)</u>
	<u>30,095</u>	<u>7.1</u>	<u>35,590</u>	<u>6.3</u>

FINANCIAL INFORMATION

In line with the increase in our revenue, our gross profit increased by approximately HK\$5.5 million or 18.3%, from approximately HK\$30.1 million for FY2014 to approximately HK\$35.6 million for FY2015 while our gross profit margin decreased from approximately 7.1% in FY2014 to 6.3% in FY2015.

The decrease of our overall gross profit margin was mainly attributable to the decrease of gross profit margin in specialised building works from 15.5% in FY2014 to 9.2% in FY2015, which was partially offset by the increase of gross profit margin in general building works from 4.7% to 5.8%. Our gross profit margin for both general building works and specialised building works varied from project to project and was determined on a project-by-project basis. Further details can be referred to the paragraph headed “Description of selected items from combined statements of profit or loss and other comprehensive income — Gross profit and gross profit margin” of this section.

Our gross profit margin from public sector remained to be lower than our gross profit margin from private sector in FY2014 and FY2015. In order to keep our Group in the public sector market, we have made a competitive tender price for those projects in the public sector in FY2014 and FY2015 which allowed us to have a more secured chance of success for the tender. Therefore, we generated a gross profit of approximately HK\$83,000 in FY2014 but incurred a gross loss of HK\$0.1 million in FY2015 for those projects in the public sector.

Other income

Other income increased by approximately HK\$2.1 million or 190.9%, from approximately HK\$1.1 million for FY2014 to approximately HK\$3.2 million for FY2015. The increase was mainly contributed by the increase in financial guarantee income from amortisation of financial guarantee liabilities by HK\$2.3 million from HK\$0.1 million in FY2014 to HK\$2.4 million in FY2015.

Administrative expenses

Our administrative expenses amounted to approximately HK\$16.1 million and HK\$16.7 million for FY2014 and FY2015 respectively, representing an increase of HK\$0.6 million or 3.7%. The increase in administrative expenses was primarily attributable to (i) the increase in staff costs of approximately HK\$1.1 million for FY2015, which was mainly due to the general salary increment and the increase of unutilised annual leave for FY2015; (ii) the increase in professional fees of approximately HK\$0.5 million due to the increase of auditors’ fee and legal adviser fees, and was partially offset by the decrease of our entertainment expenses of approximately HK\$1.3 million in FY2015.

Finance costs

Finance costs decreased by approximately HK\$21,000 or 13.7% from approximately HK\$153,000 for FY2014 to approximately HK\$132,000 for FY2015, which was primarily attributable to the decrease in the outstanding balance of our bank borrowings from HK\$7.2 million as at 30 June 2014 to HK\$5.0 million as at 30 June 2015.

FINANCIAL INFORMATION

Income tax

Income tax increased by approximately HK\$1.0 million or 41.7%, from approximately HK\$2.4 million for FY2014 to approximately HK\$3.4 million for FY2015. The increase in income tax expense was mainly attributable to the increase in profit before income tax from approximately HK\$14.9 million for FY2014 to approximately HK\$21.9 million for FY2015.

The effective tax rate for FY2014 and FY2015 were approximately 16.0% and 15.7% respectively.

Profit for the year

As a result of the foregoing, the profit for the year of our Group increased by approximately HK\$6.0 million or 48.0%, from approximately HK\$12.5 million for FY2014 to approximately HK\$18.5 million for FY2015.

The three months ended 30 September 2015 compared to the three months ended 30 September 2014

Revenue

The revenue of the Group decreased from approximately HK\$140.3 million for the three months ended 30 September 2014 to approximately HK\$124.1 million for the three months ended 30 September 2015, representing a decrease of approximately 11.5%:

A breakdown of revenue analysed by revenue scale from individual building works is set out below:

	Number of projects		Corresponding amount of revenue recognised	
	Three months ended 30 September 2014 (Note)	Three months ended 30 September 2015 (Note)	Three months ended 30 September 2014 HK\$'000 (Unaudited)	Three months ended 30 September 2015 HK\$'000
Revenue from individual building works:				
HK\$50.0 million or above	1	—	67,558	—
HK\$10.0 million to below HK\$50.0 million	4	5	49,777	101,562
HK\$5.0 million to below HK\$10.0 million	3	1	18,308	8,307
HK\$1.0 million to below HK\$5.0 million	1	4	1,208	13,585
Below HK\$1.0 million	8	4	3,409	655
	<u>17</u>	<u>14</u>	<u>140,260</u>	<u>124,109</u>

FINANCIAL INFORMATION

Note: The number of projects refers to the number of projects which generated revenue recognised by the Group during the financial year/period.

In the three months ended 30 September 2015, we had no individual project which contributed revenue over HK\$50.0 million whereas one individual project has contributed over HK\$50.0 million in the three months ended 30 September 2014.

Nevertheless, we had five projects contributed revenue within the range of HK\$10.0 million to HK\$50.0 million in the three months ended 30 September 2015 with an aggregate revenue of HK\$101.6 million whereas there were four projects contributed revenue within the same range with an aggregate revenue of HK\$49.8 million in the three months ended 30 September 2014.

The number of the projects which generated revenue to our Group and the amount of revenue generated by categories of building works in the three months ended 30 September 2014 and the three months ended 30 September 2015 are as follows:

	Number of projects contributed revenue to us		Corresponding amount of revenue recognised	
	Three months ended 30 September 2014 (Note)	Three months ended 30 September 2015 (Note)	Three months ended 30 September 2014 HK\$'000 (Unaudited)	Three months ended 30 September 2015 HK\$'000
General building works	14	10	120,999	90,427
Specialised building works	<u>3</u>	<u>4</u>	<u>19,261</u>	<u>33,682</u>
	<u>17</u>	<u>14</u>	<u>140,260</u>	<u>124,109</u>

	Number of projects contributed revenue to us		Corresponding amount of revenue recognised	
	Three months ended 30 September 2014 (Note)	Three months ended 30 September 2015 (Note)	Three months ended 30 September 2014 HK\$'000	Three months ended 30 September 2015 HK\$'000
Private	16	13	139,969	120,110
Public	<u>1</u>	<u>1</u>	<u>291</u>	<u>3,999</u>
	<u>17</u>	<u>14</u>	<u>140,260</u>	<u>124,109</u>

Note: The number of projects refers to the number of projects which generated revenue recognised by the Group during the financial year/period.

FINANCIAL INFORMATION

The decrease in total revenue was mainly attributable to the decrease in revenue from general building works of approximately HK\$121.0 million for the three months ended 30 September 2014 to approximately HK\$90.4 million for the three months ended 30 September 2015, which is in line with the decrease of number of general building projects contributed revenue to us from 14 projects in the three months ended 30 September 2014 to 10 projects in the three months ended 30 September 2015. The effect was partially offset by the increase in revenue from specialised building works of approximately HK\$19.3 million for the three months ended 30 September 2014 to approximately HK\$33.7 million for the three months ended 30 September 2015, which is in line with the increase in number of specialised building projects contributed revenue to us from 3 projects in the three months ended 30 September 2014 to 4 projects in the three months ended 30 September 2015.

In the three months ended 30 September 2014 and the three months ended 30 September 2015, our Group still focused on the private sector but also intended to keep ourselves in the public sector market. Our revenue from private sector remained our major source of revenue and accounted for over 96% of our total revenue in both the three months ended 30 September 2014 and the three months ended 30 September 2015. We had only one project in the three months ended 30 September 2014 and one project in the three months ended 30 September 2015 from the public sector that contributed revenue to us. These projects had a relatively smaller contract sum and contributed revenue of approximately HK\$0.3 million and HK\$4.0 million to us in the three months ended 30 September 2014 and the three months ended 30 September 2015 respectively.

Direct costs

Our direct costs decreased from approximately HK\$131.5 million for the three months ended 30 September 2014 to approximately HK\$114.7 million for the three months ended 30 September 2015, representing a decrease of approximately HK\$16.8 million or 12.8%. Such decrease was as a result of the combined effects of (i) the decrease in our subcontracting fees and (ii) the increase of material costs.

Our subcontracting fees decreased from approximately HK\$107.4 million for the three months ended 30 September 2014 to approximately HK\$84.4 million for the three months ended 30 September 2015, representing a decrease of approximately HK\$23.0 million or 21.4%. Such decrease was primarily due to the decrease in amount of works outsourced to subcontractors as a result of our decline in business in the period as illustrated by the decrease in our revenue as discussed above.

Our material costs increased from approximately HK\$13.5 million for the three months ended 30 September 2014 to approximately HK\$19.6 million for the three months ended 30 September 2015, representing an increase of approximately HK\$6.1 million or 45.2%. Such increase was mainly due to increase usage of steel, concrete and cement in the three months ended 30 September 2015 by approximately HK\$4.1 million from approximately HK\$9.3 million in the three months ended 30 September 2014 to approximately HK\$13.4 million in the three months ended 30 September 2015.

FINANCIAL INFORMATION

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by categories of building works and by private and public sectors for the periods indicated.

	Three months ended 30 September 2014		Three months ended 30 September 2015	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	(Unaudited)			
General building works	5,229	4.3	5,683	6.3
Specialised building works	<u>3,483</u>	<u>18.1</u>	<u>3,714</u>	<u>11.0</u>
	<u>8,712</u>	<u>6.2</u>	<u>9,397</u>	<u>7.6</u>
	Three months ended 30 September 2014		Three months ended 30 September 2015	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	(Unaudited)			
Private	8,871	6.3	9,332	7.8
Public	<u>(159)</u>	<u>(54.6)</u>	<u>65</u>	<u>1.6</u>
	<u>8,712</u>	<u>6.2</u>	<u>9,397</u>	<u>7.6</u>

Our gross profit increased by approximately HK\$0.7 million or 8.0%, from approximately HK\$8.7 million for the three months ended 30 September 2014 to approximately HK\$9.4 million for the three months ended 30 September 2015. Our gross profit margin increased from approximately 6.2% for the three months ended 30 September 2014 to 7.6% for the three months ended 30 September 2015.

The increase of our overall gross profit margin was mainly attributable to the increase of gross profit margin in general building works from 4.3% in the three months ended 30 September 2014 to 6.3% in the three months ended 30 September 2015, which was partially offset by the decrease of gross profit margin in specialised building works from 18.1% in the three months ended 30 September 2014 to 11.0% in the three months ended 30 September 2015. Our gross profit margin varied substantially from project to project and was determined on a project-by-project basis. Further details can be referred to the paragraph headed “Description of selected items from combined statements of profit or loss and other comprehensive income — Gross profit and gross profit margin” of this section.

Our gross profit margin from public sector remained to be lower than our private sector in both the three months ended 30 September 2014 and the three months ended 30 September 2015. In order to keep our Group in the public sector market, we have made a competitive tender price for those projects in the public sector which allowed us to have a more secured chance of success for the tender. Therefore, we incurred a gross loss of approximately HK\$0.2 million in the three months ended 30 September 2014 and a gross profit of approximately HK\$65,000 in the three months ended 30 September 2015 for those projects in the public sector.

FINANCIAL INFORMATION

Other income

Other income increased by approximately HK\$0.1 million or 14.3%, from approximately HK\$0.7 million for the three months ended 30 September 2014 to approximately HK\$0.8 million for the three months ended 30 September 2015. The increase was mainly related to the increase in financial guarantee income from HK\$0.6 million for the three months ended 30 September 2014 to HK\$0.7 million for the three months ended 30 September 2015.

Administrative expenses

The administrative expenses of our Group increased from approximately HK\$4.3 million for the three months ended 30 September 2014 to approximately HK\$4.7 million for the three months ended 30 September 2015, representing an increase of approximately HK\$0.4 million or approximately 9.3%. Such increase was primarily due to the increase in charity donation from approximately HK\$0.4 million for the three months ended 30 September 2014 to approximately HK\$0.8 million for the three months ended 30 September 2015.

Other expenses

The increase in other expenses is solely related to the Listing expenses of HK\$1.1 million incurred for the three months ended 30 September 2015.

Finance costs

Finance costs decreased by approximately HK\$9,000 or 24.3% from approximately HK\$37,000 for the three months ended 30 September 2014 to approximately HK\$28,000 for the three months ended 30 September 2015, which was primarily attributable to the decrease in the outstanding balance of our bank borrowings from approximately HK\$6.6 million as at 30 September 2014 to approximately HK\$5.0 million as at 30 September 2015.

Income tax expenses

Income tax increased by approximately HK\$6,000 or 0.8%, from approximately HK\$741,000 for the three months ended 30 September 2014 to approximately HK\$747,000 for the three months ended 30 September 2015, which was attributable to the increase of profit before taxation and non-deductible Listing expenses incurred in the three months ended 30 September 2015.

The effective tax rate of the three months ended 30 September 2014 and the three months ended 30 September 2015 were approximately 14.5% and 16.9% respectively.

Profit for the period

As a result of the foregoing, the profit for the period of our Group decreased by approximately HK\$0.7 million or 15.9%, from approximately HK\$4.4 million for the three months ended 30 September 2014 to approximately HK\$3.7 million for the three months ended 30 September 2015. Should the listing expenses of approximately HK\$1.1 million incurred in the three months ended 30 September 2015 be excluded, the profit for the three months ended 30 September 2015 of our Group would have increased by HK\$0.4 million as compared to the three months ended 30 September 2014.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are mainly to finance our operations and satisfy our capital expenditure needs. During the Track Record Period, our principal sources of liquidity and capital resources were cash flow generated from operations and financing activities.

Cash flows

The following table sets forth the selected cash flow data from the combined statements of cash flows for the period as indicated. This information should be read together with the combined financial information contained in the Accountants' Report in Appendix I to this prospectus.

	FY2014	FY2015	Three months ended 30 September 2014	Three months ended 30 September 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Net cash (used in) from operating activities	(5,218)	17,098	1,255	16,002
Net cash (used in) from investing activities	(23,443)	147	3,456	(10,253)
Net cash (used in) from financing activities	<u>(1,067)</u>	<u>(5,332)</u>	<u>(637)</u>	<u>9,972</u>
Net (decrease) increase in cash and cash equivalents	<u>(29,728)</u>	<u>11,913</u>	<u>4,074</u>	<u>15,721</u>
Cash and cash equivalents at beginning of the year/period	46,362	16,634	16,634	28,547
Cash and cash equivalents at end of the year/period	<u>16,634</u>	<u>28,547</u>	<u>20,708</u>	<u>44,268</u>

Net cash used in or from operating activities

Net cash (used in) from operating activities primarily consisted of profit before taxation adjusted for non-cash items, such as depreciation of plant and equipment, interest income, financial guarantee income, finance costs, recognition of provisions, the effect of changes in working capital and income tax paid or refunded.

FINANCIAL INFORMATION

Cash flow generated from operating activities is the major source of funds of our Group during the Track Record Period. We primarily derive our cash inflows from the receipt of payments from contract work. Our cash used in operations principally comprises payment of subcontracting fees, purchases of construction materials, staff costs and insurance expenses.

For FY2014, our net cash flow used in operating activities was approximately HK\$5.2 million, primarily as a result of the combined effect of (i) approximately HK\$14.9 million operating cash flows before movements in working capital; (ii) the increase in net amounts due from customers for contract work of approximately HK\$11.2 million; (iii) the increase in trade receivables of approximately HK\$22.4 million; and (iv) the income tax paid of approximately HK\$1.7 million. This was partially offset by (i) the decrease in other receivables, deposits and prepayments of approximately HK\$1.0 million; (ii) the increase in trade payables of approximately HK\$7.9 million; and (iii) the increase in other payables and accrued charges of approximately HK\$6.5 million.

For FY2015, our net cash from operating activities was approximately HK\$17.1 million, primarily as a result of the combined effects of (i) approximately HK\$19.5 million operating cash flows before movements in working capital; (ii) the increase in trade payables of approximately HK\$6.0 million and (iii) the increase in other payables and accrued charges of approximately HK\$11.6 million. This was partially offset by (i) the increase in trade receivables of approximately HK\$12.2 million; (ii) the increase in net amounts due from customers of contract work of approximately HK\$4.9 million; and (iii) the income tax paid of approximately HK\$2.8 million.

For the three months ended 30 September 2015, our net cash from operating activities was approximately HK\$16.0 million, primarily as a result of the combined effects of (i) approximately HK\$3.7 million operating cash flows before movements in working capital; (ii) the decrease in trade receivables of approximately HK\$17.4 million; and (iii) increase in other payables and accrued charges of approximately HK\$2.9 million. This was partially offset by (i) the increase in other receivables, deposits and prepayments of approximately HK\$2.2 million; (ii) the decrease in trade payables of approximately HK\$5.4 million and (iii) the increase in net amounts due from customers of contract work of approximately HK\$1.4 million.

Net cash used in or from investing activities

For FY2014, our net cash used in investing activities was approximately HK\$23.4 million. The amount was mainly attributable to (i) the increase in net placement of pledged bank balances of approximately HK\$14.6 million; and (ii) the upfront payment of a life insurance policy of approximately HK\$8.1 million.

For FY2015, our net cash from investing activities was approximately HK\$0.2 million, mainly attributable to the net withdrawal of pledged bank balances of approximately HK\$0.2 million.

For the three months ended 30 September 2015, our net cash used in investing activities was approximately HK\$10.3 million was solely attributable to the net placement of pledged bank balances of approximately HK\$10.3 million.

FINANCIAL INFORMATION

Net cash used in or from financing activities

For FY2014, our net cash used in financing activities was approximately HK\$1.1 million, mainly attributable to (i) payment of dividend of HK\$2.0 million; (ii) repayment of bank borrowings of approximately HK\$2.4 million; and (iii) repayment to a related company of approximately HK\$1.5 million, and partially offset by a new bank borrowings of HK\$5.0 million.

For FY2015, our net cash used in financing activities was approximately HK\$5.3 million, mainly attributable to (i) the payment of dividends of HK\$3.0 million; and (ii) the repayment of bank borrowings of HK\$2.2 million.

For the three months ended 30 September 2015, our net cash from financing activities was approximately HK\$10.0 million which is mainly attributable to the contribution from Best Brain Investments Limited of HK\$10.0 million.

ASSETS AND LIABILITIES

Net Current Assets

The table below sets forth our current assets and current liabilities as at 30 June 2014, 30 June 2015, 30 September 2015 and 31 January 2016.

	As at 30 June		As at 30 September	As at 31 January
	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Current Assets				
Trade receivables	57,243	69,466	52,048	31,673
Other receivables, deposits and prepayments	2,067	2,330	4,534	1,991
Amounts due from customers for contract work	65,632	73,103	76,055	81,956
Amount due from a related company	400	500	—	—
Amount due from a director	499	602	602	—
Pledged bank balances	14,633	14,414	24,667	21,227
Bank balances and cash	16,634	28,547	44,268	48,690
	<u>157,108</u>	<u>188,962</u>	<u>202,174</u>	<u>185,537</u>

FINANCIAL INFORMATION

	As at		As at	As at
	30 June		30 September	31 January
	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Current Liabilities				
Trade payables	11,946	17,924	12,559	14,181
Other payables and accrued charges	49,628	61,184	64,065	48,777
Amounts due to customers for contract work	11,184	13,785	15,336	17,366
Amount due to a director	570	570	570	—
Tax payable	5,954	6,595	7,743	7,497
Bank borrowings	7,200	5,000	5,000	5,000
Provisions	1,418	1,653	1,734	1,734
Financial guarantee liability	2,479	60	1,927	—
	<u>90,379</u>	<u>106,771</u>	<u>108,934</u>	<u>94,555</u>
Net Current Assets	<u>66,729</u>	<u>82,191</u>	<u>93,240</u>	<u>90,982</u>

Our current assets mainly included amounts due from customers for contract work, trade receivables, pledged bank balances and bank balances and cash and other receivables, deposits and prepayments. Our current liabilities mainly included other payables and accrued charges, trade payables, amounts due to customers for contract work, bank borrowings, tax payable, financial guarantee liability and provisions.

We recorded net current assets of approximately HK\$66.7 million and HK\$82.2 million as at 30 June 2014 and 2015, respectively. The increase in the net current assets was mainly due to (i) an increase of approximately HK\$12.2 million in trade receivables; (ii) an increase of approximately HK\$7.5 million in amounts due from customers for contract work; (iii) an increase of approximately HK\$11.9 million in bank balances and cash; (iv) a decrease in financial guarantee liability of approximately HK\$2.4 million; and (v) a decrease of approximately HK\$2.2 million in bank borrowings. The change in the net current assets was partially offset by (i) an increase of approximately HK\$11.6 million in other payables and accrued charges; (ii) an increase approximately HK\$6.0 million in trade payables; (iii) an increase of approximately HK\$2.6 million in amounts due to customers for contract work; and (iv) an increase of approximately HK\$0.6 million in tax payable.

Our net current assets increased by approximately HK\$11.0 million from approximately HK\$82.2 million as at 30 June 2015 to approximately HK\$93.2 million as at 30 September 2015. The increase in the net current assets was mainly due to (i) an increase of approximately HK\$3.0 million in amounts due from customers for contract work; (ii) an increase in other receivables, deposits and prepayments of approximately HK\$2.2 million; (iii) an increase in pledged bank balances of approximately HK\$10.3 million; (iv) an increase of approximately HK\$15.7 million in bank balances and cash and (v) a decrease of approximately HK\$5.4 million in trade payables. The change in the net current assets was partially offset by (i) a decrease of approximately HK\$17.4 million in trade receivables; (ii) an increase of

FINANCIAL INFORMATION

approximately HK\$2.9 million in other payables and accrued charges; (iii) an increase of approximately HK\$1.6 million in amounts due to customers on contract work; (iv) an increase in tax payable of HK\$1.1 million; and (v) an increase in financial guarantee liability of approximately HK\$1.9 million.

As at 31 January 2016, we had net current assets of approximately HK\$91.0 million, representing a decrease of approximately 2.4% from approximately HK\$93.2 million as at 30 September 2015. The decrease in our net current assets was mainly due to (i) the decrease of approximately HK\$20.4 million in trade receivables which mainly attributable to the settlement of progress payment relating to projects located at Lee Kung Street and How Ming Street in January 2016; (ii) the decrease of approximately HK\$3.4 million in pledged bank balances; (iii) the increase of approximately HK\$1.6 million in trade payables; and (iv) the increase of approximately HK\$2.0 million in amounts due to customers for contract works. The change in the net current assets was partially offset by (i) the increase of approximately HK\$5.9 million in amount due from customers for contract works which mainly attributable to the project located at Lee Kung Street which incurred substantial subcontracting fees, material costs, direct labour costs and site overhead costs, while the payments for works completed had not been certified by the architects or surveyors of the customer as at 31 January 2016; (ii) the decrease of approximately HK\$15.3 million in other payables and accrued charges as a result of the decrease of costs incurred for construction works performed by the subcontractors and suppliers but no invoices were received by us before 31 January 2016; (iii) the increase of approximately HK\$4.4 million in bank balances and cash; and (iv) the decrease of approximately HK\$1.9 million in financial guarantee liability as the corporate guarantee provided by our Group to Sino Image Limited was early released by the bank before maturity of the banking facilities.

