

華和控股集團有限公司 Wah Wo Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9938

SHARE OFFER

Sole Sponsor



Joint Bookrunners and Joint Lead Managers



國泰君安國際
GUOTAI JUNAN INTERNATIONAL



山證國際
SHANXI SECURITIES INTERNATIONAL



安信國際
ESSENCE INTERNATIONAL



IMPORTANT

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

Wah Wo Holdings Group Limited

華和控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares under the Share Offer	: 250,000,000 Shares
Number of Public Offer Shares	: 25,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 225,000,000 Shares (subject to reallocation)
Offer Price	: Not more than HK\$0.54 per Offer Share and expected to be not less than HK\$0.50 per Offer Share (plus brokerage of 1.0%, 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	: 9938

Sole Sponsor



Joint Bookrunners and Joint Lead Managers



Joint Lead Managers



CONRAD
INVESTMENT SERVICES



Fruit Tree Securities Limited
果樹證券有限公司



駿昇 證券有限公司
Quasar Securities Co., Limited

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

A copy of this prospectus, having attached thereto the documents specified in the 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 and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

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

The Offer Price is expected to be determined by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 9 January 2020 or such later time as may be agreed by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) and in any event will not be later than Wednesday, 15 January 2020. The Offer Price will be not more than HK\$0.54 per Offer Share and is currently expected to be not less than HK\$0.50 per Offer Share. Investors applying for Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.54 per Offer Share, unless otherwise announced, together with a brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.54.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the number of Offer Shares being offered under the Share Offer and/or the indicative offer price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of the reduction in the number of Offer Shares being offered under the Share Offer and/or of the indicative offer price range will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the our Company at www.wahwoalum.com not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure and conditions of the Share Offer" and "How to apply for Public Offer Shares" of this prospectus. If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before Wednesday, 15 January 2020, the Share Offer will not proceed and will lapse.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Public Offer Shares, are subject to termination by the Joint Bookrunners, on behalf of the Public Offer Underwriters, if certain circumstances arise prior to 8:00 a.m. on the Listing Date. Such circumstances are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Grounds for termination" of this prospectus. It is important that you carefully read that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States. The Offer Shares may be offered, sold or delivered outside the United States in offshore transaction in accordance with Regulation S.

EXPECTED TIMETABLE

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

Date⁽¹⁾

Public Offer commences and **WHITE** and

YELLOW Application Forms available from 9:00 a.m. on Tuesday, 31 December 2019

Latest time to complete electronic applications under the

HK eIPO White Form service through

one of the below ways ⁽²⁾ 11:30 a.m. on Tuesday, 7 January 2020

(1) The designated website www.hkeipo.hk

(2) The IPO App which can be downloaded by searching “**IPO App**” in App Store or Google Play or download at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp

Application lists open⁽³⁾ 11:45 a.m. on Tuesday, 7 January 2020

Latest time to lodge **WHITE** and **YELLOW**

Application Forms 12:00 noon on Tuesday, 7 January 2020

Latest time to give **electronic application instructions** to

HKSCC⁽⁴⁾ 12:00 noon on Tuesday, 7 January 2020

Latest time to complete payment of **HK eIPO White Form**

applications by effecting internet banking transfer(s) or PPS

payment transfer(s) 12:00 noon on Tuesday, 7 January 2020

Application lists close⁽³⁾ 12:00 noon on Tuesday, 7 January 2020

Expected Price Determination Date⁽⁵⁾ Thursday, 9 January 2020

Announcement of:

- (i) the final Offer Price;
- (ii) the level of indication of interest in the Placing;
- (iii) the level of applications in the Public Offer; and

EXPECTED TIMETABLE

(iv) the basis of allotment of the Public Offer (with successful applicants' identification document numbers, where applicable) to be published on our website at www.wahwoalum.com and the website of the Stock Exchange at www.hkexnews.hk on or before Thursday, 16 January 2020

Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Public Offer Shares — Publication of results" from Thursday, 16 January 2020

Results of allocations in the Public Offer will be available at www.tricor.com.hk/ipo/result (or www.hkeipo.hk/IPOResult/) or "Allotment Result" in the IPO App with a "search by ID" function from Thursday, 16 January 2020

Despatch of Share certificates in respect of wholly or partially successful applications on or before⁽⁶⁾ Thursday, 16 January 2020

Despatch of refund cheques or **HK eIPO White Form** e-Auto Refund payment instructions in respect of wholly or partially unsuccessful applications on or before⁽⁷⁾⁽⁸⁾ Thursday, 16 January 2020

Dealings in Shares on the Stock Exchange to commence at 9:00 a.m. on Friday, 17 January 2020

The application for the Offer Shares will commence on Tuesday, 31 December 2019 through Tuesday, 7 January 2020. Such time period is longer than the normal market practice of four days. The application monies (including brokerage fees, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Thursday, 16 January 2020. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Friday, 17 January 2020.

Notes:

- (1) All times and dates refer to Hong Kong local time and date, except otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.
- (2) You will not be permitted to submit your application through the **HK eIPO White Form** service through the designated website at www.hkeipo.hk or the IPO App after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