Trade receivables

Our trade receivables primarily represent amounts receivable from our customers under our building construction contracts. We generally submit interim payment applications to our customers on a monthly basis containing a statement setting out our estimate of the gross valuation of the work we have performed in the preceding month. Upon receiving our interim payment application, the architect or surveyor employed by the customer usually verify such valuation of work performed and issue an interim certificate within 30 days. Normally our customer will make payment within 30 to 60 days after the issue of the progress certificate by the authorised person or the invoice date of the relevant contract revenue.

As at 30 June 2014 and 2015, the balance of our trade receivables was approximately HK\$57.2 million and approximately HK\$69.5 million, respectively. The increase in our trade receivables was in line with the increase in our revenue during the same period. As at 30 September 2015, the balance of our trade receivables has decreased to approximately HK\$52.0 million. The decrease in our trade receivables was in line with the decrease in our revenue during the same period.

As at the Latest Practicable Date, 86.2% of the trade receivables as at 30 September 2015 were subsequently settled.

FINANCIAL INFORMATION

Ageing analysis of trade receivables

The following table sets forth a summary of aged analysis of trade receivables presented based on the invoice date, which is after our customer having issued the interim certificate, at each reporting date:

	As at 30 June		As at 30 September
	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000
0–30 days	39,199	31,564	45,669
31–60 days	7,948	11,088	—
61–90 days	9,913	15,056	—
91–180 days	183	7,473	3,198
Over 180 days	<u>—</u>	<u>4,285</u>	<u>3,181</u>
Total trade receivables	<u>57,243</u>	<u>69,466</u>	<u>52,048</u>

Ageing analysis of trade receivables which are past due but not impaired, as at the end of each reporting period are as follows:

	As at 30 June		As at 30 September
	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000
61–90 days	9,913	15,056	—
91–180 days	183	7,473	3,198
Over 180 days	<u>—</u>	<u>4,285</u>	<u>3,181</u>
Total	<u>10,096</u>	<u>26,814</u>	<u>6,379</u>

Our Group determines specific allowance for doubtful debts on a case-by-case basis having regard to a number of factors, including length of business relationship, the ageing of the receivable balances, results of the follow-up procedures, customers' past reputation, and their financial strength and repayment history as well. During the Track Record Period, we did not experience any default in receiving the receivables. The trade receivables past due but not provided for as at the end of each reporting period were either subsequently settled or no historical defaults of payments was noted by the respective customers. Therefore, no allowance for doubtful debt has been made during the Track Record Period.

In the event that we notice any events or changes in circumstances which indicates the balances of receivables may not be collectible such as any financial or liquidity problem of the customers which may result in difficulty in settling the outstanding payments, relevant allowance of doubtful debt would be made.

FINANCIAL INFORMATION

The trade receivables of approximately HK\$3.2 million aged over 180 days as at 30 September 2015 comprised receivables for four of our completed projects which our Group has been and is still liaising with the customers on the settlement of final payment. As at the Latest Practicable Date, the trade receivables of approximately HK\$0.3 million and HK\$0.2 million from two of the four completed projects have been subsequently settled. Among the remaining outstanding balances of approximately HK\$2.7 million, approximately HK\$1.8 million is due from a subsidiary of a property developer listed in Hong Kong and approximately HK\$0.9 million is due from a private school in Kowloon Tong. The settlement of the final payment of both projects are pending for the rectification of construction defects to be completed by the Group in due course. Our Directors confirm that there are no disputes between the Group and the customers on the repayment of the said outstanding trade receivables as at the Latest Practicable Date. Our Directors have actively followed up with these customers and maintained a strict control over the said outstanding trade receivables. Having consider the past reputation, financial strength and past repayment history of these customers, our Directors believe that these receivables are recoverable and allowance of doubtful debts is not necessary.

Trade receivables turnover days

The table below sets forth our turnover days of trade receivables for the period indicated:

	FY2014	FY2015	Three months ended 30 September 2015
Turnover days of trade receivables (<i>Note 1</i>)	<u>39.5</u>	<u>40.8</u>	<u>44.6</u>

Note:

1. The turnover days of trade receivables is calculated based on the average of the beginning and ending balance of trade receivables for the year divided by revenue during the year/period and multiplied by 365 days for FY2014 and FY2015 and 91 days for the three months ended 30 September 2015.

For FY2014, FY2015 and the three months ended 30 September 2015, our Group maintained a stable trade receivables turnover days at approximately 39.5 days, 40.8 days and 44.6 days, respectively. Our Group's trade receivables turnover days increased slightly from approximately 39.5 days for FY2014 to approximately 40.8 days for FY2015 and subsequently increased to approximately 44.6 days for the three months ended 30 September 2015. The increase of trade receivables turnover days in the three months ended 30 September 2015 was mainly due to the more than proportionate percentage decrease of annualised revenue of the three months ended 30 September 2015 as compared to the percentage decrease in trade receivables in FY2015.

FINANCIAL INFORMATION

Other receivables, deposits and prepayments

The following table sets out a summary of our other receivables, deposits and prepayments classified as current assets as at the dates indicated:

	As at 30 June		As at 30 September
	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000
Deposits	1,067	1,080	1,102
Prepayments	1,000	1,000	3,182
Other receivables	<u>—</u>	<u>250</u>	<u>250</u>
Total	<u>2,067</u>	<u>2,330</u>	<u>4,534</u>

Deposits mainly represent mainly utilities deposits, rental deposits and tender deposits.

The balance of prepayments as at 30 June 2014, 30 June 2015 and 30 September 2015 were HK\$1.0 million, HK\$1.0 million and HK\$3.2 million respectively. This represents the payment in advance to subcontractor which will be utilised in the future and prepayment of listing expenses. The increase in prepayments as at 30 September 2015 was due to the prepayments of Listing expenses of approximately HK\$2.2 million.

Amounts due from/to customers for contract work

We recognise our revenue from construction contracts based on the stage of completion of the contracts as the proportion that contract cost incurred for work performed to date relative to the estimated contract costs. Amounts due from customers for contract work represents surplus derived from the contract costs incurred plus net recognised profits/losses which exceed progress billings. Conversely, the amount due to customers for contract work represents surplus derived from progress billings which exceed the contract costs incurred plus net recognised profits/losses.

FINANCIAL INFORMATION

The following table sets forth our Group's contracts costs incurred plus recognised profits less recognised losses and our Group's progress billing as at the date indicated:

	As at 30 June		As at
	2014	2015	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracts in progress at the end of the reporting period:			
Contract costs incurred plus recognised profits less recognised loss	742,953	1,176,425	1,219,877
Less: Progress billings	<u>(688,505)</u>	<u>(1,117,107)</u>	<u>(1,159,158)</u>
Total	<u>54,448</u>	<u>59,318</u>	<u>60,719</u>
Analysed as:			
Amounts due from customers for contract work	65,632	73,103	76,055
Amounts due to customers for contract work	<u>(11,184)</u>	<u>(13,785)</u>	<u>(15,336)</u>
	<u>54,448</u>	<u>59,318</u>	<u>60,719</u>

The net amounts due from customers for contract work increased by approximately HK\$4.9 million from approximately HK\$54.4 million as at 30 June 2014 to approximately HK\$59.3 million as at 30 June 2015. The increase was mainly attributable to the projects located at Kwai Cheong Road, Parkes Street, and Lee Kung Street which incurred substantial subcontracting fees, material costs, direct labour costs and site overhead costs, while the payments of works completed had not yet been certified by the architects or surveyors of the customers as at 30 June 2015.

The net amounts due from customers for contract work slightly increased by approximately HK\$1.4 million from approximately HK\$59.3 million as at 30 June 2015 to approximately HK\$60.7 million as at 30 September 2015. The increase was mainly attributable to projects located at Kong Sin Wan Road, Lee Kung Street and Parkes Street which incurred substantial subcontracting fees, material costs, direct labour costs and site overhead costs, while the payments of works completed had not yet been certified by the architects or surveyors of the customers.

Unbilled retention receivables of HK\$23.6 million, HK\$40.8 million and HK\$43.3 million are included in the above contracts in progress as at 30 June 2014, 30 June 2015 and 30 September 2015, respectively. Retention monies withheld by customers of contract works are released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

FINANCIAL INFORMATION

The unbilled retention receivables increased from approximately HK\$23.6 million as at 30 June 2014 to approximately HK\$40.8 million as at 30 June 2015, mainly attributable to the projects located at Lee Kung Street, Kong Sin Wan Road and Shun Ning Road. The balance further increased to approximately HK\$43.3 million as at 30 September 2015, mainly attributable to projects located at Kimberley Street, Shanghai Street and Tuen Mun Town. The increase in unbilled retention receivables was also in line with the progress of our construction projects and the increase of our retention payables.

The amounts due from/to customers for contract work are usually affected by the volume and value of construction works we performed close to the end of each reporting period and the timing of receiving interim certificates, and thus vary from period to period.

Amount due from a director

The amount due from our Director is unsecured, interest-free and repayable on demand. The amount due from a director amounted to approximately HK\$0.5 million, HK\$0.6 million and HK\$0.6 million as at 30 June 2014, 30 June 2015 and 30 September 2015, respectively, and was fully settled in November 2015.

Amount due from a related company

The amount due from our related company, which is non-trade nature, was unsecured, interest-free and repayable on demand. The amount due from our related company was approximately HK\$0.4 million, HK\$0.5 million and HK\$nil as at 30 June 2014, 30 June 2015 and 30 September 2015, respectively. The amount due from our related company primarily represents the advance to Good Rise Engineering Limited, which was fully settled in September 2015.

Pledged bank balances

Our pledged bank balances represent balances pledged to banks to secure the banking facilities granted to our Group. Our pledged bank balances were approximately HK\$14.6 million, HK\$14.4 million and HK\$24.7 million as at 30 June 2014, 30 June 2015 and 30 September 2015, respectively.

Bank balances and cash

Our bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less. Bank balances and cash amounted to approximately HK\$16.6 million, HK\$28.5 million and HK\$44.3 million as at 30 June 2014, 30 June 2015 and 30 September 2015, respectively. The increase in bank balances and cash as at 30 June 2015 was primarily due to increase in cash generated from operations. The increase in bank balance and cash as at 30 September 2015 was primarily due to the contribution from Best Brain Investments Limited of HK\$10.0 million in the three months ended 30 September 2015.

FINANCIAL INFORMATION

Trade payables

The following table sets forth the trade payables as of the dates indicated:

	As at 30 June		As at 30 September
	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000
Trade payables	<u>11,946</u>	<u>17,924</u>	<u>12,559</u>

Our trade payables primarily represent amounts payable to our subcontractors and suppliers of construction materials. Settlement is generally made in accordance with the terms specified in the contracts governing the relevant transactions. The credit period granted by our subcontractors and suppliers is normally 30 to 60 days after issuance of invoice.

The following table sets forth the turnover days of trade payables for the period indicated:

			Three months ended 30 September
	FY2014	FY2015	2015
Turnover days of trade payables (<i>Note 1</i>)	<u>7.4</u>	<u>10.3</u>	<u>12.1</u>

Note:

- The turnover days of trade payables is calculated based on the average of the beginning and ending balance of trade payables for the year divided by direct costs during the year and multiplied by 365 days for FY2014 and FY2015 and 91 days for the three months ended 30 September 2015.

Our turnover days of trade payables (comprising our payables to suppliers and payables to subcontractors) remained low at approximately 7.4 days, 10.3 days and 12.1 days as at 30 June 2014, 30 June 2015 and 30 September 2015, respectively. In order to maintain good relationship with our subcontractors, we generally settle the payments to our subcontractors once we certified the value of works completed by the relevant subcontractors against their payment applications.

FINANCIAL INFORMATION

The following table sets forth the aged analysis of our trade payables presented based on the invoice date at the end of each reporting period:

	As at 30 June		As at
	2014	2015	30 September
	HK\$'000	HK\$'000	2015
			HK\$'000
0–30 days	9,923	13,335	8,451
31–60 days	1,923	3,947	3,466
Over 60 days	<u>100</u>	<u>642</u>	<u>642</u>
Total trade payables	<u>11,946</u>	<u>17,924</u>	<u>12,559</u>

As at the Latest Practicable Date, approximately 94.9% of the trade payables as at 30 September 2015 were subsequently settled.

Other payables and accrued charges

The following table sets forth the other payables and accrued charges as at the dates indicated:

	As at 30 June		As at
	2014	2015	30 September
	HK\$'000	HK\$'000	2015
			HK\$'000
Accrued charges for construction	24,324	26,284	22,939
Other accrued charges	1,502	2,185	4,445
Retention payables	<u>23,802</u>	<u>32,715</u>	<u>36,681</u>
	<u>49,628</u>	<u>61,184</u>	<u>64,065</u>

Accrued charges for construction mainly represented the costs incurred for constructions works performed by the subcontractors and suppliers but no invoices are received by us yet.

The balance of our accrued charges for construction of approximately HK\$24.3 million as at 30 June 2014 was primarily attributable to the construction cost incurred by the subcontractors and suppliers in relation to the projects located at Connaught Road and Kwai Cheong Road while the balance of approximately HK\$26.3 million as at 30 June 2015 was mainly arise from our projects located at Lee Kung Street and Parkes Street.

As at 30 September 2015, our balance of accrued charges for construction of approximately HK\$22.9 million was mainly due to the construction costs incurred by our subcontractor and suppliers for the projects located at Lee Kung Street and Kong Sin Wan Road.

FINANCIAL INFORMATION

Other accrued charges mainly represented accrued salaries and bonus and accrued audit fee.

Retention payables mainly represent the amounts we withhold from progress payments to our subcontractors in the range of 5% to 10% of the respective payment amount. Such retention money is released to our subcontractors upon completion of the guaranteed maintenance period in accordance with the terms and conditions of the relevant subcontracting agreement. Therefore, a significant portion of retention payables remained outstanding as at each reporting period end. In line with the progress of our construction projects and the increase in our unbilled retention receivables, our retention payables increased from approximately HK\$23.8 million as at 30 June 2014 to approximately HK\$32.7 million as at 30 June 2015 and to approximately HK\$36.7 million as at 30 September 2015.

Amount due to a director

The amount due to our Director is unsecured, interest-free and repayable on demand. The amount due to our Director amounted to approximately HK\$0.6 million as at 30 June 2014, 30 June 2015 and 30 September 2015 respectively, and was fully settled in November 2015.

Provisions

Our Group provides for the long service payments expected to be made to employees under the Hong Kong Employment Ordinance and the unutilised annual leaves of our employees. The provision represents management's best estimate of probable future payments which have been earned by the employees from their services to our Group up to the end of each reporting period.

Financial guarantee liabilities

During the Track Record Period, WM Construction has provided corporate guarantee to Sino Image Limited for a banking facilities of HK\$50.0 million, which was also under the personal guarantee from Mr. Kwok. The banking facilities were available to WM Construction and Sino Image Limited and any one of these entities could draw the facilities in full at any time. As a result, the financial guarantee was recognised as a financial liability of our Group at fair value with the equivalent amount charged to equity as special reserve at the grant date, respectively in accordance with HKAS 39. The valuation of the financial guarantee liability was carried out by an independent qualified professional valuer.

The financial guarantee contract during the Track Record Period was provided in favour of a bank to the related party, namely Sino Image Limited, an entity which is 100% owned by Mr. Kwok, the Controlling Shareholder of the Company. Although no consideration in respect of the financial guarantee contract has been received or recharged to the related party by the Group, the financial guarantee contract constituted a transaction of our Group with Mr. Kwok in his capacity as owner of WM Construction, and was therefore accounted for as deemed distribution to owner and debited to the capital contribution reserve as to reflect the economic substance of this transaction in accordance with the requirement as set out in HKAS1.106(d)(iii).

FINANCIAL INFORMATION

As at 30 June 2014, 30 June 2015 and 30 September 2015, financial guarantee liability recognised in combined statements of financial positions amounted to HK\$2.5 million, HK\$60,000 and HK\$1.9 million respectively. The movement between the periods represented changes in the amount of amortisation of the financial guarantee at the end of each reporting period was recognised as financial guarantee income of HK\$0.1 million, HK\$2.4 million and HK\$0.7 million respectively in FY2014, FY2015 and the three months ended 30 September 2015. On 23 October 2015, the corporate guarantee provided by our Group to Sino Image Limited was early released by the bank before maturity of the banking facilities.

Tax payable

The tax payable balances of our Group were approximately HK\$6.0 million, HK\$6.6 million and HK\$7.7 million as at 30 June 2014, 30 June 2015 and 30 September 2015, respectively. The increase in tax payable was mainly due to the increase in the overall profit before tax in FY2015.

Save as disclosed above, we have paid all relevant taxes in accordance with tax regulations and have not had any disputes or unresolved tax issues with the relevant tax authorities.

Non-Current Assets

	As at 30 June		As at 30 September
	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000
Plant and equipment	315	140	122
Deferred tax assets	112	112	112
Deposits and prepayments	<u>8,248</u>	<u>8,430</u>	<u>8,487</u>
Total	<u><u>8,675</u></u>	<u><u>8,682</u></u>	<u><u>8,721</u></u>

Plant and equipment represents office equipment, furnitures and fixtures, leasehold improvements and motor vehicles of our Group.

Deferred tax assets represents differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit.

Deposits and prepayments represent deposit and prepayment of a life insurance policy of Mr. Kwok where our Group is the beneficiary and the holder of the insurance policy.

FINANCIAL INFORMATION

INDEBTEDNESS

Bank borrowings

The table below sets for the indebtedness of our Group as at respective dated indicated.

	As at 30 June		As at 30 September	As at 31 January
	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Bank borrowings contain a repayment on demand clause and mature within one year — unsecured and guaranteed	2,200	—	—	—
Revolving bank borrowings — secured and guaranteed	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
	<u>7,200</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>

Our Group had bank borrowings of HK\$7.2 million as at 30 June 2014, and HK\$5.0 million as at 30 June 2015, 30 September 2015 and 31 January 2016. As at Latest Practicable Date, our Group has unutilised banking facilities of HK\$87.3 million. Our Group's bank borrowings were primarily used in financing the working capital requirement of our operations. With the increase in cash flow from operating activities, our Group settled bank borrowings of HK\$2.2 million in May 2015, which led to the decrease in our bank borrowings as at 30 June 2015.

During the Track Record Period, the bank borrowing agreements were entered into with the lenders under normal standard terms and conditions and do not contain any special restrictive covenants. During the Track Record Period and as of the Latest Practicable Date, none of our lenders have claimed default against us under any of the terms in the bank borrowing agreements.

As at the Latest Practicable Date, our Group has revolving bank borrowings of HK\$5.0 million, carried at HIBOR plus 2.0% per annum. This banking facility (including the revolving bank borrowings and performance guarantee) is secured by pledged bank deposits, payments for a life insurance policy, five properties owned by a related company, which are controlled by Mr. Kwok and unlimited personal guarantee by Mr. Kwok. In the opinion of the directors of the Company, the personal guarantee by Mr. Kwok and pledge of properties by related companies will be released upon the listing of the Company's Shares of the Stock Exchange.

Our Directors confirm that our Group does not have any material external debt financing plans as at the Latest Practicable Date.

Our Directors confirm that our Group has not experienced any difficulty in obtaining bank borrowings, default in payment on bank borrowings or breach of finance covenants during the Track Record Period and up to the Latest Practicable Date and that they do not foresee any difficulty in obtaining bank borrowing after the Latest Practicable Date.

FINANCIAL INFORMATION

Contingent liabilities

As at 30 June 2014 and 2015, 30 September 2015 and 31 January 2016, approximately HK\$20.2 million, HK\$20.1 million, HK\$29.0 million and HK\$19.1 million of performance bonds were given by banks in favour of some of our Group's customers as security for the due performance and observance of our Group's obligation under the contracts entered into between our Group and our customers. If our Group fails to provide satisfactory performance to our customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. Our Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work. The performance bonds were granted under the banking facilities with details as set out in note 22 to the Accountants' Report set out in Appendix I.

At the end of the Track Record Period, our Directors do not consider it probable that a claim will be made against our Group.

Also, our Group has provided corporate guarantee to Sino Image Limited for a bank facilities of HK\$50.0 million which is also under the personal guarantee from Mr. Kwok. The initial fair values of this financial guarantee as at 13 June 2014 and 9 July 2015, both dates representing the grant dates of the facility, were HK\$2.6 million and HK\$2.6 million respectively. During the Track Record Period, our Group has recognised financial guarantee income of approximately HK\$0.1 million, HK\$2.4 million and HK\$0.7 million for FY2014, FY2015 and the three months ended 30 September 2015, respectively. During the Track Record Period, Sino Image Limited did not utilise the banking facility. On 23 October 2015, the corporate guarantee provided by our Group to Sino Image Limited was early released by the bank.

The subsidiaries of our Group are defendants in a number of claims, lawsuits and potential claims relating to employee's compensation cases and personal injuries claims. The Directors considered that the possibility of any outflow in settling the legal claims is remote as these claims are all well covered by insurance. Accordingly, no provision for the contingent liabilities in respect of these litigations is necessary, after due consideration of each case.

Save as aforesaid or otherwise disclosed herein, we did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, finance lease obligations or material contingent liabilities or guarantees outstanding as on 31 January 2016.

CAPITAL EXPENDITURE

During the Track Record Period, we incurred capital expenditures for the purchase of motor vehicles. Our capital expenditures were approximately HK\$0.3 million, HK\$nil and HK\$nil for the years ended 30 June 2014, 30 June 2015 and the three months ended 30 September 2015, respectively.

We expect to meet future capital expenditure requirements through our available cash and cash equivalents, cash generated from our operations and bank borrowings, as well as net proceeds from the Placing. Where our Directors consider appropriate and necessary, we may raise additional funds on terms that are acceptable to us.

FINANCIAL INFORMATION

COMMITMENTS

Operating lease commitments

During the Track Record Period, our Group leased nine premise under operating lease. The leases generally run for an initial period of eight months to two years. None of the leases includes contingent rentals. For details of the leases, please refer to the paragraph headed “Business — Properties” in this prospectus. The following table sets forth our Group’s commitments for operating lease payments under non-cancellable operating lease with the landlords, as at the dates indicated:

	As at 30 June	As at
	2014	30 September
	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,541	1,912
In the second to fifth years, inclusive	<u>1,485</u>	<u>216</u>
	<u><u>3,026</u></u>	<u><u>2,128</u></u>
		<u><u>1,607</u></u>

Our Group have entered into nine operating lease agreements as at the 30 September 2015. The decrease in our operating leases commitment was due to six out of the nine operating lease agreements will be expired in 2016.

SUBSEQUENT EVENTS

For significant events that took place subsequent to 30 September 2015, please refer to “(B) — Subsequent Events” to the Accountants’ Report set forth in Appendix I to this prospectus.

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 arrangement.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in note 27 of section (A) to the accountants’ report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to us than terms available from Independent Third Parties and were fair and reasonable and in the interest of the Shareholders as a whole.