EXPECTED TIMETABLE

- (3) If there is a tropical cyclone warning signal number 8 or above or an announcement of “extreme conditions” by the Government of Hong Kong in accordance with the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Hong Kong Labour Department in June 2019 and/or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 7 January 2020, the application lists will not open on that day. Further information is set out in the section headed “How to apply for Public Offer Shares — Effect of bad weather and/or extreme conditions on the opening of the application lists” of this prospectus.
- (4) Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to “How to apply for Public Offer Shares — Applying by giving Electronic Application Instructions to HKSCC via CCASS” of this prospectus.
- (5) The Price Determination Date is expected to be on or about Thursday, 9 January 2020 or such later time as may be agreed by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), and in any event will not be later than Wednesday, 15 January 2020. If, for any reason, the Offer Price is not agreed on or before Wednesday, 15 January 2020 between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse.
- (6) Share certificates for the Public Offer Shares are expected to be issued on Thursday, 16 January 2020 but will only become valid certificates of title provided that (i) the Share Offer has become unconditional in all respects, and (ii) the Underwriting Agreements have not been terminated in accordance with their respective terms. If the Share Offer does not become unconditional or the Underwriting Agreements are terminated in accordance with their respective terms, we will make an announcement as soon as possible.
- (7) Applicants who have applied on **WHITE** Application Forms for 1,000,000 Public Offer Shares or more and have provided all required information may collect any refund cheques (if applicable) and Share certificates (if applicable) in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 16 January 2020 or any other date as notified by us. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to our Hong Kong Branch Share Registrar.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more may collect their refund cheques (if applicable) in person but may not collect in person their Share certificates which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied through the **HK eIPO White Form** service by paying the application monies through a single bank account may have e-Auto Refund payment instructions (if any) despatched to their application payment bank account on Thursday, 16 January 2020. Applicants who have applied through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts may have refund cheque(s) sent to the address specified in their application instructions through the **HK eIPO White Form** service, on Thursday, 16 January 2020, by ordinary post and at their own risk.

Uncollected Share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post (at the applicants’ own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed “How to apply for Public Offer Shares — Despatch/Collection of Share Certificates and Refund Monies” of this prospectus.
- (8) Refund cheques will be issued (if applicable) and e-Auto Refund payment instructions will be despatched (where applicable) in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the price payable on application.

For details of the structure of the Share Offer, including conditions of the Public Offer, please refer to the section headed “Structure and Conditions of the Share Offer” of this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus. 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 jurisdiction other than Hong Kong or in any other circumstances.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in the prospectus. Any information or representation not made in the prospectus must not be relied on by you as having been authorised by our Company, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, any of their respective directors, or any other person involved in the Share Offer.

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SUMMARY

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

BUSINESS OVERVIEW

We are an established contractor engaged in façade works with a focus on window in Hong Kong. Façade works can be classified into window, window wall system, curtain wall system and other façade members. According to the Ipsos Report, our revenue for the year ended 31 March 2019 accounted for 4.1% market share of the façade works industry in Hong Kong in 2018. We principally provide design and build services for new buildings and renovation services for built premises. Our services generally include developing designs, conducting structural calculations and preparing shop drawings, as well as management and coordination of various aspects of a project which involve procurement of building materials from material suppliers and/or subcontracting of installation works to our subcontractors, on-site project management and post-project completion and maintenance services.

Our design and build services are typically conducted on new buildings and involve the installation of windows and other façade components such as metal doors, louvres, balustrades, grilles and canopy (referred to as “**design and build projects**”). Our renovation services on the other hand are typically conducted on built premises and usually involve the repair, replacement, upgrade or maintenance of windows, metal doors and other façade components (referred to as “**renovation projects**”). In a typical design and build project, our Group is involved in every stage of the project. Our design team works closely with our project managers to understand and fulfil our customers’ requests and to develop tailor-made designs to meet their technical specifications and requirements. In line with industry practice, we procure building materials from material suppliers and subcontract the on-site installation works to our subcontractors, while our Group mainly focuses on the overall project management and supervision of the façade works. Our project managers are principally responsible for managing the progress of the façade works and managing, coordinating and supervising our subcontractors at work sites. Our Directors believe that our experienced project managers have gained good understanding of our subcontractors’ work quality and are able to manage and timely complete our projects to the satisfaction of our customers, which are crucial to our success in the industry. In addition, among our project management staff, 20 of our staff members as at the Latest Practicable Date, which mainly include project supervisors, foremen and site workers are also capable of handling execution works for urgent variation and repair works. By engaging us, our Directors believe our customers could benefit from time and financial costs savings that would otherwise be spent on searching for and engaging multiple parties to perform different stages of works and managing different parties involved in a project. We enter into contracts with our customers on a project basis either through tendering or quotation process.

SUMMARY

We provide design and build services and renovation services for different types of buildings, including residential apartments, commercial buildings, retail premises, universities and hotels in Hong Kong. These different types of buildings can be broadly classified as (i) residential buildings; and (ii) non-residential buildings.

Our customers are mainly main contractors for our design and build projects while we are mainly engaged by owners and tenants of properties, and their contractors for renovation projects. For design and build projects, our Group may either act as a nominated subcontractor and is engaged by main contractors through the nomination of the property developers or a domestic subcontractor whereby our Group is directly engaged by main contractors.

OUR PROJECTS

The following table sets forth a breakdown of our revenue, our gross profit and gross profit margin by project types during the Track Record Period:

	Year ended 31 March												Four months ended 31 July							
	2017				2018				2019				2018			2019				
	Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Design and build projects	146,507	95.3	35,653	24.3	207,543	96.0	38,751	18.7	213,980	91.9	47,017	22.0	82,343	97.8	18,009	21.9	69,689	76.8	13,735	19.7
Renovation projects	7,272	4.7	1,922	26.4	8,718	4.0	2,078	23.8	18,977	8.1	8,870	46.7	1,824	2.2	1,233	67.6	21,010	23.2	7,990	38.0
Total	153,779	100.0	37,575	24.4	216,261	100.0	40,829	18.9	232,957	100.0	55,887	24.0	84,167	100.0	19,242	22.9	90,699	100.0	21,725	24.0

Our Group's overall revenue increased by approximately 40.6% from approximately HK\$153.8 million for the year ended 31 March 2017 to approximately HK\$216.3 million for the year ended 31 March 2018, which was primarily due to increase in revenue derived from our design and build projects. Such increase was mainly due to the fact that we undertook more sizeable projects, in particular, the project at Muk Ning Street with an awarded contract sum (exclusive of variation orders) of approximately HK\$159.8 million and the majority of works was performed during the year ended 31 March 2018. As a result, the average revenue recognized for each design and build project increased from approximately HK\$4.2 million for the year ended 31 March 2017 to approximately HK\$6.7 million for the year ended 31 March 2018; and the average revenue recognized for each renovation project has increased from approximately HK\$0.2 million for the year ended 31 March 2017 to HK\$0.5 million for the year ended 31 March 2018. Our overall revenue further increased by approximately 7.7% to approximately HK\$233.0 million for the year ended 31 March 2019, which was mainly due to the significant increase in revenue derived from renovation projects that we have been awarded with namely, the three renovation projects in relation to the cleaning up of shattered glass and supply and installation of temporary glass panels of a hotel in Tak Fung Street, Hung Hom after the damage caused by Super Typhoon Mangkhut in September 2018 with an aggregate awarded contract sum (exclusive of variation orders) of approximately HK\$12.9 million.

SUMMARY

Along with our business growth with more sizeable design and build projects involved (such as projects at Castle Peak Road and Sze Shan Street with an aggregate contract sum of approximately HK\$227.3 million) of which the contract works have commenced during the year ended 31 March 2019, our average revenue recognized for each design and build project has increased from approximately HK\$6.7 million for the year ended 31 March 2018 to approximately HK\$9.7 million for the year ended 31 March 2019.

The revenue of our Group increased by approximately 7.7% from approximately HK\$84.2 million for the four months ended 31 July 2018 to approximately HK\$90.7 million for the four months ended 31 July 2019, which was a net result of the decrease in revenue derived from design and build projects resulting from the substantial completion of our projects at Victoria Road and Muk Ning Street in mid-2018 and the newly awarded projects (such as projects at So Kwun Wat Road and Muk Tai Street) being in pre-execution stage and yet to contribute significant revenue; and the significant increase in revenue derived from renovation projects, primarily due to the fact that we were awarded with a new project in February 2019 of the same customer and location of our previous renovation project in Tak Fung Street, Hung Hom in relation to the supply and installation of permanent glass panels with awarded contract sum (exclusive of variation orders) of approximately HK\$17.4 million and has recorded revenue of approximately HK\$13.9 million for the four months ended 31 July 2019. As a result, average revenue recognized for each design and build project has decreased from approximately HK\$6.3 million for the four months ended 31 July 2018 to approximately HK\$5.0 million for the four months ended 31 July 2019 while that of each renovation project has increased from approximately HK\$0.2 million to HK\$1.8 million for the same period in 2019.

Along with the increase in revenue, our gross profit has increased gradually during the Track Record Period. The gross profit for our design and build projects has increased from approximately HK\$35.7 million for the year ended 31 March 2017 to approximately HK\$38.8 million for the year ended 31 March 2018, while the corresponding gross profit margin has decreased from approximately 24.3% to 18.7% during the same period, which was mainly due to the fact that our Group has recorded a relatively lower gross profit margin of approximately 16.5% in our project at Muk Ning Street, our largest design and build project in 2018. Our gross profit for design and build projects has further increased to approximately HK\$47.0 million for the year ended 31 March 2019 and the corresponding gross profit margin was approximately 22.0%, which was mainly attributable to the recording of gross profit margins of over 28% for three projects, of which their aggregate gross profit has accounted for approximately 55.7% of our gross profit for design and build projects for the year ended 31 March 2019 (for the year ended 31 March 2018: 0.5%). Our gross profit for renovation projects has increased significantly from approximately HK\$2.1 million for the year ended 31 March 2018 to approximately HK\$8.9 million for the year ended 31 March 2019, which was in line with the increase in our revenue derived from renovation projects as discussed above. The corresponding gross profit margin has also increased from approximately 23.8% for the year ended 31 March 2018 to approximately 46.7% for the year ended 31 March 2019. This increase

SUMMARY

was primarily attributable to a higher gross profit margin recorded for three renovation projects in Tak Fung Street, Hung Hom due to the unfavorable site environment and that our customer had requested us to commence and complete the work within a short period of time.

The fluctuation of our gross profit for design and build projects and renovation projects for the four months ended 31 July 2019 was generally in line with the fluctuation of our revenue during the same period. We recorded a fairly stable gross profit margin for our design and build projects of approximately 21.9% and 19.7% for the four months ended 31 July 2018 and 2019 respectively, while gross profit margin for our renovation projects has decreased from approximately 67.6% for the four months ended 31 July 2018 to approximately 38.0% for the same period in 2019, which was primarily due to the fact that we had certain small renovation projects with relatively higher gross profit margin recorded for the four months ended 31 July 2018. In February 2019, we were awarded with another renovation project at Tak Fung Street with awarded contract sum (inclusive of variation orders) of approximately HK\$17.4 million and recorded gross profit margin of approximately 39.0% for the four months ended 31 July 2019. The gross profit from this project has accounted for approximately 67.5% of our gross profit from renovation projects for the four months ended 31 July 2019.

The following table sets forth a breakdown of our revenue, our gross profit and gross profit margin by types of building during the Track Record Period:

	Year ended 31 March												Four months ended 31 July							
	2017				2018				2019				2018			2019				
	Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Residential	126,935	82.5	32,184	25.4	171,132	79.1	30,648	17.9	196,990	84.6	47,670	24.2	64,079	76.1	16,283	25.4	69,531	76.7	13,247	19.1
Non-residential	26,844	17.5	5,391	20.1	45,129	20.9	10,181	22.6	35,967	15.4	8,217	22.8	20,088	23.9	2,959	14.7	21,168	23.3	8,478	40.1
Total	153,779	100.0	37,575	24.4	216,261	100.0	40,829	18.9	232,957	100.0	55,887	24.0	84,167	100.0	19,242	22.9	90,699	100.0	21,725	24.0

Gross profit margins of residential building projects for the year ended 31 March 2017 and 2019 were relatively stable. We recorded a relatively lower gross profit margin for our residential building projects for the year ended 31 March 2018, mainly because we had recorded a relatively lower gross profit margin for our project at Muk Ning Street as mentioned above.