FINANCIAL INFORMATION

SELECTED KEY FINANCIAL RATIOS

The following table sets forth our selected key financial ratios during the Track Record Period:

	As at/For the year ended		As at/For the three months ended
	30 June		30 September
	2014	2015	2015
Gross profit margin <i>(Note 1)</i>	7.1%	6.3%	7.6%
Net profit margin <i>(Note 2)</i>	2.9%	3.3%	3.0%
Gearing Ratio <i>(Note 3)</i>	9.5%	5.5%	4.9%
Current Ratio <i>(Note 4)</i>	1.7x	1.8x	1.9x
Return on equity <i>(Note 5)</i>	17.6%	22.2%	3.8%
Return on assets <i>(Note 6)</i>	7.6%	9.3%	1.7%

Notes:

1. The gross profit margin is calculated by dividing the gross profit by the revenue for the respective year or period multiplied by 100%.
2. The net profit margin is calculated by dividing the net profit by the revenue for the respective year or period multiplied by 100%.
3. The gearing ratio is calculated by dividing total bank borrowings with total equity as at the end of each reporting period multiplied by 100%.
4. The current ratio is calculated by dividing current assets with current liabilities as at the end of each reporting period.
5. Return on equity equals the net profit attributable to Shareholders divided by the average balance of total equity as at the end of each reporting period multiplied by 100%.
6. Return on assets is calculated by the total comprehensive income for the year or period divided by the total assets as at the end of each reporting period and multiplied by 100%.

Gross profit margin

Gross profit margin is our gross profit for the financial period as a percentage of our total revenue for each financial period.

Our gross profit margin remained relatively stable at approximately 7.1%, 6.3% and 7.6% for FY2014, FY2015 and the three months ended 30 September 2015. Please refer to the paragraph headed “Description of Selected Items from Combined Statements of Profit or Loss and Other Comprehensive Income — Gross profit and gross profit margin” in this section for further information in relation to the Group’s gross profit margin.

FINANCIAL INFORMATION

Net profit margin

Net profit margin is our net profit for the year as a percentage of our total revenue for each financial period.

Our net profit margin increased from approximately 2.9% for FY2014 to approximately 3.3% for FY2015, primarily due to the increase in financial guarantee income of approximately HK\$2.4 million and our net profit margin decreased to 3.0% for the three months ended 30 September 2015, primarily due to the listing expense approximately HK\$1.1 million incurred in the three months ended 30 September 2015.

Gearing Ratio

Gearing ratio is the total amount of our loans and borrowings as a percentage of total equity as at the end of each financial period.

Our gearing ratio decreased from approximately 9.5% as at 30 June 2014 to approximately 5.5% as at 30 June 2015 and approximately 4.9% as at 30 September 2015, mainly because of the decrease in bank borrowings from approximately HK\$7.2 million as at 30 June 2014 to HK\$5.0 million as at 30 June 2015 and 30 September 2015 owing to settlement of bank borrowings by our Group.

Current ratio

Current ratio is derived by dividing our current assets by our current liabilities at the end of each financial period.

Our current ratio remained relatively stable at 1.7 times as at 30 June 2014, 1.8 times as at 30 June 2015 and 1.9 times as at 30 September 2015, please refer to the paragraph headed “Assets and Liabilities — Net current assets” in this section for details.

Return on equity

Our return on equity is our profit for the year as a percentage of our average balance of total equity for each financial period.

Our return on equity increased from approximately 17.6% for FY2014 to approximately 22.2% for FY2015, primarily because of the higher net profit of approximately HK\$18.5 million for FY2015 when compared with approximately HK\$12.5 million for FY2014 as a result of (i) the increase in financial guarantee income and (ii) the significant increase in revenue contribution from building construction works.

Return on asset

Return on asset is our profit for the year as a percentage of our total assets for each financial year or period.

Our return on asset increased from approximately 7.6% for FY2014 to approximately 9.3% for FY2015, primarily due to the increase in our net profit for FY2015 as detailed above.

FINANCIAL INFORMATION

FINANCIAL RISK MANAGEMENT

During our conduct of business, we are exposed to various types of market risks including currency risk, interest rate risk, credit risks and liquidity risk.

Currency risk

Our Group has limited currency exposure as both the sales and direct costs were denominated in the functional currency of the respective group entities. Accordingly, the management considers that our Group's exposure to foreign currency risk is minimal.

As at 30 June 2014, 2015 and 30 September 2015, the pledged bank deposits of HK\$10.3 million, HK\$10.3 million and HK\$10.3 million, respectively, are denominated at Renminbi ("RMB") and payment to a life insurance policy of HK\$7.8 million, HK\$8.0 million and HK\$8.0 million, respectively, are denominated at USD. RMB and USD are the currencies other than the functional currencies of the respective group entities.

Since the exchange rate of HK\$ is pegged with USD, our Group does not expect any significant movements in the USD/HK\$ exchange rates. Thus, there is no sensitivity analysis on USD denominated financial assets.

Sensitivity analysis of strengthening 10% in functional currency of the Company (i.e. HK\$) against RMB resulted a decrease in post-tax profit of HK\$0.9 million, HK\$0.9 million and HK\$0.9 million during FY2014, FY2015 and the three months ended 30 September 2015, respectively. For a 10% weakening of HK\$ against RMB there would be an equal and opposite impact on the results.

Interest rate risk

Our Group's cash flow interest rate risk primarily relates to the pledged bank balances, payment for a life insurance policy and bank balances as well as floating-rate bank borrowings as at 30 June 2014, 2015 and 30 September 2015.

Our Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, the management of our Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Our Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from our Group's pledged bank balances, payment for a life insurance policy and bank borrowings.

Sensitivity analysis

In the opinion of management of our Group, the change in interest rate will not have significant impact on the interest income or expenses on payment for a life insurance policy, pledged bank balances, bank balances and bank borrowings, hence sensitivity analysis is not presented.

FINANCIAL INFORMATION

Credit risk

Our Group's credit risk is primarily attributable to trade receivables, payment for a life insurance policy, amount due from a related company, pledged bank balances and bank balances.

Our Group's maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position at the end of the reporting period.

Management adopted a policy on providing credit facilities to new customers. A credit investigation, including assess to financial information, advice from business partners in relation to potential customers and credit search, would be performed before providing credit facilities to new customers. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis.

Our Group has concentration of credit risks with exposure limited to certain customers. Top three customers amounting to HK\$50.0 million, HK\$40.0 million and HK\$37.0 million, respectively, comprised approximately 87%, 57% and 71% of our Group's trade receivables as at 30 June 2014, 2015 and 30 September 2015. Our Directors closely monitor the subsequent settlement of the customers. In this regard, our Directors consider that our Group's credit risk is significantly reduced.

As at 30 June 2014 and 2015, our Group has concentration of credit risk in respect of amount due from a related company. Our Group's related company represented an entity significantly influenced by Mr. Kwok. In order to minimise the credit risk on amount due from a related company, our Group's management continuously monitors the credit quality and financial conditions of the related company and the level of exposure to ensure that follow-up action is taken to recover overdue debts. Under such circumstances, our Group's management considers that our Group's credit risk is not material.

The credit risk for pledged bank balances, payment to a life insurance policy, and bank balances is considered as not material as such amounts are placed in banks with good reputations.

Liquidity risk

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance our Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details our Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which our Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

FINANCIAL INFORMATION

The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 30 June 2014					
Non-derivative financial liabilities					
Trade payables	N/A	—	11,946	11,946	11,946
Other payables and accrued charges	N/A	—	49,628	49,628	49,628
Bank borrowings	1.9–2.2	7,200	—	7,200	7,200
Amount due to a director	N/A	570	—	570	570
Financial guarantee contract	N/A	45,000	—	45,000	2,479
		<u>52,770</u>	<u>61,574</u>	<u>114,344</u>	<u>71,823</u>

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 30 June 2015					
Non-derivative financial liabilities					
Trade payables	N/A	—	17,924	17,924	17,924
Other payables and accrued charges	N/A	—	61,184	61,184	61,184
Bank borrowings	2.2	5,000	—	5,000	5,000
Amount due to a director	N/A	570	—	570	570
Financial guarantee contract	N/A	45,000	—	45,000	60
		<u>50,570</u>	<u>79,108</u>	<u>129,678</u>	<u>84,738</u>

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 30 September 2015					
Non-derivative financial liabilities					
Trade payables	N/A	—	12,559	12,559	12,559
Other payables and accrued charges	N/A	—	64,065	64,065	64,065
Bank borrowings	2.2	5,000	—	5,000	5,000
Amount due to a director	N/A	570	—	570	570
Financial guarantee contract	N/A	45,000	—	45,000	1,927
		<u>50,570</u>	<u>76,624</u>	<u>127,194</u>	<u>84,121</u>

FINANCIAL INFORMATION

The amount included above for variable interest instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The amounts included above for financial guarantee contract are the maximum amounts our Group could be required to settle under the arrangement for the guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of each reporting period, management considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantees which is a function of the likelihood that the financial receivables held by the counterparty which guaranteed suffer credit losses.

Bank borrowings with a repayment on demand clause are included in the “Repayable on demand” time band in the above maturity analysis. As at 30 June 2014, the aggregate carrying amount of these bank loans amounted to HK\$2.2 million. Such bank borrowings of our Group were repaid in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, management reviews the expected cash flow information of our Group’s bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements as set out in the table below:

	Weighted average effective interest rate %	Within 3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Bank borrowings:					
As at 30 June 2014	2.2	<u>812</u>	<u>1,409</u>	<u>2,221</u>	<u>2,200</u>

Fair value of financial instruments

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. Management of our Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

FINANCIAL INFORMATION

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

For FY2014 and FY2015, our Group declared and paid dividends of HK\$2 million and HK\$3 million respectively to the shareholders of the companies now comprising our Group. In October 2015 and February 2016, our Group declared and paid a dividend of HK\$5 million and HK\$2 million respectively to the then shareholders of our Group by our Group's internal resources. The dividend distribution record 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.

After completion of the Placing, while we currently have no plans to pay dividends to the 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 will re-evaluate our dividend policy annually. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

As at the Latest Practicable Date, our Company has no distributable reserves available for distribution to our Shareholders.

WORKING CAPITAL

Taking into account the estimated net proceeds from the Placing of New Shares, cash flows from our operations and existing indebtedness, our Directors are of the view, and the Sole Sponsor concurs, that working capital available to our Group is sufficient for our present requirements for at least the next 12 months commencing from the date of this prospectus.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The unaudited pro forma adjusted combined net tangible assets of our Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Placing as if it had taken place on 30 September 2015. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group after the Placing or at any future dates.

	Audited combined net tangible assets of our Group attributable to the owners of our Company as at 30 September 2015 HK\$'000 (Note 1)	Estimated net proceeds from the Placing HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company HK\$'000	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company per Share HK\$ (Note 3)
Based on Placing Price of HK\$0.25 per Share	101,961	28,231	130,192	0.163
Based on Placing Price of HK\$0.33 per Share	101,961	40,775	142,736	0.178

Notes:

- (1) The audited combined net tangible assets of our Group attributable to the owners of our Company is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the issue of the New Shares pursuant to the Placing are based on 160,000,000 New Shares at the Placing Price of lower limit and upper limit of HK\$0.25 and HK\$0.33 per New Share, respectively, after deduction of the underwriting commissions and fees and other related expenses, other than those expenses which had been recognised in profit or loss prior to 30 September 2015.

The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of Offer Size Adjustment Option, the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares referred to in the paragraph headed "Share Capital — General Mandate to Issue Shares" in this prospectus or paragraph headed "Share Capital — General Mandate to Repurchase Shares" in this prospectus.

- (3) The unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company per Share is calculated based on 800,000,000 Shares in issue immediately following the completion of the Placing and the Capitalisation Issue. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of Offer Size Adjustment Option, the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares referred to in the paragraph headed "Share Capital — General Mandate to Issue Shares" in this prospectus or paragraph headed "Share Capital — General Mandate to Repurchase Shares" in this prospectus.

FINANCIAL INFORMATION

- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2015.

The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share does not take into account of dividends of HK\$5,000,000 declared on 8 October 2015 and HK\$2,000,000 declared on 19 February 2016. Assuming that the dividends of HK\$5,000,000 declared on 8 October 2015 and HK\$2,000,000 declared on 19 February 2016 had been taken into account, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share would have been HK\$0.154 and HK\$0.170 at the Placing Price of HK\$0.25 and HK\$0.33, respectively, which is calculated based on 800,000,000 Shares in issue immediately following the completion of Placing and Capitalisation Issue.

LISTING EXPENSES

Our Directors are of the view that the financial results of our Group for the year ending 30 June 2016 is expected to be adversely affected by, among others, our Listing expenses, the nature of which is non-recurring. Our total Listing expenses, primarily consisting of fees paid or payable to professional parties and underwriting commission, are estimated to be approximately HK\$14.7 million, of which HK\$13.0 million and HK\$1.7 million should be borne by our Group and the Selling Shareholder respectively.

Among the estimated aggregate amount of the Listing expenses to be borne by our Group, (i) approximately HK\$1.1 million was charged to our combined statement of profit or loss and other comprehensive income for the three months ended 30 September 2015; (ii) approximately HK\$8.5 million is expected to be incurred before or upon completion of the Placing; and (iii) approximately HK\$3.4 million is expected to be accounted for as a deduction from equity upon the Listing.

This calculation is based on the mid-point of our indicative Placing Price range of HK\$0.25 to HK\$0.33 per Placing Share and the assumption that 80,000,000 Shares expected to be sold by the Selling Shareholder under the Placing, 160,000,000 Shares expected to be issued under the Placing and 800,000,000 Shares are issued and outstanding immediately following the completion of the Placing.

Our Directors would like to emphasise that the amount of our Listing expenses is a current estimate for reference only and the final amount to be recognised in our combined financial statements is subject to adjustment based on audit and the then changes in variables and assumptions.

MATERIAL ADVERSE CHANGE

Save as disclosed in the paragraph headed “Listing Expenses” in this section, our Directors confirmed that since 30 September 2015 and up to the prospectus date, (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 Accountants’ Report set out in Appendix I in this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As at the Latest Practicable Date, our Directors confirm 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.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES

Our Group's primary business objectives are to further expand the scope of business of our Group, enhance service quality, strengthen our market position and increase our market share and strengthen the brand recognition of our Group. To achieve such objectives, our Group intends to implement the following strategies.

BUSINESS STRATEGIES

Please refer to the paragraph "Business — Our Business Strategies" for details of our business strategies.

BASES AND ASSUMPTIONS

Potential investors should note that the attainability of our Group's business objectives depends on a number of assumptions, in particular:

- there will be no material changes in the existing political, legal, fiscal, social or economic conditions in Hong Kong or in any other places in which any member of our Group carries on its business or will carry on its business;
- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material changes in the bases or rates of taxation in Hong Kong or in any other places in which any member of our Group operates or will operate;
- there will be no material changes in legislations or regulations whether in Hong Kong or elsewhere materially affecting the business carried on by our Group;
- there will be no significant changes in our Group's business relationship with its existing strategic and business partners;
- there will be no significant changes in our Group's business relationship with its major customers;
- there will be no material changes in the funding required for each of the scheduled achievements as outlined under the paragraph headed "Implementation plans" in this section; and
- our Group will not be materially affected by the risk factors as set out under the section headed "Risk Factors" in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE LISTING AND USE OF PROCEEDS

The Directors believe that the listing of the Shares on GEM will enable our Group to have access to capital market for raising funds both at the time of Listing and at later stages, enhance our corporate profile and brand image which could generate reassurance among the Group's customers, suppliers and subcontractors. Furthermore, a public listing status on GEM may offer our Company a broader shareholder base which could potentially lead to a more liquid market in the trading of the Shares.

Our Company intends to raise funds by placing of the Placing Shares in order to pursue its business objectives as set out in the paragraph headed "Implementation plans" under this section.

We estimate that the net proceeds to the Selling Shareholder from the sale of the Sale Shares (after deduction of proportional underwriting commission and estimated expenses and fees payable by the Selling Shareholder in relation to the Placing) will be approximately HK\$21.5 million, assuming a Placing Price of HK\$0.29 per Placing Share, being the mid-point of the Placing Price ranged stated in this prospectus. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

Assuming a Placing Price of HK\$0.29 per Placing Share, being the mid-point of the indicative Placing Price range of HK\$0.25 and HK\$0.33 per Placing Share and the Offer Size Adjustment Option is not exercised, the net proceeds from the Placing for New Shares, after deducting related expenses, are estimated to amount to approximately HK\$33.4 million. Our Group intends to apply such net proceeds from the Placing as follows:

- approximately 55.0% of the net proceeds, or approximately HK\$18.4 million, for further developing our general building and specialised building business by undertaking more private and public projects, and reserving for performance bonds;
- approximately 17.9% of the net proceeds, or approximately HK\$6.0 million, for the application for promotion to confirmation status in Group B in the category of buildings in the List of Approved Contractors for Public Works by increasing the employed capital of WM Construction. Further details on the qualification requirements for promotion to confirmation status in Group B as mentioned above are set out in the paragraph headed "Our Business Strategies — Enhance our participation in undertaking construction works from both the private and the public sector" in the "Business" section of this prospectus;
- approximately 10.2% of the net proceeds, or approximately HK\$3.4 million, for further strengthening our manpower, including the hiring of a site foreman, a quantity surveyor and a senior accounting manager, and sponsoring our staff to attend technical seminars and necessary trainings;
- approximately 5.4% of the net proceeds, or approximately HK\$1.8 million, for improvement of computer equipment, system and software for our Group's business operation;
- approximately 1.5% of the net proceeds, or approximately HK\$0.5 million, for establishing an integrated management system for environmental management, and occupational health and safety management and obtaining the ISO 14001:2004 certification for environmental management system and OHSAS 18001:2007 certification for occupational health and safety management system; and

FUTURE PLANS AND USE OF PROCEEDS

- approximately 10.0% of the net proceeds, or approximately HK\$3.3 million, for working capital and other general corporate purposes.

According to current estimates, our Group expects that the net proceeds from the Placing for New Shares of approximately HK\$33.4 million, the cash in bank and on hand as at the Latest Practicable Date together with the projected cash flow from operations will be sufficient to finance the implementation of our Company's future plans up to 30 June 2018.

In the event that Offer Size Adjustment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$10.2 million, assuming an Placing Price of HK\$0.29 per Placing Share, being the mid-point of the Placing Price range stated in this prospectus. We intend to apply the additional net proceeds to the above uses on pro-rata basis.

If the final Placing Price is set at the highest or lowest point of the indicative Placing Price range and assuming that the Offer Size Adjustment Option is not exercised, the net proceeds of the Placing for New Shares will increase or decrease by approximately HK\$6.3 million, respectively. In such event, the net proceeds will be used in the same proportions as disclosed above irrespective of whether the Placing Price is determined at the highest or lowest point of the indicative Placing Price range.

IMPLEMENTATION PLANS

Our Group will endeavour to achieve the following milestone events during the period from the Latest Practicable Date to 30 June 2018, and their respective scheduled completion time are based on certain bases and assumptions as set out in paragraph headed "Bases and Assumptions" in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in the section headed "Risk Factors" in this prospectus. Therefore, there is no assurance that our Group's business plans will materialise in accordance with the estimated time frame and that our Group's future plans will be accomplished at all.

Business strategy	Use of proceeds	Implementation plan

For the period from the Latest Practicable Date to 30 June 2016

Further developing our general building and specialised building business	HK\$1.3 million	• To undertake more general building works and specialised building works in Hong Kong, with HK\$1.3 million reserved for satisfying potential customers' requirement for performance bonds

FUTURE PLANS AND USE OF PROCEEDS

Business strategy	Use of proceeds	Implementation plan
For the six months ended 31 December 2016		
Further developing our general building and specialised building business	HK\$4.2 million	To undertake more general building works and specialised building works in Hong Kong, with HK\$4.2 million reserved for satisfying potential customers' requirement for performance bonds
Further strengthening our manpower	HK\$0.7 million	- To hire and employ a site foreman, a quantity surveyor or a senior accounting manager - To sponsor our staff to attend technical seminars and necessary trainings
Improvement of computer equipment, system and software	HK\$0.5 million	To purchase and upgrade the computer equipment, system and software of our Group
Establishing an integrated management system for environmental management, and occupational health and safety management	HK\$0.5 million	To apply for the ISO14000:2004 and OHSAS 18001:2007 certifications
For the six months ended 30 June 2017		
Further developing our general building and specialised building business	HK\$4.6 million	To undertake more general building works and specialised building works in Hong Kong, with HK\$4.6 million reserved for satisfying potential customers' requirement for performance bonds
Application for promotion to the confirmation status in Group B in the category of buildings in the List of Approved Contractors for Public Works	HK\$6.0 million	To increase the employed capital and working capital of WM Construction by HK\$6.0 million
Further strengthening our manpower	HK\$0.7 million	- To hire and employ a site foreman, a quantity surveyor or a senior accounting manager - To sponsor our staff to attend technical seminars and necessary trainings
Improvement of computer equipment, system and software	HK\$0.5 million	To purchase and upgrade the computer equipment, system and software of our Group

FUTURE PLANS AND USE OF PROCEEDS

Business strategy	Use of proceeds	Implementation plan
For the six months ended 31 December 2017		
Further developing our general building and specialised building business	HK\$3.7 million	To undertake more general building works and specialised building works in Hong Kong, with HK\$3.7 million reserved for satisfying potential customers' requirement for performance bonds
Further strengthening our manpower	HK\$1.0 million	- To hire and employ a site foreman, a quantity surveyor or a senior accounting manager - To sponsor our staff to attend technical seminars and necessary trainings
Improvement of computer equipment, system and software of our Group	HK\$0.4 million	To purchase and upgrade the computer equipment, system and software of our Group
For the six months ended 30 June 2018		
Further developing our general building and specialised building business	HK\$4.6 million	To undertake more general building works and specialised building works in Hong Kong, with HK\$4.6 million reserved for satisfying potential customers' requirement for performance bonds
Further strengthening our manpower	HK\$1.0 million	- To hire and employ a site foreman, a quantity surveyor or a senior accounting manager - To sponsor our staff to attend technical seminars and necessary trainings
Improvement of computer equipment, system and software	HK\$0.4 million	To purchase and upgrade the computer equipment, system and software of our Group

FUTURE PLANS AND USE OF PROCEEDS

For the period from the Latest Practicable Date to 30 June 2018, our Group's net proceeds from the Placing of New Shares will be used as follows:

	From the Latest Practicable Date to 30 June 2016	31 December 2016	For the six months ending		30 June 2018	Total	Approximate percentage
			30 June 2017	31 December 2017			
			<i>HK\$ million</i>				
Further developing our general building and specialised building business	1.3	4.2	4.6	3.7	4.6	18.4	55.0%
Application for promotion to the confirmation status in Group B in the category of buildings in the List of Approved Contractors for Public Works	—	—	6.0	—	—	6.0	17.9%
Further strengthening our manpower	—	0.7	0.7	1.0	1.0	3.4	10.2%
Improvement of computer equipment, system and software	—	0.5	0.5	0.4	0.4	1.8	5.4%
Establishing an integrated management system for environmental management, and occupational health and safety management	—	0.5	—	—	—	0.5	1.5%
General working capital	0.5	0.7	0.7	0.7	0.7	3.3	10.0%
	<u>1.8</u>	<u>6.6</u>	<u>12.5</u>	<u>5.8</u>	<u>6.7</u>	<u>33.4</u>	<u>100.0%</u>

UNDERWRITING

UNDERWRITER

Yuanta Securities (Hong Kong) Company Limited

UNDERWRITING ARRANGEMENTS, COMMISSIONS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company (for ourselves and on behalf of the Selling Shareholder) will conditionally place the Placing Shares with individual, professional and institutional investors in Hong Kong at the Placing Price subject to the terms and conditions in the Underwriting Agreement and this prospectus.