For the four months ended 31 July 2019, the gross profit margin for our non-residential building projects has increased to approximately 40.1% from approximately 14.7% for the four months ended 31 July 2018, because we had recorded gross profit margin of approximately 39.0% for our renovation project in relation to the supply and installation of permanent glass panels of a hotel in Tak Fung Street. This project's gross profit has accounted for approximately 63.5% of our gross profit for non-residential building projects for the four months ended 31 July 2019.

During the Track Record Period, we completed a total of 13 projects with individual revenue contribution over HK\$5 million. Together, their revenue contribution amounted to approximately HK\$394.4 million, representing approximately 56.9% of our total revenue

SUMMARY

during the Track Record Period. As at the Latest Practicable Date, we had a total of 14 ongoing projects, each with an aggregate contract sum (exclusive of variation orders) of HK\$5 million or above and the aggregate contract sum of these ongoing projects (inclusive of variation orders and contractual adjustment as at 31 July 2019) amounted to approximately HK\$829.3 million.

The following table sets forth a breakdown of the design and build projects awarded to and completed by our Group during the Track Record Period and up to the Latest Practicable Date by ranges of contract sum (exclusive of variation orders):

	Year ended 31 March						Four months ended 31 July		From 1 August 2019 up to the Latest Practicable Date	
	2017		2018		2019		2019			
	<i>Number of projects</i>		<i>Number of projects</i>		<i>Number of projects</i>		<i>Number of projects</i>		<i>Number of projects</i>	
	<i>Awarded</i>	<i>Completed</i>	<i>Awarded</i>	<i>Completed</i>	<i>Awarded</i>	<i>Completed</i>	<i>Awarded</i>	<i>Completed</i>	<i>Awarded</i>	<i>Completed</i>
Contract sum										
Above HK\$50 million	1	–	1	1	2	1	1	–	1	–
Above HK\$10 million to HK\$50 million	1	5	2	2	2	1	–	–	1	–
HK\$10 million and below	15	16	16	22	5	9	1	2	2	2
Total	17	21	19	25	9	11	2	2	4	2

The following table sets out our top five completed projects by revenue contribution during the Track Record Period and up to the Latest Practicable Date:

No.	Location	Type of building	Type of work	Nominated subcontractor	Time of commencement	Time of completion	Awarded contract sum (inclusive of variation orders and adjustments)	Revenue recognised during the Track Record Period
							HK\$'000	HK\$'000
1.	Muk Ning Street	Residential	Design and build	Yes	June 2016	August 2018	174,960	174,960
2.	Kwong Yip Street	Residential	Design and build	Yes	December 2014	October 2017	101,581	96,194
3.	Victoria Road	Non-residential	Design and build	No	November 2016	July 2018	38,752	38,752
4.	Austin Road	Non-residential	Design and build	No	April 2015	March 2018	17,701	14,256
5.	Chi Shin Street	Residential	Design and build	No	September 2015	September 2017	11,439	11,439

SUMMARY

The following table sets out our major ongoing projects by contract sum as at the Latest Practicable Date:

No.	Location	Types of building	Type of work	Nominated subcontractor	Time of commencement	Expected time of completion	Aggregate contract sum	Accumulated revenue	Outstanding
							(inclusive of variation orders and adjustments)	recognised up to 31 July 2019	contract sum as at 31 July 2019
							<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1.	Muk Tai Street	Residential	Design and build	Yes	May 2019	April 2021	261,387	–	261,387
2.	So Kwun Wat Road	Residential	Design and build	No	December 2018	February 2021	144,600	11,588	133,012
3.	Sze Shan Street	Residential	Design and build	Yes	February 2018	February 2020	85,128	53,198	31,930
4.	Sassoon Road	Non-residential	Design and build	No	November 2019	April 2022	82,806	–	N/A
5.	Castle Peak Road	Residential	Design and build	No	May 2018	December 2019	63,631	45,366	17,265

For more details about our projects, please refer to the section headed “Business — Our Services and Projects” of this prospectus.

OUR PROJECT BACKLOG

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

	Year ended 31 March			Four months ended	From 1 August
	2017	2018	2019	31 July 2019	2019 to the Latest Practicable Date
	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>
Projects brought forward from prior financial year/period	28	22	12	12	13
New projects awarded	50	31	48	11	7
Projects completed	(56)	(41)	(48)	(10)	(5)
Ongoing projects	22	12	12	13	15

SUMMARY

	Year ended 31 March			Four months ended 31 July 2019	From 1 August 2019 to the Latest Practicable Date
	2017	2018	2019		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		
Opening value of backlog	142,461	227,362	276,030	289,388	485,465
Awarded contract sum	225,532	260,079	213,733	283,226	104,599
Variation orders	13,148	4,850	32,582	3,550	4,358
Revenue recognized	(153,779)	(216,261)	(232,957)	(90,699)	(94,134)
Ending value of backlog	<u>227,362</u>	<u>276,030</u>	<u>289,388</u>	<u>485,465</u>	<u>500,288</u>

As at the Latest Practicable Date, we had 12 and three ongoing design and build projects and renovation projects respectively, out of which we had 14 ongoing projects each with contract sum (exclusive of variation orders) of HK\$5 million or above. Please refer to the section headed “Business — Details of our ongoing projects as at the Latest Practicable Date” in this prospectus for further details. Based on the latest progress of the respective projects as at the Latest Practicable Date, we expect that these projects will contribute revenue to our Group of approximately HK\$213.7 million for the remaining eight months ending 31 March 2020, of which approximately HK\$200.2 million and HK\$13.5 million will be derived from the ongoing design and build projects and renovation projects respectively.

COMPETITION AND COMPETITIVE STRENGTHS

According to the Ipsos Report, the façade works industry has a number of participants which is highly competitive. It is considered to be mature and consolidated with approximately 30 to 40 major companies performing façade works in the industry in 2018. In the façade works industry, market players may specialise in a particular façade category such as window and window system, podium façade or curtain wall, or adopt a fairly diversified product portfolio with involvement in each category of façade depending on their own business development and strategies. The Group is one of the players with a focus on window works for over 10 years. The top five players accounted for 50.9% market share of the façade works industry. Our revenue is approximately HK\$233.0 million for the year ended 31 March 2019, accounting for 4.1% market share of the façade works industry in Hong Kong in 2018.

Our Directors believe the competitive strengths which contribute to our continued success and potential for growth include (i) our well established presence in the façade works industry focusing on window in Hong Kong; (ii) our long-term business relationships with some of our major customers and property developers; (iii) our stable business relationships with our major building material suppliers and subcontractors who could supply building materials and perform installation works with reliable quality; (iv) our extensive experience

SUMMARY

and technical know-how of our management team; and (v) our experience in windows in the façade works industry. Please refer to the section headed “Business — Our competitive strengths” of this prospectus for a detailed description of our competitive strengths.

OUR STRATEGIES

We aim to expand our business in Hong Kong and strengthen our financial position. We plan to implement the following strategies:

- Strengthen our financial position with the proceeds from the Share Offer by applying a majority of these proceeds for obtaining surety bonds and payment of upfront costs; and
- Expand our project management team, design team and supporting staff with corresponding expansion of our office.

Please refer to the sections headed “Business — Business strategies” and “Future Plans and Use of Proceeds — Future plans” of this prospectus for a detailed description of these strategies.

OUR CUSTOMERS

Our customers are mainly main contractors for our design and build projects while we are mainly engaged by owners and tenants of properties, and their contractors for renovation projects. During the Track Record Period, all of our revenue were derived from our contract works performed in Hong Kong.

For each of the three years ended 31 March 2019 and the four months ended 31 July 2019, approximately 97.0%, 96.0%, 96.7% and 98.8% of our Group’s total revenue was attributable to our five largest customers respectively. In particular, our largest customer for each of the year ended 31 March 2018 and 2019 has contributed over 50% to our revenue for the respective year.

For associated disclosures on customer concentration, please refer to the section headed “Business — Customers — Customer Concentration”.

Pricing strategies

We generally set the tender price based on the estimated costs to be incurred plus a certain mark-up margin, which is determined by our management on a project-by-project basis after considering various factors including: (i) the scale and type of building; (ii) scope and complexity of the project; (iii) the customer’s historical certifying and payment pattern; (iv) the availability of our resources; (v) the expected costs of building materials and subcontracting costs; (vi) the completion time requested by customer; and (vii) the prevailing market conditions.

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Credit Policy

We generally receive progress payments of our design and build projects and certain renovation projects after relevant works are certified by our customers. During the Track Record Period, the payments paid to our Group were generally settled by cheque or bank transfer. Once the work completed has been certified by our customers, we typically receive progress payments within 30 days of presentation of a payment certificate. Our Group will continuously review and identify any long outstanding receivables.

OUR SUPPLIERS

Our Group's suppliers generally include (i) building material suppliers for materials used in our projects, such as aluminium windows and metal doors; (ii) subcontractors for installation works; and (iii) providers of other miscellaneous services such as rental of elevating platforms and machinery, transportation of materials and cleaning services. During the Track Record Period, all of our suppliers were either located in Hong Kong or the PRC.

During the Track Record Period, our cost of sales mainly comprised subcontracting costs, building material costs, direct staff costs and other costs. For each of the three years ended 31 March 2019 and the four months ended 31 July 2019, purchases from our largest supplier accounted for approximately 17.2%, 41.5%, 17.4% and 16.0% of our total purchases, respectively, and purchases from our five largest suppliers in aggregate accounted for approximately 54.2%, 70.0%, 54.6% and 41.4% of our total purchases, respectively. For further details, please refer to the section headed "Business — Suppliers" in this prospectus.

USE OF PROCEEDS

Assuming an Offer Price of HK\$0.52, being the mid-point of the indicative Offer Price range, and after deducting related underwriting fees and estimated expenses in connection with the Share Offer, our Group estimates that the aggregate net proceeds to our Company from the Share Offer will be approximately HK\$87.0 million. Our Directors presently intend to apply the net proceeds from the Share Offer as follows:

- approximately HK\$34.4 million (or approximately 39.6%) will be used for satisfying the surety bond requirements (being 10% of the estimated awarded contract sum of each project) of our awarded projects at Muk Tai Street and Sassoon Road in full;
- approximately HK\$34.7 million (or approximately 39.8%) for payment of the upfront costs of our awarded projects at Sin Fat Road and Sassoon Road and other potential new projects for which we had submitted tender as at the Latest Practicable Date;

SUMMARY

- approximately HK\$12.6 million (or approximately 14.5%) will be used for further expansion of our project management team, design team and supporting staff and also rent a new office with corresponding purchase of computers; and
- approximately HK\$5.3 million (or approximately 6.1%) will be used for general working capital purpose.

For further details regarding our future plans, please refer to the section headed “Future Plans and Use of Proceeds” of this prospectus.