Subject to, among other conditions, the Listing Division granting the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the Capitalisation Issue or any Shares upon exercise of any option granted under the Share Option Scheme) and to certain other conditions set out in the Underwriting Agreement being fulfilled, the Underwriter has agreed to subscribe for or procure subscribers for the Placing Shares on the terms and conditions of the Underwriting Agreement and this prospectus.

Grounds for termination

The Sole Sponsor and/or the Sole Lead Manager shall have the absolute right to terminate the arrangements set out in the Underwriting Agreement by notice in writing given to our Company (for ourselves and on behalf of the Selling Shareholder) by the Sole Sponsor and/or the Sole Lead Manager if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be Wednesday, 30 March 2016):

- (a) there has come to the notice of the Sole Sponsor and/or the Sole Lead Manager:
 - (i) any statement contained in this prospectus, the placing letter, the formal notice, any submissions, documents or information in relation to the Placing provided to the Sole Sponsor and/or the Sole Lead Manager, any announcements or documents issued by our Company (for ourselves and on behalf of the Selling Shareholder) in connection with the Placing (including any supplement or amendment thereto) (the “**Relevant Documents**”), considered by the Sole Sponsor and/or the Sole Lead Manager in its/their absolute opinion was, when it was issued, or has become, or been discovered to be untrue, incorrect, inaccurate or misleading in any material respect or any expressions of opinion, intention or expectation contained in any of such documents are not, in the absolute opinion of the Sole Sponsor and/or the Sole Lead Manager, in all material respects fair and honest and based on reasonable assumptions, when taken as a whole;
 - (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Sponsor and/or the Sole Lead Manager in their/its absolute opinion to be material in the context of the Placing;

UNDERWRITING

- (iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreement considered by the Sole Sponsor and/or the Sole Lead Manager in their/its absolute opinion to be material in the context of the Placing (other than upon any of the Sole Sponsor, the Sole Lead Manager and the Underwriter (as the case may be));
- (iv) either (A) there has been a breach of any of the representations, warranties and undertakings set out in or provisions set out in the Underwriting Agreement by any of our Company, Selling Shareholder, the executive Directors and the Controlling Shareholders or (B) any matter or event showing or rendering any of the representations, warranties and undertakings set out in the Underwriting Agreement, as applicable, in the absolute opinion of the Sole Sponsor and/or the Sole Lead Manager, to be untrue, incorrect, inaccurate or misleading in any material respect when given or repeated;
- (v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of any of our Company, Selling Shareholder, the Controlling Shareholders and the executive Director pursuant to the indemnity provisions under the Underwriting Agreement or the Placing to be performed or implemented as envisaged;
- (vi) any event, series of events, matter or circumstance occurs or arises on or after the date of this prospectus and prior to 8:00 a.m. on the Listing Date, would have rendered any of the representations, warranties or undertakings set out in the Underwriting Agreement, in the absolute opinion of the Sole Sponsor and/or the Sole Lead Manager, untrue, incorrect, inaccurate or misleading in any material respect;
- (vii) approval by the Listing Division for the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of (I) the Offer Size Adjustment Option and (II) the options which may be granted under the Share Option Scheme) under the Placing is refused or not granted before the Listing Date, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (viii) our Company (for ourselves and on behalf of the Selling Shareholder) withdraws any of the Relevant Documents (and/or any other documents used in connection with the contemplated issue of the Placing Shares) without the prior consent of the Sole Sponsor and/or the Sole Lead Manager; or
- (ix) any person (other than the Sole Sponsor or the Sole Lead Manager and the Underwriter) has withdrawn or sought to withdraw its consent to the issue of any of the Relevant Documents with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

UNDERWRITING

- (b) there shall develop, occur, happen, exist or come into effect:
- (i) any event, or series of events in the nature of force majeure, including, without limitation, acts of government or orders of any courts, labour disputes, strikes, calamity, crisis, lock-outs (whether or not covered by insurance), fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics (including but not limited to swine influenza (H1N1 flu), severe acute respiratory syndrome and avian influenza A (H5N1) and other related or mutated form), accidents, interruption or delay in transportation, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in Hong Kong or anywhere in the world;
 - (ii) any change or development involving a prospective change, or any event or series of events, matters or circumstances likely to result in or represent any change or development involving a prospective change, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit, market or exchange control conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting Hong Kong or anywhere in the world;
 - (iii) any change in the general fund raising environment in Hong Kong or elsewhere;
 - (iv) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the BVI or the Cayman Islands or any other jurisdictions relevant to any member of our Group or the Placing (the “**Relevant Jurisdictions**”);
 - (v) the imposition of economic sanctions or changes in existing economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or by the European Union (or any member thereof) on any of the Relevant Jurisdictions;
 - (vi) a change or development involving a prospective change in any taxation or exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment laws or regulations) in any of the Relevant Jurisdictions;
 - (vii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus;
 - (viii) any litigation or claim of material importance being threatened or instigated against any member of our Group or any Director;

UNDERWRITING

- (ix) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company;
- (x) the chairman or chief executive officer of our Company vacating his office;
- (xi) the commencement by any governmental, regulatory or political body or organisation of any action against a Director or a member of our Group or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action;
- (xii) any contravention by any member of our Group or any Director of the Cap. 622 Companies Ordinance, the Companies Law, the PRC Company Law, the GEM Listing Rules, the SFO or any applicable laws and regulations;
- (xiii) a prohibition on our Company or the Selling Shareholder for whatever reason from allotting or issuing the Placing Shares (including any Shares which may be allotted and issued upon exercise of (I) the Offer Size Adjustment Option, or (II) the options which may be granted under the Share Option Scheme) pursuant to the terms of the Placing;
- (xiv) non-compliance of this prospectus (and/or any other documents used in connection with the issue of the Placing Shares) or any aspect of the Placing with the GEM Listing Rules or any other applicable laws and regulations;
- (xv) other than with the written approval of the Sole Sponsor and/or the Sole Lead Manager, the issue or requirement to issue by our Company (for ourselves and on behalf of the Selling Shareholder) of a supplement or amendment to any of the Relevant Documents (and/or any other documents used in connection with the issue of the Placing Shares) pursuant to the Cap. 622 Companies Ordinance or the GEM Listing Rules;
- (xvi) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;
- (xvii) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person);
- (xviii) any change or prospective change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Company or any member of our Group (including any litigation or claim of material importance being threatened or instigated against our Company or any member of our Group);
- (xix) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or any analogous matter thereto occurs in respect of any member of our Group;

UNDERWRITING

- (xx) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement, or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions;
- (xxi) any change or development in the conditions of local, national or international equity securities or other financial markets; or
- (xxii) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority,

which in each case or in aggregate in the absolute opinion of the Sole Sponsor and/or the Sole Lead Manager:

- (A) is or will be or maybe or likely to be adverse to or may prejudicially affect the general affairs, management, business, financial, trading or other condition or prospects of our Group (as a whole) or any member of our Group or to any present or prospective shareholder in his, her or its capacity as such;
- (B) has or will have or might have or is likely to have an adverse effect on the success, marketability or pricing of the Placing or the level of applications in the Placing or the level of interest under the Placing;
- (C) makes or may make it inadvisable, inexpedient or impracticable to proceed with or to market the Placing or the delivery of the Placing Shares on the terms and in the manner contemplated by any of the Relevant Documents; or
- (D) has or would have the effect of making any part of the Underwriting Agreement incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Relevant Documents and the Underwriting Agreement or which prevents the processing of applications and/or payments pursuant to the Placing or pursuant to the underwriting thereof.

Commission and expenses

The Underwriter will receive an underwriting commission of 2% of the aggregate Placing Price of all Placing Shares, out of which the Underwriter will pay any sub-underwriting commission and will be reimbursed for its reasonable expenses. If any of Offer Size Adjustment Option is exercised, the underwriting commission will be calculated in the same manner with the Placing Shares initially available for subscription. The total commission and expenses relating to the Placing and Listing (including the GEM Listing fees, legal and other professional fees, and printing), are estimated to approximately HK\$14.7 million, assuming a Placing Price of HK\$0.29, being the mid-point of the indicative Placing Price range, which will be payable by our Company and the Selling Shareholder. Our company and the Selling Shareholder will pay the total commission and expenses relating to the Placing

UNDERWRITING

and Listing in proportion to the amount of the Placing Shares issued or sold by each of them under the Placing. Stamp duty (if any) payable in respect of the Sale Shares shall be borne by the Selling Shareholder.

Underwriter's interest in our Company

Save as disclosed in this prospectus and as contemplated pursuant to the Underwriting Agreement, the Underwriter does not have any shareholding interests in any member of our Group nor has any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares.

Undertakings

Pursuant to the Underwriting Agreement, our Company has undertaken to and covenanted with each of the Sole Sponsor, the Sole Lead Manager and the Underwriter that our Company will not, and each of the Controlling Shareholders and executive Directors has undertaken to the Sole Sponsor, the Sole Lead Manager and the Underwriter that it/he will procure our Company not to, without the prior written consent of the Sole Sponsor and/or the Sole Lead Manager and unless in compliance with the requirements of the GEM Listing Rules, except for the issue of Shares under the Placing, the Capitalisation Issue, the grant of any option under the Share Option Scheme, or the issue of Shares upon exercise of any option granted under the Share Option Scheme:

- (i) at any time within the period of six months from the Listing Date (the “**First Six-month Period**”) offer, allot, issue, agree to allot or issue, sell, lend, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, rights or warrants to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase any of the share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein), or enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of share capital or such other securities, in cash or otherwise, or publicly disclose that our Company will or may enter into any of the foregoing transactions (whether or not such transaction will be completed in the aforesaid period); and
- (ii) at any time during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for Shares or securities of our Company or of any of its subsidiaries so as to result in any of the Controlling Shareholders ceasing to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company;

and in the event our Company enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it shall take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

UNDERWRITING

Each of the Controlling Shareholders has undertaken to and covenanted with each of our Company, Selling Shareholder, the Sole Sponsor, the Sole Lead Manager and the Underwriter that, without the prior written consent of the Sole Sponsor and/or the Sole Lead Manager and unless in compliance with the requirements of the GEM Listing Rules), it/he shall not, and will procure that none of its/his associates or companies controlled by it/him or any nominee or trustee holding in trust for it/him shall:

- (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which it/he is shown by this prospectus to be the beneficial owner (whether direct or indirect); and
- (ii) at any time during the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the securities referred to in sub-paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of the Controlling Shareholders would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company;

and in the event that it/he enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it/he will take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

Each of the Controlling Shareholders undertakes to and covenants with our Company, the Sole Sponsor, the Sole Lead Manager, the Underwriter and the Stock Exchange that:

- (i) in the event that it/he pledges or charges any of its/his direct or indirect interest in the Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date on which the Second Six-month Period expires, it/he must inform our Company, the Sole Sponsor and the Sole Lead Manager immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any of its/his interests in the Shares or other securities of our Company under sub-paragraph (i) above, it/he must inform our Company, the Sole Sponsor and the Sole Lead Manager immediately in the event that it/he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of our Company affected.

Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of announcement in accordance with GEM Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

UNDERWRITING

Our Company, Selling Shareholder, the Controlling Shareholders and the executive Directors have agreed to indemnify the Underwriter from certain losses which it may suffer, including losses arising from its performance of its obligations under the Underwriting Agreement and any breach by our Company, Selling Shareholder or the Controlling Shareholders or the executive Directors of the Underwriting Agreement.

SPONSOR'S INTERESTS

Neither the Sponsor nor any of its close associates has or may, as a result of the Placing, have any interest in any securities of our Company or any other member of our Group (including rights to subscribe for such securities).

Neither the Sole Sponsor nor any of its close associates will accrue any material benefit as a result of the successful outcome of the Placing, other than by way of sponsor's fee to be paid to the Sponsor for acting as the sponsor of the Placing.

None of the directors and employees of the Sponsor has any directorship in our Company or any other companies comprising our Group.

STRUCTURE AND CONDITIONS OF THE PLACING

PRICE PAYABLE ON SUBSCRIPTION

The Placing Price plus 1.0% brokerage fee, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee make up total price payable in cash on subscription.

CONDITIONS OF THE PLACING

The Placing will be conditional upon, among others:

- (i) the Listing Division granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein on GEM;
- (ii) the Price Determination Agreement having been executed by our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Lead Manager and becoming effective on the Price Determination Date; and
- (iii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by the Sole Sponsor and/or the Sole Lead Manager and not being terminated in accordance with the terms of that agreement or otherwise),

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 16 April 2016, being the date which is the 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by our Company on the Stock Exchange's website (www.hkexnews.hk) and our Company's website (www.wmcl.com.hk) on the next business day following such lapse.

THE PLACING

Subject to the exercise of the Offer Size Adjustment Option, 240,000,000 Placing Shares are being offered pursuant to the Placing (comprising 160,000,000 New Shares to be offered by our Company for subscription and 80,000,000 Sale Shares to be offered by the Selling Shareholder for sale, representing in aggregate 30% of the enlarged issued share capital of our Company).

The Placing is fully underwritten by the Underwriter (subject to the terms and conditions of the Underwriting Agreement, including the Sole Lead Manager and our Company (for ourselves and on behalf of the Selling Shareholder) agreeing on the Placing Price). Pursuant to the Placing, it is expected that the Underwriter, on behalf of our Company and the Selling Shareholder, will conditionally place 240,000,000 Placing Shares at the Placing Price to selected individual, professional and institutional investors in Hong Kong.

STRUCTURE AND CONDITIONS OF THE PLACING

BASIS OF ALLOCATION

Allocation of the Placing Shares to selected individual, professional and institutional investors will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investors are likely to purchase further Shares or hold or sell their Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, which provides that not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders.

Save with the prior written consent of the Stock Exchange, no allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

PLACING PRICE

The Placing Price will not be more than HK\$0.33 per Placing Share (and not less than HK\$0.25 per Placing Share). Subscribers, when subscribing for the Placing Shares, shall pay the Placing Price plus 1.0% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy. Assuming the Placing Price of HK\$0.33 or HK\$0.25 per Share (being the highest and lowest points of indicative Placing Price range respectively), investors shall pay HK\$3,333.26 and HK\$2,525.20 for every board lot of 10,000 Shares, respectively.

The Placing Price will be fixed by an agreement expected to be entered into between our Company (for itself and on behalf of the Selling Shareholder) and the Sole Lead Manager on the Price Determination Date which is scheduled on or before Tuesday, 22 March 2016 and, in any event, no later than Tuesday, 29 March 2016. If the Sole Lead Manager and our Company (for ourselves and on behalf of the Selling Shareholder) are unable to reach an agreement on the Placing Price on or before Tuesday, 29 March 2016, the Placing will not become unconditional and will lapse.

Prospective investors of the Placing Shares should be aware that the Placing Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative Placing Price range stated in this prospectus.

If, the Sole Lead Manager, with the consent of our Company (for ourselves and on behalf of the Selling Shareholder), considers it appropriate (for instance, if based on the level of interest expressed by prospective investors), the indicative Placing Price range may be reduced below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company (for ourselves and on behalf of the Selling Shareholder) shall, as soon as practicable following the decision to make such reduction, and in any event not later than 9:00 a.m. on the Price Determination Date cause to be published on the Stock Exchange's website (www.hkexnews.hk) and our Company's website (www.wmcl.com.hk) notice of the reduction of the indicative Placing Price range.

STRUCTURE AND CONDITIONS OF THE PLACING

The indication of level of interest in the Placing and the basis of allocations of the Placing Shares will be announced on the Stock Exchange's website (www.hkexnews.hk) and our Company's website (www.wmcl.com.hk) on or before Tuesday, 29 March 2016.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

OFFER SIZE ADJUSTMENT OPTION

In connection with the Placing, our Company granted to the Sole Lead Manager the Offer Size Adjustment Option. Pursuant to the Offer Size Adjustment Option, our Company may be required to allot and issue, at the final Placing Price, up to an aggregate of 36,000,000 additional new Shares, representing 15% of the Placing Shares initially available under the Placing. The Offer Size Adjustment Option can only be exercised by the Sole Lead Manager at any time before 6:00 p.m. on the business day immediately before the date of the announcement with respect to the level of indication of interest in the Placing; otherwise it will lapse. For avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Sole Lead Manager to meet any excess demand in the Placing. The Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option will not be used for price stabilisation purpose and the Offer Size Adjustment Option is not subject to the Securities and Futures (Price Stabilising) Rules of the SFO (Chapter 571W of the Laws of Hong Kong).

If the Offer Size Adjustment Option is exercised in full, the additional Placing Shares will represent approximately 4.3% of the enlarged issued capital of our Company in issue following completion of the Capitalisation Issue, the Placing and the exercise of the Offer Size Adjustment Option but without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.

The additional net proceeds that we would receive if the Offer Size Adjustment Option is exercised in full (assuming the Placing Price of HK\$0.29 per Share (being the mid-point of the indicative Placing Price range) are estimated to be approximately HK\$10.2 million, which would be applied to the respective uses as disclosed in the paragraph headed "Future Plans and Use of Proceeds — Reasons for the Placing and Use of Proceeds" on a pro-rata basis.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Wednesday, 30 March 2016. Shares will be traded in board lots of 10,000 Shares and are fully transferable.



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Deloitte Touche Tohmatsu
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88 Queensway
Hong Kong

17 March 2016

The Directors
Super Strong Holdings Limited

Innovax Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Super Strong Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the two years ended 30 June 2015 and three months ended 30 September 2015 (the “Relevant Periods”), for inclusion in the prospectus of the Company dated 17 March 2016 in connection with the proposed listing of the Company’s shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Prospectus”).

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Cayman Companies Law on 22 September 2015. Through a group reorganisation as more fully explained in the section headed “History, Development and Reorganisation” to the Prospectus (the “Reorganisation”), the Company became the holding company of the Group on 14 December 2015.

Particulars of the Company’s subsidiaries at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and full paid share capital	Attributable equity interest of the Group as at			date of this report	Principal activities
				30 June 2014	30 June 2015	30 September 2015		
Focus Achieve Limited (“Focus Achieve”)	The British Virgin Islands (“The BVI”) 1 July 2015	The BVI	United States Dollar (“USD”) 100	N/A	N/A	100%	100%	Investment holding
Focus Wealth Investments Limited (“Focus Wealth”)	The BVI 6 July 2015	The BVI	USD100	N/A	N/A	100%	100%	Investment holding
Well Joint Limited (“Well Joint”)	The BVI 2 July 2015	The BVI	USD100	N/A	N/A	100%	100%	Investment holding
W.M. Construction Limited (“WM Construction”)	Hong Kong 28 October 1988	Hong Kong	Hong Kong dollar (“HK\$”) 5,000,000	100%	100%	100%	100%	Building construction in Hong Kong

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and full paid share capital	Attributable equity interest of the Group as at			date of this report	Principal activities
				30 June		30		
				2014	2015	September 2015		
W.M. Engineering Company Limited ("WM Engineering")	Hong Kong 28 September 2001	Hong Kong	HK\$10	100%	100%	100%	100%	Construction and engineering works with focus on minor and supplementary works in Hong Kong
W.M. Foundation Company Limited ("WM Foundation")	Hong Kong 22 June 2006	Hong Kong	HK\$1	100%	100%	100%	100%	Construction and engineering works with focus on foundation and piling in Hong Kong

All the companies comprising the Group have adopted 30 June as their financial year end date.

We have acted as the statutory auditor of WM Construction, WM Engineering and WM Foundation for the year ended 30 June 2015 and the statutory financial statements of WM Construction, WM Engineering and WM Foundation for the year ended 30 June 2015 are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The statutory financial statements of WM Construction, WM Engineering and WM Foundation for the year ended 30 June 2014, which are prepared in accordance with the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard issued by the HKICPA, were audited by Yiu Cho Yan Certified Public Accountants, a firm of certified public accountants registered in Hong Kong.

No audited financial statements have been prepared for the Company, Focus Achieve, Focus Wealth and Well Joint since their respective dates of incorporation in jurisdictions where there are no statutory audit requirements.

For the purpose of this report, the respective directors of WM Construction, WM Engineering and WM Foundation have prepared the financial statements of WM Construction, WM Engineering and WM Foundation respectively, for the two years ended 30 June 2015 and three months ended 30 September 2015 in accordance with accounting policies which conform HKFRSs issued by HKICPA (collectively thereafter referred to as the "Audited Financial Statements") and the directors of the Company, Focus Achieve, Focus Wealth and Well Joint have prepared the management account of the Company, Focus Achieve, Focus Wealth and Well Joint for the period from their respective date of incorporation to 30 September 2015. We have undertaken an independent audit on the Audited Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have also examined the Audited Financial Statements and management accounts of the Company, Focus Achieve, Focus Wealth and Well Joint prepared by directors of the respective companies (collectively referred to as the "Underlying Financial Statements") in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA and carried out such procedures as we considered necessary for inclusion of their financial information in the Prospectus.

The Financial Information for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis of presentation set out in note 1 of Section A below after making such adjustments as considered appropriate for the purpose of the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the respective companies who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 30 June 2014, 2015 and 30 September 2015 and of the Company as at 30 September 2015, and of the financial performance and combined cash flows of the Group for the Relevant Periods.