REASONS FOR AND BENEFITS OF THE LISTING

The principal reasons that our Directors believe that the Listing would be crucial to our Group are summarised below:

- By leveraging on our ongoing projects as at the Latest Practicable Date and the tenders that we have submitted subsequent to the Track Record Period and our strengthened capability in undertaking more sizeable projects subsequent to the Listing, our Directors believe that we are well positioned to capture new business opportunities, strengthen our market position and expand our market share in the façade works industry in Hong Kong.
- We have a genuine funding need to expand our business. Our capability to undertake more projects of different scale hinges on our financial ability to obtain surety bonds and settle upfront costs. Our Directors consider that our current cash level would restrict our growth and our ability to further expand since we may not be able to undertake more sizeable projects with larger contract sums which would inevitably require more available cash for upfront project costs and working capital at the project level.
- Funding is needed for paying upfront costs of our potential projects. Due to our business nature, we may experience net cash outflows after we are awarded with a project and at the early stage of a project after its commencement.
- Debt financing does not provide enough funding at reasonable costs for our intended business expansion.
- Listing will assist our Group achieve further growth by facilitating the capturing of future opportunities and securing of more large-scale construction projects through achieving a listing status and with an increase in cash flow liquidity position.

Please refer to the section headed “Future Plans and Use of Proceeds — Reasons for and benefits of the Listing” of this prospectus for details.

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RISK FACTORS

Our business is subject to a number of risks and there are risks relating to an investment in the Offer Shares. Our Directors believe that some of the major risks that may have a material adverse impact on us are as follows:

- Our projects are non-recurring in nature and we generally have to go through competitive tendering or quotation process to secure new projects. Failure to continuously secure new projects could materially affect our sustainability and financial performance;
- Revenue derived from our five largest customers accounted for a substantial portion of our total revenue, failure to retain business relationships with existing customers or secure new business may materially affect our results of operation and financial performance;
- We rely on building material suppliers and subcontractors to implement our projects;
- Under-performance by our subcontractors or unavailability of subcontractors may adversely affect our operations, profitability and reputation;
- There may be net cash outflow during certain periods of our operations due to payment practice and this may affect our ability to secure new projects and expand our business; and
- Changes in the supply and costs of building materials, subcontracting fees and other costs overruns may materially and adversely affect our operations and profitability.

The risks mentioned above are not the only significant risks that may affect our business and results of operations. As different investors may have different interpretations and standards for determining materiality of risks, shareholders and potential investors are advised to read the entire section headed “Risk Factors” in this prospectus carefully.

LEGAL PROCEEDINGS AND COMPLIANCE

As at the Latest Practicable Date, we had one ongoing employee compensation claim, the plaintiff of which is an employee of our subcontractor. The action is covered by the insurance policy under the contract of the relevant project. The conduct of the case has been taken over by the insurance company and the amount of claim will be subject to the assessment made by the Court. Our Directors confirm that they were not aware of any circumstances suggesting that the insurer is going to avoid covering our liabilities under our ongoing litigations and are therefore of the view that the ongoing litigation has no material financial and operational impact on our Group.

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For details, please refer to the section headed “Business – Legal Proceedings and Compliance” of this prospectus.

CONTROLLING SHAREHOLDERS

Immediately after the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of any option which has been or may be granted under the Share Option Scheme), each of Mr. YW Chen through Ornate Bright will be interested in 75% of the issued share capital of our Company. As such, each of Mr. YW Chen and Ornate Bright is regarded as a Controlling Shareholder. For further details, please refer to the section headed “Relationship with our Controlling Shareholders – Our Controlling Shareholders” of this prospectus.

SUMMARY OF OPERATIONAL AND FINANCIAL INFORMATION

Our financial conditions and results of operation have been and will continue to be influenced by a number of key factors. The most significant factors are (i) the level of demand for design and build services for façade works in Hong Kong; (ii) the non-recurring and project-based nature of the project; (iii) the accuracy in the estimation of time and costs involved in projects before submitting tender or providing fee quotations; and (iv) the level of subcontracting costs and building material costs.

For detailed analysis of our Group’s financial information, please refer to the section headed “Financial Information” of this prospectus.

The table below sets forth the key financial information of our Group extracted from our consolidated financial statements in the Accountants’ Report in Appendix I to this prospectus. The following information should be read in conjunction with the section headed “Financial Information” in the prospectus and the consolidated financial statements and the related notes in the Accountants’ Report in Appendix I to this prospectus.

Summary of the consolidated statements of profit or loss and other comprehensive income

	Year ended 31 March			Four months ended 31 July	
	2017	2018	2019	2018	2019
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	153,779	216,261	232,957	84,167	90,699
Gross profit	37,575	40,829	55,887	19,242	21,725
Profit before tax	31,572	32,455	41,030	12,119	17,222
Profit for the year/ period	26,398	27,174	33,210	9,494	14,199

SUMMARY

For each of the three years ended 31 March 2019 and the four months ended 31 July 2019, our Group's gross profit margins were approximately 24.4%, 18.9%, 24.0% and 24.0%, respectively. Please refer to subsection headed "Our projects" in this section for details of the fluctuation of our gross profit and gross profit margins during the Track Record Period.

Our Group recorded net profit margin of approximately 17.2%, 12.6%, 14.3% and 15.7%, respectively, for each of the three years ended 31 March 2019 and the four months ended 31 July 2019. Our net profit increased from approximately HK\$26.4 million for the year ended 31 March 2017 to approximately HK\$27.2 million for the year ended 31 March 2018 which was mainly attributable to the increase in our gross profit and partially offset by the increase in administrative expenses and the increase in impairment loss provided on our trade receivables and contract assets by approximately HK\$1.9 million. Our net profit further increased to approximately HK\$33.2 million for the year ended 31 March 2019, which was due to (i) the increase in gross profit with a relatively higher gross profit margin; and partially offset by (ii) the increase in administrative expenses mainly resulted from the increase in listing expenses and staff costs ; and (iii) the increase in income tax expenses with higher effective tax rate. Our net profit increased from approximately HK\$9.5 million for the four months ended 31 July 2018 to approximately HK\$14.2 million for the four months ended 31 July 2019, which was mainly due to the increase in our revenue and gross profit with a relatively higher gross profit margin and partially offset by the increase in income tax expenses.

For analysis regarding our results of operations during the Track Record Period, please refer to the sections headed "Financial Information — Results of Operations" and "Financial Information – Principal Components of Results of Operations" in this prospectus.

Summary of the consolidated statements of financial position

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	1,217	1,739	1,318	1,096
Current assets	82,278	101,314	137,756	166,855
Non-current liabilities	634	236	36	73
Current liabilities	28,800	21,582	32,540	47,181
Net current assets	53,478	79,732	105,216	119,674
Net assets	54,061	81,235	106,498	120,697

For analysis regarding our Group's financial position as at each of the year/period end of the Track Record Period, please refer to the section headed "Financial Information — Analysis of Certain Items of the Consolidated Statements of Financial Position" in this prospectus.

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Summary of the consolidated statements of cash flows

	Year ended 31 March			Four months ended 31 July	
	2017	2018	2019	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating cash flows before changes in working capital	37,442	36,755	44,633	13,326	18,285
Net cash flows generated from/ (used in) operating activities	20,110	(310)	21,539	9,597	13,424
Net cash flows (used in)/generated from investing activities	(8,915)	580	(10,531)	67	296
Net cash flows used in financing activities	(568)	(1,084)	(1,195)	(399)	(399)
Net increase/(decrease) in cash and cash equivalents	10,627	(814)	9,813	9,265	13,321
Cash and cash equivalents at the beginning of the year/period	5,529	16,156	15,342	15,342	25,155
Cash and cash equivalents at the end of the year/period	16,156	15,342	25,155	24,607	38,476

Except for a slight decrease for the year ended 31 March 2018, our operating cash flows before changes in working capital during the Track Record Period were generally in line with the increase in our profit before tax. The decrease for the year ended 31 March 2018 was mainly attributable to the increase in impairment loss provided on our trade receivables and contracts assets by approximately HK\$1.9 million in respect of receivables from our customer on project at Kwu Tung, Sheung Shui as our Directors considered such amounts to be irrecoverable.

We recorded net cash outflow from operating activities of approximately HK\$0.3 million, after netting off profit before tax for the year ended 31 March 2018. This was mainly attributable to (i) the increase in trade receivables of approximately HK\$29.8 million which was in line with the increase in our revenue; (ii) the increase in prepayments, deposits and other receivables of approximately HK\$2.6 million; (iii) the decrease in trade and retention payables of approximately HK\$3.1 million; and (iv) income tax paid of approximately HK\$8.3 million, and partially offset by the net decrease on the movement in contract assets and liabilities of approximately HK\$6.7 million.

The significant increase in net cash flows used in investing activities for the year ended 31 March 2019 of approximately HK\$10.5 million as compared to net cash flows generated from investing activities of approximately HK\$0.6 million for the year ended 31 March 2018 was mainly due to the increase in pledged deposits of approximately HK\$9.9 million for obtaining the surety bonds.

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For analysis regarding our cash flows during the Track Record Period, please refer to the section headed “Financial Information — Liquidity and Capital Resources — Cash Flows” in this prospectus.

Key financial ratios

The following table sets forth a summary of our key financial ratios during the Track Record Period:

	As at/for the year ended 31 March			As at/for the four months ended 31
	2017	2018	2019	July 2019
Net profit margin	17.2%	12.6%	14.3%	15.7%
Return on total assets	31.6%	26.4%	23.9%	N/A
Return on equity	48.8%	33.5%	31.2%	N/A
Interest coverage	427.6 times	171.8 times	252.7 times	352.4 times
Current ratio	2.9 times	4.7 times	4.2 times	3.5 times
Quick ratio	2.9 times	4.7 times	4.2 times	3.5 times
Gearing ratio	14.6%	8.8%	5.7%	4.8%
Net debt to equity ratio	N/A	N/A	N/A	N/A

For analysis of our key financial ratios during the Track Record Period, their respective basis of calculation and the explanation of the material fluctuations, please refer to the section headed “Financial Information — Key Financial Ratios” in this prospectus.

Our tender success rate for design and build projects

	Year ended 31 March			Four months ended 31 July
	2017	2018	2019	2019
Number of tenders submitted	11	17	19	12
Number of projects awarded through tendering	5	5	4	–
Tender success rate (%)	45.5	29.4	21.1	N/A

For the basis of calculation and explanation of the fluctuations of our tender success rate, please refer to section headed “Business — Our Services and Projects — Operating Procedure”. For each of the three years ended 31 March 2019 and the four months ended 31 July 2019, approximately HK\$118.1 million, HK\$187.6 million, HK\$211.9 million and HK\$69.7 million, representing approximately 80.6%, 90.4%, 99.0% and 100.0% respectively, of our revenue from design and build projects were generated through tendering. For design and build projects, our Group may either act as a nominated subcontractor or a domestic subcontractor.

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RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period, our Group was awarded with two design and build projects in relation to a residential development in Sin Fat Road with awarded contract sum of approximately HK\$16.0 million and in relation to a school development at Sassoon Road with awarded contract sum of approximately HK\$82.8 million. As at the Latest Practicable Date, our Group had 14 ongoing projects each with an awarded contract sum (exclusive of variation orders) of over HK\$5 million and the last expected completion time of such projects is April 2022. Please refer to the section headed “Business – Our Services and Projects – Details of our ongoing projects as at the Latest Practicable Date” to this prospectus for further details.

As at the Latest Practicable Date, we expect that these ongoing design and build and renovation projects will contribute revenue to our Group of approximately HK\$213.7 million for the remaining eight months ending 31 March 2020, based on the latest progress of the respective projects. We are also awaiting the results of 16 tenders with aggregate tender sum of approximately HK\$1,011.1 million including a potential design and build project in relation to a residential development in Castle Peak Road with a tender sum of approximately HK\$121.0 million.