The comparative combined statement of profit or loss and other comprehensive income, combined statement of cash flows and combined statement of changes in equity of the Group for the three months ended 30 September 2014 together with the notes thereon have been extracted from the Group's unaudited combined financial information for the same period (the "30 September 2014 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 September 2014 Financial Information in accordance with the Hong Kong Standard of Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA. Our review of the 30 September 2014 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 September 2014 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 September 2014 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

(A) FINANCIAL INFORMATION

Combined Statements of Profit or Loss and Other Comprehensive Income

	<i>Notes</i>	Year ended 30 June		Three months ended 30 September	
		2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i>
Revenue	7	425,359	566,194	140,260	124,109
Direct costs		<u>(395,264)</u>	<u>(530,604)</u>	<u>(131,548)</u>	<u>(114,712)</u>
Gross profit		30,095	35,590	8,712	9,397
Other income		1,051	3,184	750	833
Administrative expenses		(16,061)	(16,739)	(4,331)	(4,671)
Other expenses		—	—	—	(1,105)
Finance costs	9	<u>(153)</u>	<u>(132)</u>	<u>(37)</u>	<u>(28)</u>
Profit before taxation	10	14,932	21,903	5,094	4,426
Income tax expense	11	<u>(2,388)</u>	<u>(3,434)</u>	<u>(741)</u>	<u>(747)</u>
Profit and total comprehensive income for the year/period attributable to the owners of the Company		<u>12,544</u>	<u>18,469</u>	<u>4,353</u>	<u>3,679</u>

Statements of Financial Position

		The Group			The Company
		As at 30 June 2014	As at 30 June 2015	As at 30 September 2015	As at 30 September 2015
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Plant and equipment	14	315	140	122	—
Deferred tax assets	11	112	112	112	—
Deposits and prepayments	16	8,248	8,430	8,487	—
		8,675	8,682	8,721	—
Current assets					
Trade receivables	15	57,243	69,466	52,048	—
Other receivables, deposits and prepayments	16	2,067	2,330	4,534	2,182
Amounts due from customers for contract work	17	65,632	73,103	76,055	—
Amount due from a related company	18	400	500	—	—
Amount due from a director	18	499	602	602	—
Pledged bank balances	19	14,633	14,414	24,667	—
Bank balances and cash	19	16,634	28,547	44,268	—
		157,108	188,962	202,174	2,182
Current liabilities					
Trade payables	20	11,946	17,924	12,559	—
Other payables and accrued charges	21	49,628	61,184	64,065	—
Amounts due to customers for contract work	17	11,184	13,785	15,336	—
Amount due to a director	18	570	570	570	—
Amount due to a subsidiary	30	—	—	—	3,287
Tax payable		5,954	6,595	7,743	—
Bank borrowings	22	7,200	5,000	5,000	—
Provisions	23	1,418	1,653	1,734	—
Financial guarantee liability	29	2,479	60	1,927	—
		90,379	106,771	108,934	3,287
Net current assets (liabilities)		66,729	82,191	93,240	(1,105)
Net assets (liabilities)		75,404	90,873	101,961	(1,105)

	<i>Note</i>	<u>The Group</u>			<u>The Company</u>
		As at 30 June		As at	As at
		2014	2015	30 September 2015	30 September 2015
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital and reserves					
Issued share capital	24	5,000	5,000	3	—
Reserves		<u>70,404</u>	<u>85,873</u>	<u>101,958</u>	<u>(1,105)</u>
Equity attributable to owners of the Company		<u>75,404</u>	<u>90,873</u>	<u>101,961</u>	<u>(1,105)</u>

Combined Statements of Changes in Equity

	Issued share capital HK\$'000	Capital contribution HK\$'000	Accumulated profits HK\$'000 (Note 29)	Total HK\$'000
At 1 July 2013	5,000	—	62,451	67,451
Profit and total comprehensive income for the year	—	—	12,544	12,544
Dividend paid (note 12)	—	—	(2,000)	(2,000)
Deemed distribution arising from issue of financial guarantee to a related company (note 29)	—	(2,591)	—	(2,591)
At 30 June 2014	5,000	(2,591)	72,995	75,404
Profit and total comprehensive income for the year	—	—	18,469	18,469
Dividend paid (note 12)	—	—	(3,000)	(3,000)
At 30 June 2015	5,000	(2,591)	88,464	90,873
Profit and total comprehensive income for the period	—	—	3,679	3,679
Deemed distribution arising from issue of financial guarantee to a related company (note 29)	—	(2,591)	—	(2,591)
Contribution from Best Brain (Note)	—	10,000	—	10,000
Transfer as part of the Reorganisation	(4,997)	4,997	—	—
At 30 September 2015	3	9,815	92,143	101,961
At 1 July 2014	5,000	(2,591)	72,995	75,404
Profit and total comprehensive income for the period (unaudited)	—	—	4,353	4,353
At 30 September 2014 (unaudited)	5,000	(2,591)	77,348	79,757

Note: Pursuant to a subscription agreement dated 28 July 2015 entered into between an independent third party ("Pre-IPO Investor"), Mr. Kwok (as defined in Note 1) and Best Brain (as defined in Note 1), Best Brain allotted and issued 2,500 shares to the Pre-IPO Investor at a subscription amount of HK\$10,000,000 and Best Brain contributed such amount to the Group.

Combined Statements of Cash Flows

	Year ended 30 June		Three months ended 30 September	
	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
OPERATING ACTIVITIES				
Profit before taxation	14,932	21,903	5,094	4,426
Adjustments for:				
Depreciation of plant and equipment	301	175	44	18
Interest income	(333)	(333)	(77)	(77)
Financial guarantee income	(112)	(2,419)	(608)	(724)
Finance costs	<u>153</u>	<u>132</u>	<u>37</u>	<u>28</u>
Operating cash flows before movements in working capital	14,941	19,458	4,490	3,671
Increase in amounts due from/to customers for contract work, net	(11,171)	(4,870)	(17,777)	(1,401)
(Increase) decrease in trade receivables	(22,388)	(12,223)	1,740	17,418
Decrease (increase) in other receivables, deposits and prepayments	1,045	(143)	103	(2,184)
(Increase) decrease in amount due from a related company	(400)	(100)	120	500
Increase (decrease) in trade payables	7,877	5,978	7,507	(5,365)
Increase in other payables and accrued charges	6,466	11,556	5,013	2,881
Increase in provisions	<u>135</u>	<u>235</u>	<u>59</u>	<u>81</u>
Cash (used in) generated from operations	(3,495)	19,891	1,255	15,601
Income tax (paid) refunded	<u>(1,723)</u>	<u>(2,793)</u>	<u>—</u>	<u>401</u>
NET CASH (USED IN) FROM OPERATING ACTIVITIES	<u>(5,218)</u>	<u>17,098</u>	<u>1,255</u>	<u>16,002</u>

	Year ended 30 June		Three months ended 30 September	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
INVESTING ACTIVITIES				
Bank interest received	108	31	—	—
Purchases of plant and equipment	(280)	—	—	—
Upfront payment of a life insurance policy	(8,139)	—	—	—
Withdrawal of pledged bank balances	40,951	112,063	33,275	30,376
Placement of pledged bank balances	(55,584)	(111,844)	(29,716)	(40,629)
Advance to a director	(499)	(554)	(554)	—
Repayment from a director	—	451	451	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(23,443)	147	3,456	(10,253)
FINANCING ACTIVITIES				
Interest paid	(153)	(132)	(37)	(28)
Repayment of bank borrowings	(2,400)	(2,200)	(600)	—
New bank borrowings raised	5,000	—	—	—
Repayment to a related company	(1,514)	—	—	—
Contribution from Best Brain	—	—	—	10,000
Dividend paid	(2,000)	(3,000)	—	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(1,067)	(5,332)	(637)	9,972
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(29,728)	11,913	4,074	15,721
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	46,362	16,634	16,634	28,547
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	16,634	28,547	20,708	44,268

Notes to Financial Information**1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2013 Revision) of the Cayman Islands on 22 September 2015. The address of the Company's registered office and the principal place of business is disclosed in the section headed "Corporate Information" to the Prospectus.

Before the completion of the Reorganisation, WM Construction, WM Engineering and WM Foundation are wholly owned by Mr. Kwok Tung Keung ("Mr. Kwok").

In preparation of the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange (the "Listing"), the companies comprising the Group underwent the Reorganisation as described below.

- (i) Best Brain Investments Limited ("Best Brain") was incorporated by Mr. Kwok on 6 July 2015 as a limited liability company. Best Brain is authorised to issue 50,000 shares at a par value of US\$1.00 each. On 28 July 2015, 7,500 shares were allotted and issued to Mr. Kwok. On the same date, Best Brain issued 2,500 shares to Pre-IPO Investor at a subscription amount of HK\$10,000,000 pursuant to the subscription agreement.
- (ii) Focus Achieve was incorporated as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. 100 fully paid shares were allotted and issued to Best Brain on 28 July 2015. On the same date, Mr. Kwok transferred WM Foundation to Focus Achieve for HK\$1.
- (iii) Well Joint was incorporated as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. 100 fully paid shares were allotted and issued to Best Brain on 28 July 2015. On the same date, Mr. Kwok transferred WM Engineering to Well Joint for HK\$1.
- (iv) Focus Wealth was incorporated as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. 100 fully paid shares were allotted and issued to Best Brain on 28 July 2015. On the same date, Mr. Kwok transferred WM Construction to Focus Wealth for HK\$1.
- (v) The Company was incorporated in the Cayman Islands with limited liability on 22 September 2015 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. 1 share of the Company was allotted and issued to Best Brain on the same date.
- (vi) On 14 December 2015, Best Brain transferred all its equity interest in Focus Archive, Focus Wealth and Well Joint to the Company at aggregate consideration of US\$300.
- (vii) On 17 December 2015, 399 additional shares of the Company were allotted and issued to Best Brain.
- (viii) On 18 December 2015, Best Brain swapped 100 shares of the Company with the Pre-IPO Investor for the 2,500 shares of Best Brain held by the Pre-IPO Investor. As a result, Best Brain and the Pre-IPO Investor held 300 shares and 100 shares of the Company, representing 75% and 25% of the then issued share capital of the Company respectively.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group and WM Construction, WM Engineering and WM Foundation are controlled by Mr. Kwok before and after the Reorganisation.

Accordingly, the Financial Information has been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting Under Common Control Combinations" issued by HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Relevant Periods include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the Relevant Periods, or since their respective date of incorporation, where there is a shorter period. The combined statements of financial position of

the Group as at 30 June 2014 and 2015 and 30 September 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation, where applicable.

The Financial Information is presented in HK\$, which is also the functional currency of companies comprising the Group.

The financial information contained in this Prospectus does not constitute the statutory annual financial statements of WM Construction, WM Engineering and WM Foundation for any of the financial year ended 30 June 2015 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As WM Construction, WM Engineering and WM Foundation are private companies, WM Construction, WM Engineering and WM Foundation are not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The auditor of WM Construction, WM Engineering and WM Foundation has reported on these financial statements for the year ended 30 June 2015. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group's financial year beginning on 1 July 2015 throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new and revised HKFRSs which are not yet effective.

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ²
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ²
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ²
Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ²
Amendments to HKAS 27	Equity method in separate financial statements ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2016.

HKFRS 15 “Revenue from contracts with customers”

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including Hong Kong Accounting Standards (“HKAS”) 18 “Revenue”, HKAS 11 “Construction contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

However, the directors of the Company considered that it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company anticipates that the application of other new and revised HKFRSs will have no material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of combination

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under control of the controlling entity.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable.

Revenue from construction contracts is based on the stage of completion at the end of each reporting period. The percentage of completion is determined using methods that measure reliably the work performed. The methods used include reference to surveys of work performed or the proportion that contract cost incurred for work performed to date bear to the estimated total contract costs.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income is recognised, on a straight-line basis, over the terms of the respective leases.

Service income is recognised when the services are provided.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment loss on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, measured based on the proportion that revenue recognised with reference to surveys of work performed to date relative to the estimated total contract revenue or the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts billed for work performed but not yet paid by the customer are included in the combined statement of financial position under trade receivables.

Financial instruments

Financial assets and financial liabilities are recognised on the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, amount due from a director and a related company, pledged bank balances and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate except for short-term receivables where the recognition of interest would be insignificant.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on trade receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Financial liabilities

The Group's financial liabilities including trade payables, other payables and accrued charges, amounts due to a director and a subsidiary and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value. Subsequently to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised throughout the guarantee period on a straight-line basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") as defined contribution plan are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period that related services is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by the employees up to each of the reporting period.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from 'profit before taxation' as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against

which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Construction contract

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.

Recognised amounts of construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes bank borrowings as disclosed in note 22, and equity of the Group, comprising issued share capital and accumulated profits.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings or the repayment of the existing borrowings.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 30 June		As at
	2014	2015	30 September
	HK\$'000	HK\$'000	2015
			HK\$'000
The Group			
Financial assets			
Loans and receivables			
(including cash and cash equivalents)	98,256	122,821	130,956
Financial liabilities			
Amortised cost	69,344	84,678	82,194
Financial guarantee liability	2,479	60	1,927
The Company			
Financial liabilities			
Amortised cost	—	—	3,287

Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables and deposits, payment for a life insurance policy, amount due from a related company, pledged bank balances and bank balances and cash, trade payables, other payables and accrued charges, amount due to a director and bank borrowings. The Company's financial instruments include amount due to a subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group has limited currency exposure as both the sales and direct costs were denominated in the functional currency of the respective group entities. Accordingly, the management considers that the Group's exposure to foreign currency risk is minimal.

As at 30 June 2014, 2015 and 30 September 2015, the pledged bank balances of HK\$10,288,000, HK\$10,320,000 and HK\$10,320,000, respectively, are denominated at Renminbi ("RMB") and payment for a life insurance policy of HK\$7,780,000, HK\$7,962,000 and HK\$8,019,000, respectively, are denominated at USD. RMB and USD are the currencies other than the functional currencies of the respective group entities.

Since the exchange rate of HK\$ is pegged with USD, the Group does not expect any significant movements in the USD/HK\$ exchange rates. Thus, there is no sensitivity analysis on USD denominated financial assets.

Sensitivity analysis of strengthening 10% in functional currency of the Company (i.e. HK\$) against RMB resulted a decrease in post-tax profit of HK\$859,000, HK\$862,000 and HK\$862,000 during the year ended 30 June 2014, 2015 and the three months ended 30 September 2015, respectively. For a 10% weakening of HK\$ against RMB there would be an equal and opposite impact on the results.

Interest rate risk

The Group's cash flow interest rate risk primarily relates to the pledged bank balances payment for a life insurance policy and bank balances (note 19) as well as floating-rate bank borrowings (note 22) as at 30 June 2014, 2015 and 30 September 2015.

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's pledged bank balances and bank borrowings or other market interest rate from payment for a life insurance policy.

Sensitivity analysis

In the opinion of management of the Group, the change in interest rate will not have significant impact on the interest income or expenses on payment for a life insurance policy, pledged bank balances, bank balances and bank borrowings, hence sensitivity analysis is not presented.

Credit risk

The Group's credit risk is primarily attributable to trade receivables, payment for a life insurance policy, amount due from a related company, pledged bank balances and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position at the end of the reporting period.

Management adopted a policy on providing credit facilities to new customers. A credit investigation, including assess to financial information, advice from business partners in relation to potential customers and credit search, would be performed before providing credit facilities to new customers. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis.

The Group has concentration of credit risks with exposure limited to certain customers. Top three customers amounting to HK\$49,955,000, HK\$39,918,000 and HK\$37,011,000, respectively, comprised approximately 87%, 57% and 71% of the Group's trade receivables as at 30 June 2014, 2015 and 30 September 2015. The directors closely monitor the subsequent settlement of the customers. In this regard, the directors consider that the Group's credit risk is significantly reduced.

As at 30 June 2014 and 2015, the Group has concentration of credit risk in respect of amount due from a related company. The Group's related company represented an entity significantly influenced by Mr. Kwok. In order to minimise the credit risk on amount due from a related company, the Group's management continuously monitors the credit quality and financial conditions of the related company and the level of exposure to ensure that follow-up action is taken to recover overdue debts. Under such circumstances, the Group's management considers that the Group's credit risk is not material.

The credit risk for pledged bank balances, payment for a life insurance policy, and bank balances is considered as not material as such amounts are placed in banks with good reputations.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 30 June 2014					
Non-derivative financial liabilities					
Trade payables	N/A	—	11,946	11,946	11,946
Other payables and accrued charges	N/A	—	49,628	49,628	49,628
Bank borrowings	1.9–2.2	7,200	—	7,200	7,200
Amount due to a director	N/A	570	—	570	570
Financial guarantee contract	N/A	45,000	—	45,000	2,479
		<u>52,770</u>	<u>61,574</u>	<u>114,344</u>	<u>71,823</u>
	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 30 June 2015					
Non-derivative financial liabilities					
Trade payables	N/A	—	17,924	17,924	17,924
Other payables and accrued charges	N/A	—	61,184	61,184	61,184
Bank borrowings	2.2	5,000	—	5,000	5,000
Amount due to a director	N/A	570	—	570	570
Financial guarantee contract	N/A	45,000	—	45,000	60
		<u>50,570</u>	<u>79,108</u>	<u>129,678</u>	<u>84,738</u>
	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 30 September 2015					
Non-derivative financial liabilities					
Trade payables	N/A	—	12,559	12,559	12,559
Other payables and accrued charges	N/A	—	64,065	64,065	64,065
Bank borrowings	2.2	5,000	—	5,000	5,000
Amount due to a director	N/A	570	—	570	570
Financial guarantee contract	N/A	45,000	—	45,000	1,927
		<u>50,570</u>	<u>76,624</u>	<u>127,194</u>	<u>84,121</u>

The amount included above for variable interest instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The amounts included above for financial guarantee contract are the maximum amounts the Group could be required to settle under the arrangement for the guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of each reporting period, management considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantees which is a function of the likelihood that the financial receivables held by the counterparty which guaranteed suffer credit losses. Details of the financial guarantees are set out in note 29.

Bank borrowings with a repayment on demand clause are included in the "Repayable on demand" time band in the above maturity analysis. As at 30 June 2014, the aggregate carrying amount of these bank loans amounted to HK\$2,200,000. Such bank borrowings of the Group were repaid in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, management reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements as set out in the table below:

	Weighted Average effective interest rate %	Within 3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Bank borrowings:					
As at 30 June 2014	2.2	812	1,409	2,221	2,200

The Company's amount due to a subsidiary amounting HK\$3,287,000 as at 30 September 2015 is repayable on demand.

Fair value of financial instruments

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

7. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the fair value of amounts received and receivable from the construction services provided by the Group to external customers. The Group's operations is solely derived from construction services in Hong Kong during the Relevant Periods. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive of the Group) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 3. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's plant and equipment amounting to HK\$315,000, HK\$140,000 and HK\$122,000 as at 30 June 2014, 2015 and 30 September 2015 respectively are all located in Hong Kong by physical location of assets.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the Relevant Periods is as follows:

	Year ended 30 June		Three months ended 30 September	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Customer A	108,213	202,413	67,559	N/A*
Customer B	73,117	N/A*	N/A*	N/A*
Customer C	N/A*	122,267	14,089	32,428
Customer D	N/A*	81,991	N/A*	26,320
Customer E	N/A*	N/A*	N/A*	12,732
Customer F	N/A [#]	N/A*	N/A [#]	13,408
Customer G	N/A*	N/A*	14,561	N/A [#]
Customer H	N/A [#]	N/A*	N/A*	16,673

* Less than 10% of the Group's total revenue

[#] No revenue attributed from the customers

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS**(a) Directors' and chief executive's emoluments**

Mr. Kwok was appointed as director of the Company on 22 September 2015 and Mr. Chan Siu Kay Francis ("Mr. Chan") was appointed as director of the Company on 21 December 2015. The emoluments paid or payable to the directors and chief-executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the Relevant Periods as follows:

	Mr. Kwok HK\$'000 (Note i)	Mr. Chan HK\$'000	Total HK\$'000
Year ended 30 June 2014			
Other emoluments			
Salaries and other benefits	1,470	708	2,178
Bonus (Note ii)	—	316	316
Retirement benefit scheme contributions	16	15	31
Total emoluments	1,486	1,039	2,525
Year ended 30 June 2015			
Other emoluments			
Salaries and other benefits	1,800	840	2,640
Bonus (Note ii)	—	370	370
Retirement benefit scheme contributions	18	18	36
Total emoluments	1,818	1,228	3,046

	Mr. Kwok HK\$'000 (Note i)	Mr. Chan HK\$'000	Total HK\$'000
Three months ended 30 September 2014 (unaudited)			
Other emoluments			
Salaries and other benefits	450	210	660
Bonus (Note ii)	—	93	93
Retirement benefit scheme contributions	5	4	9
	<u>455</u>	<u>307</u>	<u>762</u>
Total emoluments	<u>455</u>	<u>307</u>	<u>762</u>
	Mr. Kwok HK\$'000 (Note i)	Mr. Chan HK\$'000	Total HK\$'000
Three months ended 30 September 2015			
Other emoluments			
Salaries and other benefits	510	210	720
Bonus (Note ii)	—	77	77
Retirement benefit scheme contributions	5	4	9
	<u>515</u>	<u>291</u>	<u>806</u>
Total emoluments	<u>515</u>	<u>291</u>	<u>806</u>

Notes:

- (i) Mr. Kwok acts as chief executive of the Group.
- (ii) The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

During the Relevant Periods, no remuneration was paid by the Group to the director of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. Each of the directors has not waived any remuneration during the Relevant Periods.

(b) Employees' emoluments

The five highest paid individuals included Mr. Kwok and Mr. Chan whose emoluments are included in the disclosures in (a) above for both of the years ended 30 June 2014 and 30 June 2015 and the three months ended 30 September 2014 and 30 September 2015. The emoluments of the remaining three individuals for the year ended 30 June 2014 and 2015 and the three months ended 30 September 2014 and 30 September 2015, respectively were as follows:

	Year ended 30 June		Three months ended 30 September	
	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Salaries and other benefits	2,348	2,712	678	678
Bonus	295	329	82	62
Retirement benefit scheme contributions	46	54	14	14
	<u>2,689</u>	<u>3,095</u>	<u>774</u>	<u>754</u>

Their emoluments were within the following bands:

	Year ended 30 June		Three months ended 30 September	
	2014	2015	2014	2015
	<i>Number of employees</i>	<i>Number of employees</i>	<i>Number of employees</i> (unaudited)	<i>Number of employees</i>
Nil to HK\$1,000,000	2	2	3	3
HK\$1,000,001 to HK\$1,500,000	<u>1</u>	<u>1</u>	<u>—</u>	<u>—</u>

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FINANCE COSTS

	Year ended 30 June		Three months ended 30 September	
	2014	2015	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i>
The finance costs represent interest on:				
— bank borrowings wholly repayable within five years	<u>153</u>	<u>132</u>	<u>37</u>	<u>28</u>

10. PROFIT BEFORE TAXATION

	Year ended 30 June		Three months ended 30 September	
	2014	2015	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):				
Auditor's remuneration	91	200	50	50
Depreciation of plant and equipment	301	175	44	18
Directors' remuneration (<i>note 8</i>)	<u>2,525</u>	<u>3,046</u>	<u>762</u>	<u>806</u>
Other staff costs				
Salaries and other benefits	24,358	27,077	7,064	6,354
Retirement benefits scheme contributions	<u>854</u>	<u>976</u>	<u>172</u>	<u>214</u>
Total staff costs	27,737	31,099	7,998	7,374
Lease payments under operating leases in respect of land and buildings	1,438	1,667	401	522
Listing expenses (included in other expenses)	—	—	—	1,105
Bank interest income (included in other income)	(108)	(31)	—	—
Interest income from deposits in life insurance policy (included in other income)	(225)	(302)	(77)	(77)
Financial guarantee income (included in other income)	(112)	(2,419)	(608)	(724)
Rental income (included in other income)	<u>(606)</u>	<u>(432)</u>	<u>(65)</u>	<u>(32)</u>

11. INCOME TAX EXPENSE

	Year ended 30 June		Three months ended 30 September	
	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Hong Kong Profits Tax:				
Current tax	<u>2,388</u>	<u>3,434</u>	<u>741</u>	<u>747</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Periods.

The tax charge for the Relevant Periods can be reconciled to the profit before taxation as follows:

	Year ended 30 June		Three months ended 30 September	
	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Profit before taxation	<u>14,932</u>	<u>21,903</u>	<u>5,094</u>	<u>4,426</u>
Tax at the domestic income tax rate	2,464	3,614	841	730
Tax effect of income not taxable for tax purpose	(74)	(458)	(113)	(133)
Tax effect of expenses not deductible for tax purpose	—	—	—	182
Others	<u>(2)</u>	<u>278</u>	<u>13</u>	<u>(32)</u>
Tax charge for the year/period	<u>2,388</u>	<u>3,434</u>	<u>741</u>	<u>747</u>

The following are the major deferred tax assets recognised:

	Accelerated accounting depreciation HK\$'000
At 1 July 2013, 30 June 2014, 30 June 2015 and 30 September 2015	<u>112</u>

12. DIVIDEND

During the years ended 30 June 2014 and 2015, WM Construction declared and paid dividends of HK\$2,000,000 and HK\$2,000,000 and WM Foundation declared and paid dividends of nil and HK\$1,000,000 to Mr. Kwok, respectively.

The rate of dividends and number of shares ranking for the above dividends are not presented as such information is not meaningful having regard to the purpose of this report.

13. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation of the Group and the result of the Group for the Relevant Periods that is prepared on a combined basis as set out in note 1.

14. PLANT AND EQUIPMENT

	Leasehold Improvements <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1 July 2013	1,046	1,401	278	2,063	4,788
Additions	—	—	—	280	280
Written-off	—	—	—	(116)	(116)
At 30 June 2014, 30 June 2015 and 30 September 2015	1,046	1,401	278	2,227	4,952
DEPRECIATION					
At 1 July 2013	1,046	1,385	278	1,743	4,452
Provided for the year	—	16	—	285	301
Eliminated on written-off	—	—	—	(116)	(116)
At 30 June 2014	1,046	1,401	278	1,912	4,637
Provided for the year	—	—	—	175	175
At 30 June 2015	1,046	1,401	278	2,087	4,812
Provided for the period	—	—	—	18	18
At 30 September 2015	1,046	1,401	278	2,105	4,830
CARRYING AMOUNTS					
At 30 June 2014	—	—	—	315	315
At 30 June 2015	—	—	—	140	140
At 30 September 2015	—	—	—	122	122

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over shorter of lease terms or useful lives of 4 years
Office equipment	4 years
Furniture and fixtures	4 years
Motor vehicles	4 years

15. TRADE RECEIVABLES

The Group grants credit terms of 30–60 days to its customers from the date of invoices on progress payments of contract works. An aged analysis of the trade receivables presented based on the invoice date at the end of the reporting period.

	As at 30 June		As at 30 September
	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000
0–30 days	39,199	31,564	45,669
31–60 days	7,948	11,088	—
61–90 days	9,913	15,056	—
91–180 days	183	7,473	3,198
Over 180 days	—	4,285	3,181
	<u>57,243</u>	<u>69,466</u>	<u>52,048</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Approximately 80%, 60% and 90% of trade receivables as at 30 June 2014, 30 June 2015 and 30 September 2015, respectively, that are neither past due nor impaired have good credit quality. These customers have no default of payment in the past.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectibility and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each client.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK\$10,096,000, HK\$26,814,000 and HK\$6,379,000 which are past due at 30 June 2014, 30 June 2015 and 30 September 2015, respectively, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 76 days, 114 days and 172 days as at 30 June 2014, 30 June 2015 and 30 September 2015, respectively.

Ageing analysis of trade receivables which are past due but not impaired

	As at 30 June		As at 30 September
	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000
61–90 days	9,913	15,056	—
91–180 days	183	7,473	3,198
Over 180 days	—	4,285	3,181
Total	<u>10,096</u>	<u>26,814</u>	<u>6,379</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of each reporting period. The trade receivables past due but not provided for as at the end of each reporting period were either subsequently settled or no historical default of payments was noted by the respective customers and the directors believe that no impairment provision required.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group

	As at 30 June		As at
	2014	2015	30 September
	HK\$'000	HK\$'000	2015
			HK\$'000
Deposits	1,067	1,080	1,102
Payment for a life insurance policy (<i>Note</i>)	7,780	7,962	8,019
Other receivables	—	250	250
Prepayments and others	1,468	1,468	3,650
Total	<u>10,315</u>	<u>10,760</u>	<u>13,021</u>
Presented as non-current assets	8,248	8,430	8,487
Presented as current assets	<u>2,067</u>	<u>2,330</u>	<u>4,534</u>
Total	<u>10,315</u>	<u>10,760</u>	<u>13,021</u>

Note: During the year ended 30 June 2014, the Group has entered into one life insurance policy with an insurance company to insure a director of the Company. Under this policy, the Group is the beneficiary and policy holder and the total insured sum is USD2,000,000. The Group is required to pay a single premium of USD1,049,379 (equivalent to approximately HK\$8,139,000) to the insurance company at inception. The Group can, at any time, withdraw cash based on the account value of the policy ("Account Value") at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus any charges made in accordance with the terms and conditions of the policy. If withdrawal is made between the 1st to 18th policy year, there is a specified amount of surrender charge deducted from Account Value. The insurance company will pay the Group a guaranteed interest rate of 4% per annum for the first year and a variable return per annum afterwards (with guaranteed minimum interest rate of 2%) during the effective period of the policy.

At the inception date, the gross premium paid by the Group included a fixed policy premium charge and a deposit. Monthly policy expense and insurance charges will be incurred over the insurance period with reference to the terms set out in the life insurance policy. The policy premium, expense and insurance charges are recognised in profit or loss over the expected life of the policy and the deposit placed is carried at amortised cost using the effective interest method.

As represented by the directors of the Company, the Group will not terminate the policy nor withdraw cash prior to the end of 18th policy year and the expected life of the policy remained unchanged since its initial recognition. The balance of the deposit of life insurance policy is denominated in USD, being a currency other than the functional currency of the relevant group entity.

The Company

	As at
	30 September
	2015
	HK\$'000
Prepayments and others	<u>2,182</u>

17. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	As at 30 June		As at
	2014	2015	30 September
	HK\$'000	HK\$'000	2015
			HK\$'000
Contracts in progress at the end of the reporting period:			
Contract costs incurred plus recognised profits less			
recognised loss	742,953	1,176,425	1,219,877
Less: Progress billings	(688,505)	(1,117,107)	(1,159,158)
Total	<u>54,448</u>	<u>59,318</u>	<u>60,719</u>
Analysed as:			
Amounts due from customers for contract work	65,632	73,103	76,055
Amounts due to customers for contract work	(11,184)	(13,785)	(15,336)
	<u>54,448</u>	<u>59,318</u>	<u>60,719</u>

Unbilled retention receivables of HK\$23,614,000, HK\$40,775,000 and HK\$43,306,000 are included in the above contracts in progress as at 30 June 2014, 30 June 2015 and 30 September 2015, respectively. Retention monies withheld by customers of contract works are released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

18. AMOUNT DUE FROM A RELATED COMPANY/AMOUNT DUE FROM/TO A DIRECTOR

Amount due from a related company

Amount is unsecured and interest-free and is repayable on demand.

Details of amount due from a related company, which is trade nature and aged within 30 days, are as follows:

Name	As at 30 June		As at 30 September 2015	Maximum amount outstanding during the year ended 30 June		Maximum amount outstanding during the three months ended 30 September 2015
	2014	2015		2014	2015	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Good Rise Engineering Limited ("Good Rise") (Note)	<u>400</u>	<u>500</u>	<u>—</u>	<u>400</u>	<u>2,200</u>	<u>500</u>

Note: Mr. Kwok had 40% equity interest in Good Rise. On 17 November 2015, Mr. Kwok disposed of all his interests in Good Rise to an independent third party.

Amount due from a director

Details of amount due from a director, which is non-trade nature, are as follows:

Name	As at 30 June		30 September	Maximum amount outstanding during the year ended 30 June		Maximum amount outstanding during the three months ended 30 September	
	2014	2015		2015	2014		2015
	HK\$'000	HK\$'000		HK\$'000	HK\$'000		HK\$'000
Mr. Kwok	499	602	602	499	1,053	602	

Amount due to a director

Details of amount due to a director, which are non-trade nature, are as follows:

Name	As at 30 June		As at
	2014	2015	30 September
	HK\$'000	HK\$'000	2015
	HK\$'000	HK\$'000	HK\$'000
Mr. Kwok	570	570	570

19. PLEDGED BANK BALANCES/BANK BALANCES AND CASH

As at 30 June 2014, 30 June 2015 and 30 September 2015, pledged bank balances represents balances pledged to banks to secure the banking facility (including the bank borrowings and performance guarantee) granted to the Group, and carried with prevailing market interest rate ranging from 0.01% to 1.15% per annum.

Bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less and carrying interest at prevailing market rate from 0.01% to 1.15% per annum.

20. TRADE PAYABLES

The credit period on subcontracting of contract work services is 30 to 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 30 June		As at 30 September
	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000
Trade payables:			
0–30 days	9,923	13,335	8,451
31–60 days	1,923	3,947	3,466
Over 60 days	<u>100</u>	<u>642</u>	<u>642</u>
	<u>11,946</u>	<u>17,924</u>	<u>12,559</u>

21. OTHER PAYABLES AND ACCRUED CHARGES

	As at 30 June		As at
	2014	2015	30 September
	HK\$'000	HK\$'000	2015
			HK\$'000
Accrued charges for construction	24,324	26,284	22,939
Other accrued charges	1,502	2,185	4,445
Retention payables (<i>note</i>)	<u>23,802</u>	<u>32,715</u>	<u>36,681</u>
	<u>49,628</u>	<u>61,184</u>	<u>64,065</u>

Note: Retention monies from sub-contractors of contract works are released by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

22. BANK BORROWINGS

	As at 30 June		As at
	2014	2015	30 September
	HK\$'000	HK\$'000	2015
			HK\$'000
Bank borrowings contain a repayment on demand clause and mature within one year	2,200	—	—
Revolving bank borrowings — repayable on demand	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
	<u>7,200</u>	<u>5,000</u>	<u>5,000</u>

The bank borrowings of HK\$2,200,000 as at 30 June 2014 are at floating rate which carry interest in one-month HIBOR plus 1.75% per annum. This bank borrowing is guaranteed by the Government of the Hong Kong Special Administrative Region under the SME Loan Guarantee Scheme and personal guarantee by Mr. Kwok.

Revolving bank borrowings of HK\$5,000,000, HK\$5,000,000 and HK\$5,000,000 as at 30 June 2014, 30 June 2015 and 30 September 2015, respectively, are carried at one-month HIBOR plus 2.0% per annum.

The banking facilities including revolving bank borrowings and performance guarantee were secured by:

- (i) The pledged bank balances of HK\$14,633,000, HK\$14,414,000 and HK\$24,667,000 as at 30 June 2014, 30 June 2015 and 30 September 2015, respectively;
- (ii) a deposit of a life insurance policy as disclosed in note 16;
- (iii) five properties owned by a related company, which is controlled by Mr. Kwok;
- (iv) project proceeds from certain construction contracts of the Group; and
- (v) unlimited personal guarantee by Mr. Kwok.

As represented by the directors of the Company, the pledge of properties by a related company and personal guarantee by Mr. Kwok will be released upon the listing of the Company's shares on the Stock Exchange.

23. PROVISIONS

	Long service payments and annual leave <i>HK\$'000</i>
At 1 July 2013	1,283
Provided for the year	<u>135</u>
At 30 June 2014	1,418
Provided for the year	<u>235</u>
At 30 June 2015	1,653
Provided for the period	<u>81</u>
At 30 September 2015	<u><u>1,734</u></u>

The Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance. The provision represents management's best estimate of probable future payments which have been earned by the employees from their services to the group entities up to the end of each reporting period.

24. ISSUED SHARE CAPITAL**The Group**

The issued share capital as at 1 July 2013, 30 June 2014, 30 June 2015 and represented the combined share capital of WM Construction, WM Engineering and WM Foundation. The issued share capital as at 30 September 2015 represented the combined share capital of the Company, Focus Achieve, Focus Wealth and Well Joint.

The Company

On 22 September 2015, the Company was incorporated in the Cayman Islands with limited liability. The initial authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. Upon its incorporation, one share was allotted and issued to Best Brain.

25. OPERATING LEASE COMMITMENTS**The Group as lessee**

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases with independent third party, which fall due as follows:

	As at 30 June	As at
	2014	30 September
	<i>HK\$'000</i>	<i>2015</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,541	1,481
In the second to fifth year inclusive	<u>1,485</u>	<u>126</u>
	<u><u>3,026</u></u>	<u><u>1,607</u></u>

The above operating lease payments represent rental payable by the Group for office premises for the Relevant Periods.

Leases and rentals are negotiated and fixed for a term of two years. The lease agreement entered into between the landlord and the Group includes a renewal option for a further 2 years from the end of this lease without a predetermined rental. Accordingly, this is not included in the above commitment.

26. PLEDGE OF ASSETS

As at 30 June 2014, 30 June 2015 and 30 September 2015, the Group has pledged the life insurance policy and certain bank balances, details of which are disclosed in notes 16 and 19 respectively, to secure the bank borrowings and banking facilities granted to the Group. Also, the performance bonds granted by the banks were secured by the project proceeds from certain construction contracts of the Group.

27. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, the Group had the following transactions with its related parties during the Relevant Periods:

	Year ended 30 June		Three months ended 30 September	
	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Rental income from Good Rise	<u>120</u>	<u>121</u>	<u>30</u>	<u>32</u>
Subcontracting fee paid to Good Rise	<u>12,459</u>	<u>7,524</u>	<u>3,690</u>	<u>26</u>

Details of the balances with a director and a related company at the end of each reporting period are disclosed in the combined statements of financial position and note 18.

During the Relevant Periods, the Group provided corporate guarantee to a bank for general banking facilities granted to a related company. Details are disclosed in note 29.

Compensation of key management personnel

The remuneration of directors and other members of key management during the years ended 30 June 2014 and 30 June 2015 and the three months ended 30 September 2014 and 30 September 2015 were as follows:

	Year ended 30 June		Three months ended 30 September	
	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Short-term benefits	2,494	3,010	753	797
Post-employment benefits	<u>31</u>	<u>36</u>	<u>9</u>	<u>9</u>
	<u>2,525</u>	<u>3,046</u>	<u>762</u>	<u>806</u>

28. RETIREMENT BENEFITS SCHEMES

The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. Effective from 1 June 2014, the cap of contribution amount has been changed from HK\$1,250 to HK\$1,500 per employee per month.

The retirement benefits schemes contributions arising from the MPF Scheme charged to the combined statements of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in note 10.

29. FINANCIAL GUARANTEE AND CONTINGENT LIABILITIES

	As at 30 June		As at
	2014	2015	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial guarantee liability recognised in combined statements of financial positions	<u>2,479</u>	<u>60</u>	<u>1,927</u>

On 13 June 2014 and renewed on 9 July 2015, WM Construction has provided corporate guarantee to Sino Image for a banking facilities of HK\$50,000,000 which is also under the personal guarantee from Mr. Kwok. The banking facilities are available to WM Construction and Sino Image and any one of these entities can draw the facilities in full at any time. The fair values of the financial guarantee as at 13 June 2014 were arrived at on the basis of valuation carried out on that date by Norton Appraisals Limited ("Norton"), independent qualified professional valuer not connected with the Group. The address of Norton is Room 2401–2402, 24/F, Jubilee Centre, 46 Gloucester Road, Wanchai, Hong Kong. The initial fair values of this financial guarantee as at 13 June 2014 and 9 July 2015 were HK\$2,591,000 and HK\$2,591,000, respectively, and was recognised as financial liability with the equivalent amount charged to equity as capital contribution reserve at the grant date, respectively. During the Relevant Periods and up to the date of this report, Sino Image did not utilise the banking facilities. As no consideration in respect of the financial guarantee contract has been received or recharged to Sino Image by the Group, constituting transactions with Mr. Kwok in his capacity as owner of WM Construction, which therefore accounted for as deemed contribution to the owners of the Company. In the opinion of the directors of the Company, the corporate guarantee by WM Construction will be released upon the listing of the Company's Shares of the Stock Exchange. On 23 October 2015, the corporate guarantee provided by WM Construction to Sino Image was early released by the bank before maturity of the bank facilities. The remaining carrying amount of HK\$1,754,000 is credited to equity upon the release of guarantee.

As at 30 June 2014, 30 June 2015 and 30 September 2015, performance guarantee of approximately HK\$20,193,000, HK\$20,052,000 and HK\$28,989,000 respectively were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fail to provide satisfactory performance to their customers to whom performance guarantee have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance guarantee will be released upon completion of the contract works. The performance guarantees were granted under the banking facilities with details as set out in note 22.

At the end of each reporting period, the directors of the Company do not consider it is probable that a claim will be made against the Group.

30. AMOUNT DUE TO A SUBSIDIARY

The amount is unsecured, interest-free and repayable on demand.

31. RESERVE OF THE COMPANY

	<i>HK\$'000</i>
At 22 September 2015 (date of incorporation)	—
Loss and total comprehensive expense for the period	<u>(1,105)</u>
At 30 September 2015	<u>(1,105)</u>

(B) SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Financial Information, subsequent events of the Group and detailed as below:

- (i) On 8 October 2015, WM Construction declared and paid dividends of HK\$5,000,000 to its shareholder by cash.
- (ii) On 19 February 2016, the Company declared and paid dividends of HK\$2,000,000 to its shareholder by cash.

(C) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company, any of its subsidiaries or the Group have been prepared in respect of any period subsequent to 30 September 2015.

Yours faithfully,

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for the two years ended 30 June 2015 and three months ended 30 September 2015 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants (the "Accountants' Report"), as set out in Appendix I to this prospectus, 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 prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Placing on the audited combined net tangible assets of the Group as if the Placing had taken place on 30 September 2015.

The statement of unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 30 September 2015 or any future date following the Placing.

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group is based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 30 September 2015 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 September 2015 HK\$'000 (Note 1)	Estimated net proceeds from the Placing HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company HK\$'000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share HK\$ (Note 3)
Based on Placing Price of HK\$0.25 per Share	<u>101,961</u>	<u>28,231</u>	<u>130,192</u>	<u>0.163</u>
Based on Placing Price of HK\$0.33 per Share	<u>101,961</u>	<u>40,775</u>	<u>142,736</u>	<u>0.178</u>

Notes:

- (1) The audited combined net tangible assets of the Group attributable to the owners of the Company is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the issue of the New Shares pursuant to the Placing are based on 160,000,000 New Shares at the Placing Price of lower limit and upper limit of HK\$0.25 and HK\$0.33 per New Share, respectively, after deduction of the underwriting commissions and fees and other related expenses, other than those expenses which had been recognised in profit or loss prior to 30 September 2015.

The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of Offer Size Adjustment Option, the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the paragraph headed "Share Capital — General Mandate to Issue Shares" in this prospectus or the paragraph headed "Share Capital — General Mandate to Repurchase Shares" in this prospectus.

- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share is calculated based on 800,000,000 Shares in issue immediately following the completion of the Placing and the Capitalisation Issue. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of Offer Size Adjustment Option, the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the paragraph headed "Share Capital — General Mandate to Issue Shares" in this prospectus or the paragraph headed "Share Capital — General Mandate to Repurchase Shares" in this prospectus.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2015.

The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share does not take into account of dividends of HK\$5,000,000 declared on 8 October 2015 and HK\$2,000,000 declared on 19 February 2016. Assuming that the dividends of HK\$5,000,000 declared on 8 October 2015 and HK\$2,000,000 declared on 19 February 2016 had been taken into account, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share would have been HK\$0.154 and HK\$0.170 at the Placing Price of HK\$0.25 and HK\$0.33, respectively, which is calculated based on 800,000,000 Shares in issue immediately following the completion of Placing and Capitalisation Issue.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.



**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

TO THE DIRECTORS OF SUPER STRONG HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Super Strong Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 30 September 2015 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 17 March 2016 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed placing of the shares of the Company (the "Placing") on the Group's financial position as at 30 September 2015 as if the Placing had taken place at 30 September 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the two years ended 30 June 2015 and three months ended 30 September 2015, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information of the Group has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 March 2016

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on 9 March 2016 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the paragraph headed “B. Documents Available for Inspection”.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on 9 March 2016 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is HK\$20,000,000 divided into 2,000,000,000 shares of HK\$0.01 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment 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 first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) 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 any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates 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.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or 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 (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied 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 meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths 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 specifying the intention to propose the

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association 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 held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by 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 proxy(ies) or representative(s) at any general meeting of the Company or at any general 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 entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and 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 of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company 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 Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall 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 of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, 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 Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

2.18 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, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company 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 of the Company 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 in a winding up 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 amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any 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 of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 September 2015 under the Companies Law. As such, its 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 size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

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 premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia 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 a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (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) in 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;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any 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, 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.

Subject to the detailed provisions of the Companies Law, 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. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors 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 member of the company holding 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.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company 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 to act 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.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of 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 (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class 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 where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands 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 Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands 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.

Claims against a company by its shareholders must, as a general rule, 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.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) 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.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. 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.

10 Inspection of Books and Records

Members of a company will 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 of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand 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 and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand 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.

16 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 Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 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.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

- (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking is for a period of twenty years from 13 October 2015.

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 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 not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising 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 "B. Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**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 22 September 2015. It has been registered as a non-Hong Kong company under Part 16 of the Cap. 622 Companies Ordinance on 23 December 2015. Our principal place of business in Hong Kong is at Unit D, 3/F., Freder Centre, 3 Mok Cheong Street, Tokwawan, Kowloon, Hong Kong. Mr. Kwok has been appointed as the authorised representative of our Company for the acceptance of service of processes and notices in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its registered place of business in Hong Kong.

Since our Company is incorporated in the Cayman Islands, it is subject to the relevant laws of the Cayman Islands, the Memorandum and the Articles. A summary of the relevant aspects of the laws of the Cayman Islands and relevant provisions of the Articles is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company*Share Capital before the Placing and the Capitalisation Issue*

As at the date of incorporation of our Company, its authorised share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Following its incorporation, 1 Share was allotted and issued, credited as fully paid at par, to Best Brain Investments Limited. On 17 December 2015, 399 additional Shares were allotted and issued to Best Brain Investments Limited at a consideration of HK\$10 million. On 18 December 2015, Best Brain Investments Limited swapped 100 Shares with the Pre-IPO Investor for 2,500 shares of Best Brain Investments Limited held by the Pre-IPO Investor. On 9 March 2016, 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\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by the creation of an additional 1,962,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects.

Share Capital after the Placing and the Capitalisation Issue

Immediately following completion of the Placing and the Capitalisation Issue, taking no account of any Share which may be issued pursuant to the exercise of the options granted under the Share Option Scheme, the issued share capital of our Company shall be HK\$8,000,000 divided into 800,000,000 Shares of par value HK\$0.01, fully paid or credited as fully paid, and 1,200,000,000 Shares shall remain unissued. Save as disclosed in this prospectus, we have no 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 Shares shall be issued which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in our Company's share capital since our Company's incorporation.

3. Written resolutions of our then Shareholders passed on 9 March 2016

By written resolutions of our then Shareholders passed on 9 March 2016:

- (a) our Company approved and adopted the Memorandum and the Articles to be effective upon the Listing Date, the terms of which are summarised in Appendix III to this prospectus;
- (b) our Company approved an increase of the authorised share capital of our Company from HK\$380,000 divided into 38,000,000 Shares to HK\$20,000,000 divided into 2,000,000,000 Shares by creation of an additional 1,962,000,000 Shares;
- (c) conditional on the Listing Committee granting the listing of, and permission to deal in, Shares in issue, and Shares to be issued, as mentioned in this prospectus, including any Shares which may fall to be allotted and issued pursuant to the exercise of the options granted under the Share Option Scheme, and on the obligations of the Underwriter under the Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)), and not being terminated in accordance with the terms of the Underwriting Agreement, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Placing was approved and our Directors were authorised to allot and issue the Placing Shares pursuant to the Placing to rank pari passu with the then existing issued Shares in all respects;
 - (ii) the rules of the Share Option Scheme were approved and adopted, and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder, to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme, and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme; and
 - (iii) conditional on the share premium account of our Company being credited as a result of the Placing, our Directors were authorised to capitalise an amount of HK\$6,399,996 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 639,999,600 Shares for allotment and issue to the persons whose names appear on the principal register of members of our Company at the close of business on 9 March 2016 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking pari passu in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distribution;
- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of: (a) rights issue; or (b) any scrip dividend schemes (or similar arrangements in accordance with the Articles); or (c) under the Placing or the Capitalisation Issue; or (d) rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme, Shares with an

aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
 - (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; and
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange such number of Shares as shall represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue but without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law, or any other applicable laws of the Cayman Islands, to be held; and
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted and issued, or agreed conditionally or unconditionally to be allotted and issued, by our Directors pursuant to such general mandate, of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue but without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the options which may be granted under the Share Option Scheme; and

4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing. For information relating to the Reorganisation, please refer to the paragraph headed "History, Development and Reorganisation — Reorganisation" in this prospectus for more details.

5. Changes in share capital of our subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Development and Reorganisation" in this prospectus, no other alteration in the share capital of any of the subsidiaries of our Company took place within the two years immediately preceding the date of this prospectus.

6. Repurchase of Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of Shares by our Company.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, a summary of which is set out below:

(i) Shareholders' approval

The GEM Listing Rules provide that all proposed repurchases of shares, which shall be fully paid up in the case of shares, by a company with a primary listing on GEM shall be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions of our then Shareholders passed on 9 March 2016, a general unconditional mandate ("Repurchase Mandate") was given to our Directors authorising them to exercise all powers of our Company to repurchase on GEM such number of Shares as shall represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of 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, and the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Repurchases shall be funded out of funds legally available for the purpose in accordance with a company's constitutive documents and the laws of the jurisdiction in which the company is incorporated or otherwise established. A listed company may not purchase its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. In our Company's case, under the Cayman Islands laws, any repurchases by our Company may be made out of profits or share premium of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased shall be provided for out of profits or the share premium account of our Company or, subject to the Companies Law, out of capital.

(iii) Connected parties

The GEM Listing Rules prohibit a listed company from knowingly repurchasing its shares on GEM from a "core connected person" (as defined in the GEM Listing Rules), which includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them, and a core connected person shall not knowingly sell shares to the company on GEM.

(b) Exercise of the Repurchase Mandate

On the basis of 800,000,000 Shares in issue immediately after completion of the Placing and the Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), our Directors would be authorised under the Repurchase Mandate to repurchase up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate shall be fully paid up.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share, and shall only be made when our Directors believe that such repurchases shall benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing our Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules) of any Director, has any present intention to sell any Shares to our Company or any of our subsidiaries if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they shall exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable law and regulations from time to in force in the Cayman Islands.

Our Directors shall 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).

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 shall be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder, or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company, and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of our Shares pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase our Shares pursuant to the Repurchase Mandate.

No core connected person (as defined in the GEM Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of material contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of our Group within the two years preceding the date of this prospectus and are, or may be, material to the business of our Group taken as a whole:

- (a) an instrument of transfer dated 28 July 2015 entered into between Mr. Kwok and Focus Wealth Investments Limited for the transfer of 50,000 ordinary shares of WM Construction from Mr. Kwok to Focus Wealth Investments Limited, representing 100% of the then total issued share capital of WM Construction, at a consideration of HK\$1;
- (b) bought and sold notes dated 28 July 2015 entered into between Mr. Kwok and Focus Wealth Investments Limited for the transfer of 50,000 ordinary shares of WM Construction from Mr. Kwok to Focus Wealth Investments Limited, representing 100% of the then total issued share capital of WM Construction, at a consideration of HK\$1;
- (c) an instrument of transfer dated 28 July 2015 entered into between Mr. Kwok and Focus Achieve Limited for the transfer of 1 ordinary share of WM Foundation from Mr. Kwok to Focus Achieve Limited, representing 100% of the then total issued share capital of WM Foundation, at a consideration of HK\$1;
- (d) bought and sold notes dated 28 July 2015 entered into between Mr. Kwok and Focus Achieve Limited for the transfer of 1 ordinary share of WM Foundation from Mr. Kwok to Focus Achieve Limited, representing 100% of the then total issued share capital of WM Foundation, at a consideration of HK\$1;
- (e) an instrument of transfer dated 28 July 2015 entered into between Mr. Kwok and Well Joint Limited for the transfer of 10 ordinary shares of WM Engineering from Mr. Kwok to Well Joint Limited, representing 100% of the then total issued share capital of WM Engineering, at a consideration of HK\$1;
- (f) bought and sold notes dated 28 July 2015 entered into between Mr. Kwok and Well Joint Limited for the transfer of 10 ordinary shares of WM Engineering from Mr. Kwok to Well Joint Limited, representing 100% of the then total issued share capital of WM Engineering, at a consideration of HK\$1;
- (g) an instrument of transfer dated 14 December 2015 entered into between Best Brain Investments Limited and our Company for the transfer of 100 ordinary shares of Focus Wealth Investments Limited from Best Brain Investments Limited to our Company, representing 100% of the then total issued share capital of Focus Wealth Investments Limited, at a consideration of US\$100;

- (h) an instrument of transfer dated 14 December 2015 entered into between Best Brain Investments Limited and our Company for the transfer of 100 ordinary shares of Focus Achieve Limited from Best Brain Investments Limited to our Company, representing 100% of the then total issued share capital of Focus Achieve Limited, at a consideration of US\$100;
- (i) an instrument of transfer dated 14 December 2015 entered into between Best Brain Investments Limited and our Company for the transfer of 100 ordinary shares of Well Joint Limited from Best Brain Investments Limited to our Company, representing 100% of the then total issued share capital of Well Joint Limited, at a consideration of US\$100;
- (j) the Deed of Non-competition;
- (k) the Deed of Indemnity; and
- (l) the Underwriting Agreement.

2. Our intellectual property rights

Trademark

As at the Latest Practicable Date, our Group has applied for registration of the following trademarks, the registrations of which have not yet been granted:

Trademark	Intended place of registration	Application number	Classes intended to be registered	Applicant
	Hong Kong	303557458	37, 42 ^{(1), (2)}	our Company
	Hong Kong	303546478	37, 42 ^{(1), (2)}	WM Construction

Notes:

1. Class 37: drilling; grouting (construction services); piling services; civil engineering services; construction, maintenance, restoration of buildings, roads, bridges, dams, airports, maritime ports, power generators, building structures, pavings, and drainage, lighting, electricity and water installations; site formation, excavation, dredging, ground investigation and improvement; conducting construction foundation works; selection of sites for construction purposes; advisory services relating to methods and costs of construction; management of construction projects; construction of electricity, heating, ventilation, solid waste disposal, cabling and ducting installations, alarm and surveillance systems, fire services and other mechanical and electrical works within any building or other civil engineering structures; construction engineering, installation, maintenance and repair of buildings, plants, power stations, swimming pools, tennis and squash courts and courts for other sports, playground, gymnasiums, stadiums, railways, walkways, tunnels, runways, waterways, sea and river walls, docks and other marine constructions, subterranean works, barrages, sewerage facilities and transmission lines; installing water supply, lighting, drainage, sewage and waste water treatment, gas supply, electrical, security and communications apparatus in buildings; installing conduits, wiring, pipes, installation services of escalators, shutters, gates, signs, paving for buildings and maintenance and repair thereof; installation services of sky lights, ceiling and flooring systems, partitions, signage for buildings and maintenance and repair thereof; glazing; fire proofing of buildings during construction; renovation and restoration of buildings; demolition and dismantling of constructions and machinery; project management services for buildings and civil engineering works; preparation of reports for construction purposes; port works;
2. Class 42: engineering consultancy services; design of foundation, geotechnical works, buildings or other structures and building materials or civil engineering works; design of electricity, heating, ventilation, plumbing, solid waste disposal, cabling and ducting, escalators, alarm and surveillance systems and fire services and other mechanical and electrical works within any building or other civil engineering structures; engineering drawing; inspection of buildings; inspection of plant and machinery; slum clearance design and consultancy; planning and laying out of housing developments.

Domain name

As at the Latest Practicable Date, our Group has registered the following domain name:

Domain name	Registrant	Expiry date
wmcl.com.hk	WM Construction	12 June 2016

C. FURTHER INFORMATION ABOUT OUR SUBSTANTIAL SHAREHOLDERS, OUR DIRECTORS AND EXPERTS

1. Disclosure of interests

(a) *Interests of our Directors and the chief executive of our Company*

So far as our Directors are aware, immediately following the completion of the Placing and the Capitalisation Issue, but without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the options which may be granted under the Share Option Scheme, and taking no account of any Shares which may fall to be allotted and issued, or repurchased, by our Company pursuant to the mandates as referred to in the paragraph headed “Further Information about Our Company and Our Subsidiaries” in this Appendix, and taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of SFO) which, once our Shares are listed on GEM, shall have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including any interests which they are taken, or deemed to have taken, under such provisions of SFO), or shall be required, pursuant to section 352 of SFO, to be entered in the register referred to therein, or shall be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case, the end result shall be as follows once our Shares are listed on GEM:

(i) *Long position*

Name of Director	Name of Group member/ associated corporation	Capacity/Nature	No. of shares held	Percentage of shareholding
Mr. Kwok	our Company	Interest in a controlled corporation ⁽¹⁾	400 million	50%
Mr. Lee Kin Kee	our Company	Interest in a controlled corporation ⁽²⁾	160 million	20%

Notes:

1. Best Brain Investments Limited, which owns 50% of the issued share capital of our Company, is owned as to 100% by Mr. Kwok. By virtue of SFO, Mr. Kwok is deemed to be interested in the Shares in which Best Brain Investments Limited is interested.
2. the Pre-IPO Investor, which owns 20% of the issued share capital of our Company, is owned as to 100% by Mr. Lee Kin Kee. By virtue of SFO, Mr. Lee Kin Kee is deemed to be interested in the Shares in which the Pre-IPO Investor is interested.

(b) Interests of substantial Shareholders, and other interests discloseable under SFO

So far as is known to our Directors and taking no account of any Shares which may be taken up under the Placing, and any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, the following persons, that is:

- (i) those who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group; or
- (ii) those, not being a Director or chief executive of our Company, who shall, immediately following the completion of the Placing and the Capitalisation Issue, but without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the options which may be granted under the Share Option Scheme, have interests or short positions in shares, underlying shares and debentures, which shall fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of SFO, or which shall be recorded in the register of our Company required to be kept under section 336 of SFO,

shall be interested in our Shares:

Long position

Name	Nature of interest	No. of Shares held	Percentage of shareholding
Best Brain Investments Limited	Beneficial owner	400 million	50%
Mr. Kwok ⁽¹⁾	Interest in a controlled corporation	400 million	50%
the Pre-IPO Investor	Beneficial owner	160 million	20%
Mr. Lee Kin Kee ⁽²⁾	Interest in a controlled corporation	160 million	20%

Notes:

1. The issued share capital of Best Brain Investments Limited is legally and beneficially owned as to 100% by Mr. Kwok.
2. The issued share capital of the Pre-IPO Investor is legally and beneficially owned as to 100% by Mr. Lee Kin Kee.

As at the Latest Practicable Date, so far as our Directors are aware, save as disclosed above, other than our Company, no other persons were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of our subsidiaries.

2. Directors' service agreements

Terms regarding executive Directors

Our executive Directors have entered into service contracts with our Company containing terms and conditions which are similar in all material respects. Such service contracts are initially for a fixed term of three years commencing from the Listing Date, and shall continue thereafter until terminated by not less than three months' written notice to the other party. Each of these executive Directors is entitled to the respective basic annual remuneration set out below:

Name	Amount (HK\$)
Mr. Kwok	2,500,000
Mr. Chan Siu Kay Francis	1,500,000

Terms regarding non-executive Director

Our non-executive Director has entered into a letter of appointment with our Company, pursuant to which he has been appointed to his position for an initial term of two years commencing from the Listing Date. The appointment is subject to termination under certain circumstances as stipulated in the said letter of appointment, and the provisions of the Articles with regard to vacation of office, removal and retirement by rotation of our Directors. The non-executive Director is entitled to a director's fee of HK\$240,000 per annum.

Terms regarding independent non-executive Director

Our independent non-executive Directors have entered into letters of appointment with our Company containing terms and conditions which are similar in all material respects, and pursuant to which each of the independent non-executive Directors has been appointed for an initial term of two years commencing from the Listing Date. The appointments are subject to termination under certain circumstances as stipulated in the relevant letters of appointment, and to the provisions of the Articles with regard to vacation of office, removal and retirement by rotation of our Directors. Each of the independent non-executive Directors is entitled to a director's fee of HK\$120,000 per annum. Save for Directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed above, no Director has entered, or proposed to enter, 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' remuneration

- (a) The aggregate amount of remuneration (including salaries, allowances and benefits in kind, pension scheme contributions) paid to our Directors by our Group in respect of FY2014 and FY2015 were approximately HK\$2.5 million and HK\$3.0 million respectively.
- (b) There was no arrangement under which a Director waived or agreed to waive any remuneration for FY2014 and/or FY2015.
- (c) 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 ended 30 June 2016 shall be approximately HK\$3.6 million.

4. Fees or commission received

Save as disclosed in the paragraph headed “Underwriting Arrangements, Commissions and Expenses — Commission and expenses” in the section headed “Underwriting” of this prospectus, none of our Directors or the experts named in the paragraph headed “E. Other Information — 7. Qualifications of experts” in this Appendix has received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Connected and related party transactions

Details of the related party transactions are set out under the section headed “Connected Transactions” in this prospectus and note 27 to the accountants' report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) no remuneration or other benefits in kind have been paid by our Company to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by our Company to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date;
- (b) none of our Directors or the experts named in the paragraph headed “E. Other Information — 7. Qualifications of experts” in this Appendix has any direct or indirect interest in the promotion of, or in, any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- (c) none of our Directors or the experts named in the paragraph headed “E. Other Information — 7. Qualifications of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) not taking into account any Shares which may fall to be allotted and issued, or repurchased by our Company pursuant to the mandates as referred to in the paragraph headed “A. Further Information about Our Company and Our Subsidiaries” in this Appendix, and not taking into account any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, none of our Directors knows of:
 - (i) any person, not being a Director or chief executive of our Company, who shall, immediately following completion of the Placing and the Capitalisation Issue, have any interest in shares, or underlying shares, which shall fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO, or which shall be recorded in the register of our Company required to be kept under section 336 of SFO, or
 - (ii) any person who shall 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 any other member of our Group;
- (e) none of the Directors or chief executive of our Company has any interest or short position in shares, underlying shares or debentures of our Company or any of our associated corporations (within the meaning of SFO) which, once our Shares are listed on GEM, shall have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including any interests and short positions which he shall be taken, or deemed to have taken, under such provisions of SFO), or which shall be required, pursuant to section 352 of SFO, to be entered in the register referred to therein, or shall be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange;
- (f) so far as our Directors are aware, none of our Directors, their respective associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;
- (g) none of our Directors or the experts named in the paragraph headed “E. Other Information — 7. Qualifications of experts” in this Appendix has any shareholding in our Group, or the right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of our Group;

- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by written resolutions of our then Shareholders on 9 March 2016. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The following summary does not form, nor is intended to be, part of the Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

1. Definitions

For the purpose of this section, unless the context otherwise requires, the following expressions have the meanings set out below:

“Board”	the Board or a committee thereof appointed for the purpose of administering the Share Option Scheme;
“Business Day”	any day on which GEM is open for the business of trading in securities;
“Participant”	any director(s) (including executive directors, non-executive directors and independent non-executive directors), full-time employee(s) of any member of our Group, and any advisor(s), consultant(s), contractor(s), subcontractor(s), supplier(s), agent(s), customer(s), business partner(s), joint venture business partner(s), service provider(s) of any member of our Group who the Board considers, in its sole discretion, to have contributed, or shall contribute, to our Group, whom the Board, at its absolute discretion and on such terms as it deems fit, grants options pursuant to the Share Option Scheme to;
“Grantee”	any Participant who accepts an offer in accordance with the terms of the Share Option Scheme, or, where the context so permits, any person who is entitled to any such Option in consequence of the death of any such Participant, or the legal personal representative of any such Participant; and
“Option”	a right granted for the subscription of Shares pursuant to the Share Option Scheme

2. Purpose

The purpose of the Share Option Scheme is to provide Participants with the opportunity to acquire proprietary interests in our Company, and to encourage Participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and its Shareholders as a whole. The Share Option Scheme shall provide our Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.

3. Who may join

On and subject to the terms of the Share Option Scheme and the requirements of the GEM Listing Rules, the Board shall be entitled to, at its absolute discretion and on such terms as it deems fit, grant Options to any Participant.

4. Administration

The Share Option Scheme shall be subject to the administration of the Board. The Board shall have the right to:

- (a) interpret and construe the provisions of the Share Option Scheme;
- (b) determine the persons who shall be offered Options, the number of Shares and the subscription price, subject to paragraph D.7, in relation to such Options;
- (c) subject to paragraphs D.15 and D.16, make such appropriate and equitable adjustments to the terms of the Options as it deems necessary; and
- (d) make such other decisions or determinations as it shall deem appropriate in the administration of the Share Option Scheme.

5. Grant of Options

On and subject to the terms of the Share Option Scheme and the requirements of the GEM Listing Rules, the Board shall be entitled, at any time within 10 years after the date of the adoption of the Share Option Scheme, to make an offer to any Participant, as the Board may in its absolute discretion select, to take up an Option. The offer shall specify the terms on which the Option is to be granted. Such terms may include any minimum period(s) for which an Option shall be held and/or any minimum performance target(s) that shall be reached before the Option can be exercised in whole or in part, and shall include, at the discretion of the Board, other terms imposed (or not imposed) either on a case by case basis or generally.

No offer shall be made, and no Option shall be granted, to any Participant after inside information has come to our Company's knowledge until it has announced the information. In particular, our Company shall not grant any Option during the period commencing one month immediately preceding the earlier of:

- (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the requirements of the GEM Listing Rules) for the approval of our Company's results for any year, half year, quarter or any other interim period (whether or not required under the GEM Listing Rules); and
- (b) the deadline for our Company to publish an announcement of its results for any year or half-year under the GEM Listing Rules, or quarter or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement. For the avoidance of doubt, the period during which no Options shall be granted mentioned above shall include any period of delay in the publication of a results announcement.

6. Payment on acceptance of Option offer

An Option shall remain open for acceptance by the Participant concerned for a period of 14 days (exclusive of the date on which the letter containing the offer is delivered to the Participant). HK\$1 is payable by the Grantee to our Company on acceptance of the offer of the Option.

7. Subscription price

The subscription price shall be such price determined by the Board at its absolute discretion and notified to the Participant in the offer at the time of the offer, and shall be no less than the highest of:

- (a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant of the relevant Option, which shall be a Business Day;
- (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the date of grant of the relevant Option (provided that, in the event that any Option is proposed to be granted within a period of less than five Business Days after the trading of the Shares first commences on GEM, the new issue price of the Shares shall be used as the closing price for any Business Day falling within the period before listing of the Shares on GEM); and
- (c) the nominal value of a Share on the date of grant of the relevant Option.

8. Option period

The period within which the Shares shall be taken up under an Option shall be a period to be notified by the Board to each Grantee at the time of making an offer, which shall be determined by the Board in its absolute discretion at the date of grant of the relevant Option, but such period shall not expire later than 10 years from the date of grant of the relevant Option.

9. Rights are personal to Grantee

An Option shall be personal to the Grantee and shall not be transferrable or assignable.

10. Rights attaching to Shares allotted

The Shares to be allotted and issued upon the exercise of an Option shall be subject to all the provisions of the Memorandum and the Articles for the time being in force, and shall rank *pari passu* with the fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of our Company. Prior to the Grantee being registered on the register of members of our Company, the Grantee shall not have any voting, dividend, transfer or other rights (including those arising on a liquidation of our Company), in respect of the Shares to be issued upon the exercise of the Option.

11. Exercise of Option

Subject to the terms and conditions upon which such Option was granted, an Option may be exercised by the Grantee at any time during the option period, provided that:

- (a) in the event the Grantee (being an employee or a director of any member of our Group) ceases to be a Participant for any reason other than: (i) his death; or (ii) on one or more of the grounds of termination of employment or engagement specified in paragraph D.12(a)(vi), the Option shall lapse on the date of cessation of such employment or engagement and not be exercisable unless the Board otherwise determines, in which event the Option shall be exercisable to the extent and within such period as the Board may determine. The date of cessation of employment of a Grantee (being an employee and who may or may not be a director of any member of our Group) shall be 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;
- (b) in the event the Grantee dies before exercising the Option in full and none of the events for termination of employment or engagement under paragraph D.12(a)(vi) then exists with respect to such Grantee, the personal representative(s) of the Grantee shall be entitled, within a period of 12 months from the date of death, to exercise the Option up to the entitlement of such Grantee as at the date of death;
- (c) if a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph D.11(d) below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror), and such offer becomes or is declared unconditional prior to the expiry date of the relevant

Option, our Company shall forthwith give notice thereof to the Grantee, and the Grantee shall be entitled to exercise the Option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company pursuant to the terms of the Share Option Scheme at any time within such period as shall be notified by our Company;

- (d) if a general offer for Shares by way of scheme of arrangement is made to all the holders of Shares, and has been approved by the necessary number of holders of Shares at the requisite meetings, our Company shall forthwith give notice thereof to the Grantee, and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the Option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company pursuant to the terms of the Share Option Scheme;
- (e) in the event a notice is given by our Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the Grantee, and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the Option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company pursuant to the terms of the Share Option Scheme, and our Company shall as soon as possible, and in any event no later than 3 days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option; and
- (f) in the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph D.11(d) above, between our Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as it first gives notice of the meeting to its members and/or creditors to consider such a scheme or arrangement, and the Grantee may at any time thereafter, but before such time as shall be notified by our Company, exercise the Option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company pursuant to the terms of the Share Option Scheme, and our Company shall as soon as possible, and in any event no later than 3 days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.

12. Lapse of Option

- (a) Subject to paragraph D.12(b), an Option shall lapse automatically (to the extent not already exercised) on the earliest of:
 - (i) the expiry of the option period (subject to the provisions of the Share Option Scheme);
 - (ii) the date or the expiry of the periods for exercising the Option as referred to in paragraph D.11;

- (iii) subject to the scheme of arrangement (referred to in paragraph D.11(d)) becoming effective, the expiry of the period for exercising the Option as referred to in paragraph D.11(d);
 - (iv) subject to paragraph D.11(e), the date of the commencement of the winding-up of our Company;
 - (v) the date on which the Grantee commits a breach of paragraph D.9;
 - (vi) the date on which the Grantee (being an employee or a director of any member of our Group) ceases to be a Participant by reason of the termination of his employment or engagement on the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts, or has become bankrupt, or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, or on any other ground on which an employer would be entitled to terminate his employment summarily;
 - (vii) the date on which the Grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts, has become insolvent, or has made any arrangement or composition with its creditors generally;
 - (viii) where the Grantee is an employee, a director, an officer or a contract consultant of a member of our Group (other than our Company), the date on which such member ceases to be a subsidiary; and
 - (ix) unless the Board otherwise determines, and other than in the circumstances referred to in paragraph D.11(a) or D.11(b), the date the Grantee ceases to be a Participant (as determined by a Board resolution) for any reason.
- (b) Transfer of employment, engagement, or relationship from one member of our Group to another member of our Group shall not be considered as a cessation of the said employment, engagement, or relationship.

13. Cancellation of Option

Any Options granted but not exercised shall be cancelled if the Grantee so agrees, and new Options shall be granted to the said Grantee provided that such new Options are granted with available unissued Options (excluding the cancelled Options) within the limits prescribed and otherwise comply with the terms of the Share Option Scheme.

14. Maximum number of Shares subject to Options

- (a) The aggregate number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme, and other share option schemes of our Company, as from the date of the adoption of the Share Option Scheme (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) (and to which the provisions of Chapter 23 of the GEM Listing Rules are applicable) shall not exceed 10% of the Shares in issue on the Listing Date (“Scheme Mandate Limit”). Accordingly, it is expected that our Company shall grant Options in respect of up to 80,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 80,000,000 Shares from time to time) to the Participants under the Share Option Scheme;

- (b) Our Company shall be entitled to refresh the Scheme Mandate Limit at any time by obtaining prior Shareholders’ approval. However, the Scheme Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the aforesaid Shareholders’ approval. Options previously granted under the Share Option Scheme, and other share option schemes of our Company (and to which the provisions of Chapter 23 of the GEM Listing Rules are applicable) (including those outstanding, cancelled, lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the limit as refreshed;
- (c) Our Company shall also be entitled to seek separate Shareholders’ approval for granting Options beyond the Scheme Mandate Limit to Participants specifically identified by our Company before the aforesaid Shareholders’ meeting where such approval is sought;
- (d) The total number of Shares issued, and to be issued, upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) in any 12 month period shall not exceed 1% of the Shares in issue (“Individual Limit”). Any further grant of Options to a Participant, which would result in the Shares issued, and to be issued, upon exercise of all Options granted, and to be granted, to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to, and including, the date of grant of the relevant Option of such further Options exceeding the Individual Limit, shall be subject to Shareholders’ approval in advance, with such Participant and his close associates (or his associate if such Participant is a connected person) abstaining from voting;
- (e) The overall limit on the number of Shares which shall be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme, and other share option schemes of our Company (and to which the provisions of Chapter 23 of the GEM Listing Rules are applicable), shall not exceed 30% of the Shares in issue from time to time (“Scheme Limit”). No options shall be granted under the Share Option Scheme or any other share option schemes of our Company, if this shall result in the Scheme Limit being exceeded; and
- (f) The maximum number of Shares referred to in this paragraph shall be adjusted in such manner as the auditors of our Company or the financial advisor of our Company retained for such purpose shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph D.15 by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares, reduction of the share capital of our Company.

15. Reorganisation of capital structure and special dividends

In the event of an alteration in the capital structure of our Company, whilst any Option remains exercisable, by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares, or reduction of the Share capital of our Company (other than an issue of Shares as consideration in a transaction), such corresponding alterations (if any) shall be made to: (a) the number or nominal amount of Shares subject to the Option so far as unexercised; (b) the subscription price; or (c) the method of exercise of the Option, or any combination thereof, as the auditors of our Company or a financial advisor engaged by our Company for such purpose shall, at the request of our Company, certify in writing, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable, provided that any such adjustments give a Grantee the same proportion of the equity capital of our Company as that to which that Grantee was previously entitled, but so that no such adjustments be made to the extent that a Share would be issued at less than its nominal value.

16. Alteration of the Share Option Scheme

- (a) Subject to paragraph D.16(b) below, the Board may amend any of the provisions of the Share Option Scheme (including, without limitation, amendments in order to comply with changes in legal or regulatory requirements, and amendments in order to waive any restrictions imposed by the provisions of the Share Option Scheme which are not found in Chapter 23 of the GEM Listing Rules) at any time, but not so as to affect adversely any rights which have accrued to any Grantee at that date;
- (b) Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 23.03 of the GEM Listing Rules cannot be altered to the advantage of Participants, and no changes to the authority of the Directors or administrator of the Share Option Scheme in relation to any alteration of the terms of the Share Option Scheme shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of Options granted, shall also be approved by the Shareholders in general meeting to be effective, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered shall comply with Chapter 23 of the GEM Listing Rules; and
- (c) Notwithstanding any approval obtained pursuant to paragraph D.16(a), no amendment shall operate to adversely affect the terms of issue of any Option granted or agreed to be granted prior to such amendment except with the consent or sanction in writing of such number of Grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to the options granted under the Share Option Scheme, except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

17. Termination of the Share Option Scheme

Our Company shall be entitled to at any time by ordinary resolution in general meeting, or the Board shall be entitled to at any time, terminate the operation of the Share Option Scheme, and in such event no further Options shall be offered or granted, but in all other respects the provisions

of the Share Option Scheme shall remain in full force and effect. Options which are unexercised and unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

18. Offers made to a Director, chief executive or employee who is also a substantial Shareholder of our Company or any of their respective associates

Each grant of Options to any Director, chief executive or substantial Shareholder of our Company (or any of their respective associates) shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of Options). Where any grant of Options to a substantial Shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period (or such other period as may from time to time be specified by the Stock Exchange) up to and including the date of grant of the relevant Option:

- (a) representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant of the relevant Option, in excess of HK\$5 million (or such other amount as may from time to time be specified by the Stock Exchange),

such grant of Options shall be subject to prior approval by the Shareholders (voting by way of poll). The Grantee, his associates and all core connected persons (as defined in the GEM Listing Rules) of our Company shall abstain from voting at such general meeting, except that any such person may vote against the relevant resolution at the general meeting, provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

19. Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to:

- (a) the Listing Committee (as defined in the GEM Listing Rules) of GEM granting approval of the Share Option Scheme and the granting of Options under the Share Option Scheme;
- (b) the Listing Committee of GEM granting approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of Options; and
- (c) the commencement of dealings in the Shares on GEM.

20. Present status of the Share Option Scheme

As at the Latest Practicable Date, no Option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the Options to be granted under the Share Option Scheme, being 80,000,000 Shares in total.

E. OTHER INFORMATION**1. Tax and other indemnities***(a) Tax on dividends*

No tax is payable in Hong Kong in respect of dividends paid by us.

(b) Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business, shall be chargeable to Hong Kong profit tax, which is currently imposed at the rate of 16.5% on corporations and at a rate of 15.0% on unincorporated businesses.

Gains from sales of the Shares effected on GEM shall be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would, thus, arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(c) Stamp Duty

Hong Kong stamp duty shall be payable by the purchaser on every purchase, and by the seller on every sale, of the Shares. The duty is charged at the current rate of 0.2% of the consideration, or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

(d) Estate Duty

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005, which came into effect on 11 February 2006. The estate of a person who died before 11 February 2006 is subject to the provisions of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), and the Shares are Hong Kong property for this purpose. The estate duty chargeable in respect of estates of persons dying between the transitional period from, and including, 15 July 2005 to 11 February 2006 with the principal value exceeding HK\$7.5 million shall be a nominal amount of HK\$100.

(e) Deed of Indemnity

For the purpose of this section, unless the context otherwise requires, the following expressions have the meanings set out below:

“Estate Duty”	i. the estate duty payable under the Estate Duty Ordinance; and ii. the estate duty (or any similar tax or duty) payable under the laws and regulations of, or otherwise payable in, any other jurisdictions, and which includes any interest, penalty or other liability arising out of or in connection with the imposition, or non-payment, or delay in payment, of such duty
“Estate Duty Ordinance”	the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) as in force at the date of the Deed of Indemnity, but in the event of any repeal or amendment of such provisions, such reference shall be read as including any provisions to the like effect respectively replacing or amending the same;
“Relief”	any relief, allowance, concession, exemption, reduction, set-off or deduction in computing profits, income, expenditure or other assessable sum, event or circumstance against which a Taxation is assessed, and any credit granted by, or pursuant to, any legislation, or otherwise relating to all forms of Taxation;
“Taxation”	i. Estate Duty, and any liability of any member of our Company and/or its subsidiaries, or all of them, to any form of taxation and duty whenever created or imposed, whether of Hong Kong, China or of any other part of the world, and, without prejudice to the generality of the foregoing, includes profits tax, provisional profits tax, business tax on gross income, income tax, value-added tax, interest tax, salaries tax, property tax, land appreciation tax, lease registration tax, estate duty, capital gains tax, death duty, capital duty, stamp duty, payroll tax, withholding tax, rates, import, customs and excise duties, and, generally, any tax duty, impost, levy or rate, or any amount payable to the revenue, customs or fiscal authorities of local municipal, provincial, national, state or federal level, whether of Hong Kong, China or of any other part of the world;

- ii. in the event of any loss, reduction, modification, cancellation or deprivation of any Relief, or of a right to repayment of any form of Taxation, the amount of such Relief, such repayment, or (if smaller) the amount by which the liability to any such Taxation of our Company and its subsidiaries, or any of them, would have been reduced by such Relief if there had been no such loss, reduction, modification, cancellation or deprivation as aforesaid; and
- iii. all necessary costs, interest, penalties, charges, liabilities and expenses incidental, or relating, to the liability referred to in (i) above, or the deprivation of Relief, or of a right, to repayment of Taxation, which is the subject of the indemnity contained in the Deed of Indemnity, to the extent that the same is/are payable or suffered by our Company and its subsidiaries or any of us

“Taxation
Claim”

any assessment, notice, demand, or other documents issued, or action taken by, or on behalf of, the Inland Revenue Department of Hong Kong, the tax bureau of China, or any other revenue, customs, fiscal, statutory or governmental authority whatsoever in Hong Kong, China or any other part of the world from which it appears that our Company and its subsidiaries, or any of us, is/are liable, or sought to be made liable, for any payment of any form of Taxation or to be deprived of any Relief, or right to repayment of any form of Taxation, which Relief or right to repayment would, but for the Taxation Claim, have been available to our Company and its subsidiaries, or any of us

Pursuant to the Deed of Indemnity given by each of our Controlling Shareholders in favour of our Company (and our subsidiaries), and conditional on the fulfilment of the conditions stated in the paragraph headed “Conditions of the Placing” in the section headed “Structure and Conditions of the Placing” in this prospectus, our Controlling Shareholders have unconditionally and irrevocably agreed and undertaken with each member of our Company and its subsidiaries, on a joint and several basis, that they would indemnify and, at all times, keep the same fully indemnified on demand from and against any Taxation falling on any member of our Company and/or its subsidiaries resulting from or by reference to any revenue (including any form of government financial assistance, subsidy or rebate), income, profits or gains granted, earned, accrued, received or made (or deemed to be so granted, earned, accrued, received or made) on or before the Listing Date, or any event, transaction, act or omission occurring or deemed to occur on or before the Listing Date, whether alone or in conjunction with any other event, act or omission occurring or deemed to occur on or before the Listing Date, and whether or not such Taxation is chargeable against or attributable to any other person, firm or company. For the avoidance of doubt, the aforesaid provision shall require our Controlling Shareholders to indemnify and, at all times, keep each member of our Company and its subsidiaries indemnified, in each case, in respect of any additional Taxation which may fall on any member of our Company and/or its subsidiaries in

respect of a Taxation Claim resulting from a reassessment or similar action by a taxation authority against any member of our Company and/or its subsidiaries of Taxation due, and whether or not such reassessment is effected in respect of Taxation which any member of our Company and/or its subsidiaries had previously reached agreement with a taxation authority.

Under the Deed of Indemnity, our Controlling Shareholders have also jointly and severally undertaken to indemnify our Company (for itself, and as trustee for each of the members of our Group) against any costs, expenses, claims, liabilities, penalties, losses and damages (including, but not limited to, any relocation or destruction cost) incurred or suffered by our Company, or any member of our Group, arising from, or in connection with, any failure of our Company, any members of our Group, or any parties from whom our Company, or any member of our Group, purchased, leased, or obtained licence or permit to use, any property interest owned, leased, licensed, or otherwise used or occupied, by our Company, or any member of our Group (the “Relevant Property”), to obtain any property ownership certificate, certificate of title, approval, permit, consent or registration in respect of the Relevant Property.

Under the Deed of Indemnity, our Controlling Shareholders have also irrevocably and unconditionally agreed and undertaken to each member of our Company and its subsidiaries, on a joint and several basis, that they would indemnify and, at all times, keep the same indemnified on demand from and against all sums, outgoings, fees, demands, claims, damages, losses, costs, charges, liabilities, fines, penalties, payments, suits, and expenses associated, incurred or suffered by any member of our Company and/or its subsidiaries, directly or indirectly, in connection with:

- (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings, whether of criminal, administrative, contractual or tortious nature, or otherwise instituted by or against any member of our Company and/or its subsidiaries, which was issued and/or accused and/or arising from any act, non-performance, omission or otherwise of any member of our Company and/or its subsidiaries on or before the Listing Date;
- (ii) any irregularities in relation to the corporate documents of any member of our Group; and
- (iii) any non-compliance with the applicable laws, rules or regulations by any member of our Company and/or its subsidiaries on or before the Listing Date, except that specific provision, reserve or allowance has been made for such liabilities in the audited consolidated accounts of our Company for the Track Record Period.

However, the indemnities given by our Controlling Shareholders under this section do not cover, and our Controlling Shareholders shall be under no liability in respect of, any liability on Taxation and Taxation Claim:

- (i) to the extent that provision, reserve or allowance has been made for such liability, Taxation or Taxation Claim in the audited accounts (the “Accounts”) of our Company and its subsidiaries for FY2014 and FY2015;

- (ii) to the extent that provision has been made in the consolidated Accounts of our Company and its subsidiaries or the Accounts of any member of our Company and/or its subsidiaries for an accounting period ended on or before FY2015:
 - (iii) to the liability, Taxation or Taxation Claim falling on any member of our Company and/or its subsidiaries in respect of any accounting period commencing on or after FY2015, unless such liability would not have arisen but for some act or omission of, or transaction entered into by, our Controlling Shareholders and/or any member of our Company and/or its subsidiaries (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than:
 - (a) in the ordinary course of business on or before the Listing Date; or
 - (b) pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity, or pursuant to any statement of intention made in this prospectus;
 - (iv) to the extent that such liability arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof by any statutory or governmental authority (in Hong Kong or elsewhere), including, without limitation, the Inland Revenue Department, having retrospective effect coming into force after the Listing Date, or to the extent that such liability arises or is increased by an increase in rates of Taxation or other penalties after the Listing Date with retrospective effect;
 - (v) to the extent that such liability is discharged by another person who is not a member of our Company or its subsidiaries, and that none of our Company and its subsidiaries is required to reimburse such person in respect of the discharge of such liability; or
 - (vi) to the extent that any provision or reserve made for such liability in the audited accounts referred to in (i) above is finally established to be an over-provision or an excessive reserve, provided that the amount of any such provision or reserve applied to reduce our Controlling Shareholders' liability in respect of such liability shall not be available in respect of any such liability arising thereafter.
- (f) *Consultation with professional advisers*

Potential investors in the Placing are recommended to consult their professional advisers if they are in any doubt as to the tax implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares.

None of our Company, the Selling Shareholder, the Sole Sponsor, the Underwriter, any of their respective directors, or any other person or party involved in the Placing accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, or dealing in, the Shares.

2. Litigation

Save as disclosed in the paragraph headed “Litigation and Potential Claims” under the section headed “Business” in this prospectus, no member of our Group is 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.

3. Sponsor

The Sole Sponsor has, on behalf of our Company, made an application to the Listing Committee for the listing of, and permission to deal in, Shares in issue, and to be issued, as mentioned herein. All necessary arrangements have been made to enable such shares to be admitted into CCASS.

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. The fees payable by us in respect of the Sole Sponsor’s services as sponsor for the Listing is HK\$3,280,000.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are estimated to be approximately HK\$45,000 and are payable by our Company.

5. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company (for ourselves and on behalf of the Selling Shareholder) has appointed Titan Financial Services Limited as our compliance adviser to provide advisory services to our Company (for ourselves and on behalf of the Selling Shareholder) to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date, and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date, or until the compliance adviser agreement is otherwise terminated upon the terms and conditions set out therein.

6. Promoter

There is no promoter of our Company. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given, nor are any proposed to be paid, allotted or given to any promoters in connection with the Placing and the related transactions described in this prospectus.

7. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

Name	Qualification
Innovax Capital Limited	a corporation licensed to carry on for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Maples and Calder	legal adviser to our Company as to Cayman Islands law
Hui & Lam	legal adviser to our Company as to Hong Kong law
Ipsos Limited	Independent industry consultant

8. Consents of experts

Each of the named experts above has given, and has not withdrawn, its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or valuation certificate and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries, or the right or option (whether legally enforceable or not) to subscribe, or to nominate persons to subscribe, for any securities in our Company or any of our subsidiaries, including our Shares.

9. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out as follows:

Name	: Best Brain Investments Limited
Description	: a company incorporated in BVI with limited liability on 6 July 2015
Registered address	: P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Director	: Mr. Kwok
Shareholder	: Mr. Kwok, holding 100% of the issued share capital of Best Brain Investments Limited
Number of Sale Shares to be sold	: 80 million

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, so far as applicable.

11. Taxation of holders of Shares*(a) Hong Kong*

Dealings in Shares registered on our Company's Hong Kong branch register of members shall be subject to Hong Kong stamp duty.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies, except that the instrument of transfer shall be stampable if they are executed in, or brought into, the Cayman Islands.

(c) Consultation with professional advisors

Intending holders of Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, or dealing in, Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Placing accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from, their subscription for, purchase, holding or disposal of or dealing in Shares.

12. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial trading position or prospects of our Group since 30 September 2015 (being the date to which the latest audited consolidated financial statements of our Group were made up), and up to the date of this prospectus.

13. Registration procedures

The register of members of our Company shall be maintained in the Cayman Islands by Maples Fund Services (Cayman) Limited, and the branch register of members of our Company shall be maintained in Hong Kong by Union Registrars Limited. Save where our Directors otherwise agree, all transfers and other documents of title relating to the Placing shall be lodged for registration with, and registered by, our Company's share registrar in Hong Kong, and may not be lodged in the Cayman Islands.

14. Miscellaneous

Save as disclosed in this prospectus,

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued, or proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;
 - (ii) no discounts, brokerages or other special terms have been granted, or agreed to be granted, in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries, and no commission has been paid, or is payable, in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
 - (iii) no commission has been paid, or is payable, for the subscription of, or agreement or procurement to subscribe for, any Share or shares of any of our subsidiaries;
 - (iv) no share or loan capital of our Company or any of our subsidiaries is under option, or agreed conditionally or unconditionally to be put under option; and
 - (v) neither our Company nor any of our subsidiaries has issued, or agreed to issue, any founder shares, management shares, deferred shares or any debentures;
- (b) save in connection with the Underwriting Agreement, none of the parties listed in the paragraph headed “E. Other Information — 7. Qualifications of experts” in this Appendix is interested legally or beneficially in any securities of our Company or any of our subsidiaries;
- (c) none of the equity and debt securities of our Company is listed, or dealt with, in any other stock exchange, nor is any listing or permission to deal being or proposed to be sought;
- (d) our Company and our subsidiaries do not have any debt securities issued, or outstanding, or authorised, or otherwise created but unissued, or any term loans, whether guaranteed or secured, as at the Latest Practicable Date;
- (e) all necessary arrangements have been made for our Shares to be admitted into CCASS for clearing and settlement;
- (f) there has not been any interruption in the business of our Group which may have, or have had, a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
- (g) no company within our Group is presently listed on any stock exchange, or traded on any trading system;
- (h) our Group has no outstanding convertible debt securities;

- (i) our Directors have been advised that, under the Cayman Islands laws, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with our English name does not contravene the Cayman Islands laws;
- (j) the English text of this prospectus shall prevail over the Chinese text; and
- (k) there is no arrangement under which future dividends are waived, or agreed to be waived.

15. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

1. the written consents of the experts referred to in the paragraph headed “E. Other Information — 8. Consents of experts” of Appendix IV to this prospectus;
2. copies of the material contracts referred to in the paragraph headed “B. Further Information about Our Business — 1. Summary of material contracts” of Appendix IV to this prospectus; and
3. a list containing particulars of the Selling Shareholder referred to in the paragraph headed “E. Other information — 9. Particulars of the Selling Shareholder” of Appendix IV to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents shall be available for inspection at the office of Hui & Lam at Rooms 1505–06, 15/F, The Center, 99 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles;
2. the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus, together with the related statement of adjustments;
3. the audited financial statements of WM Construction, WM Foundation and WM Engineering for FY2014, FY2015 and the three months ended 30 September 2015;
4. the assurance report on unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Part B of Appendix II to this prospectus;
5. the letter of advice from Maples and Calder, our Cayman Islands legal adviser, summarising the constitution of our Company and certain aspects of the Companies Law of the Cayman Islands referred to in Appendix III to this prospectus;
6. the Companies Law of the Cayman Islands;
7. the rules of the Share Option Scheme;
8. the material contracts referred to in the paragraph headed “B. Further Information about Our Business — 1. Summary of material contracts” of Appendix IV to this prospectus;
9. the service contracts and letters of appointment referred to in the paragraph headed “C. Further Information about Our Substantial Shareholders, Our Directors and Experts — 2. Directors’ service agreements” of Appendix IV to this prospectus;

10. the written consents referred to in the paragraph headed “E. Other Information — 8. Consents of experts” of Appendix IV to this prospectus;
11. the IPSOS Report; and
12. a statement of particulars of the Selling Shareholder.

Super Strong Holdings Limited
宏強控股有限公司