All the balances of our unbilled revenue as at 31 July 2019 were subsequently billed as at the Latest Practicable Date. However, a majority of the balance of our retention money as at 31 July 2019 remained unsettled as at the Latest Practicable Date as the defect liability period of the respective projects had yet to expire and all of our trade receivables outstanding as at 31 July 2019 were settled as at the Latest Practicable Date. It is expected that our Group will continue to incur listing expenses for the year ending 31 March 2020 which amount will be significant as compared to that for the year ended 31 March 2019. As the listing expenses are not deductible for tax purposes and more listing expenses are expected to be incurred for the remaining eight months ending 31 March 2020, the effective tax rate of our Group for the year ending 31 March 2020 is expected to remain high.

Saved as disclosed in this section and the paragraph headed “Listing expenses” in this section below, our Directors confirm that, up to the date of this prospectus, despite the trade war, political and economic turmoil and social unrest in Hong Kong, there had been no material adverse change in the business or financial condition of our Group since 31 July 2019 (being the date to which the latest audited consolidated financial statements of our Group were prepared) and there is no event since 31 July 2019 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

LISTING EXPENSES

Assuming the Offer Price of HK\$0.52 per Share, being the mid-point of the indicative Offer Price range, the total amount of listing expenses and commissions in connection with the Share Offer is estimated to be approximately HK\$43.0 million.

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Of the aggregate listing expenses of approximately HK\$43.0 million, approximately HK\$19.1 million directly attributable to the issue of new Shares is to be accounted for as a deduction from equity. Of the remaining HK\$23.9 million, approximately HK\$7.5 million and HK\$2.4 million, respectively, were recognized in the consolidated statement of profit or loss for the year ended 31 March 2019 and the four months ended 31 July 2019; and the remaining amount of approximately HK\$14.0 million is expected to be recognized in the consolidated statement of profit or loss for the eight months ending 31 March 2020. The listing expenses are estimates only and subject to adjustments based on audit and the actual amount incurred or to be incurred. Expenses in relation to the Listing are non-recurring in nature.

SHARE OFFER STATISTICS

	Based on minimum indicative Offer Price of HK\$0.50	Based on maximum indicative Offer Price of HK\$0.54
Market capitalisation of our Shares (<i>Note 1</i>)	HK\$500 million	HK\$540 million
Unaudited pro forma adjusted consolidated net tangible assets per Share (<i>Note 2</i>)	HK\$0.21	HK\$0.22

Notes:

- 1 The calculation of market capitalisation is based on the 1,000,000,000 Shares expected to be in issue at the Offer Price immediately upon completion of the Capitalisation Issue and the Share Offer.
- 2 The unaudited pro forma adjusted consolidated net tangible assets per Share has been arrived at after adjustments referred to in “Unaudited Pro Forma Financial Information – Unaudited pro forma adjusted consolidated net tangible assets” in Appendix II to this prospectus and on the basis of 1,000,000,000 Shares to be in issue at the Offer Price immediately upon completion of the Capitalisation Issue and the Share Offer.
- 3 No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 July 2019.

DIVIDENDS

No dividend was declared by our Company since its incorporation. During the year ended 31 March 2019, dividends of approximately HK\$7.9 million were declared by certain subsidiaries of our Company and fully settled against the current account with our Director.

Prospective investors should note that historical dividend distributions are not indicative of our future dividend distribution and there is no guarantee that dividends will be paid in the future. The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operations and financial performance, profitability, business development, prospects, capital requirements and economic outlook. It is also subject to the approval of our Shareholders as well as any applicable laws.

DEFINITIONS AND GLOSSARY

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

“Accountants’ Report”	the accountants’ report set out in Appendix I to this prospectus
“affiliate(s)”	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s) and GREEN Application Form(s), or where the context so requires, any of them, relating to the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association adopted by our Company on 12 December 2019 to take effect on the Listing Date, a summary of which is set out in Appendix III to this prospectus and as amended from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Board of Directors” or “Board”	our board of Directors
“Building Authority”	the Director of Buildings under the Buildings Ordinance
“Buildings Department”	Buildings Department of the Government
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are normally open for business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate

DEFINITIONS AND GLOSSARY

“Capitalisation Issue”	the issue of 749,999,997 Shares to be made upon capitalisation of part of the amount standing to the credit of our share premium account as referred to in the section headed “A. Further information about our Company — 3. Written resolutions of our sole Shareholder passed on 12 December 2019” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	the chairman of our Board, namely, Mr. YW Chen
“Chevalier”	collectively, Chevalier Construction (Hong Kong) Limited and Chevalier (Construction) Co. Limited, being Independent Third Parties, which together were one of our Group’s five largest customers during the Track Record Period
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of China and Taiwan
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS AND GLOSSARY

“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	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”	Wah Wo Holdings Group Limited (華和控股集團有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 18 May 2018 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 20 June 2018
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transactions(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)” or “our Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and in the context of this prospectus unless otherwise required, means Mr. YW Chen and Ornate Bright or any of them
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 12 December 2019 and entered into between our Controlling Shareholders and our Company pursuant to which our Controlling Shareholders agree to provide us with certain indemnities, a summary of which is set out in the section headed “E. Other Information — 1. Tax and other indemnities” in Appendix IV to this prospectus

DEFINITIONS AND GLOSSARY

“Deed of Non-competition”	the deed of non-competition dated 12 December 2019 and entered into between our Controlling Shareholders and our Company, a summary of which is set out in the section headed “Relationship with our Controlling Shareholders — Non-competition undertaking and corporate governance measures to manage conflict of interests — Undertakings” of this prospectus
“Director(s)”	the director(s) of our Company
“GDP”	gross domestic product
“Government” or “government”	unless otherwise stated, the government of the HKSAR
“Grand Tech”	Grand Tech Construction Co., Ltd., an Independent Third Party and one of our Group’s five largest customers during the Track Record Period
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company
“HK eIPO White Form”	the application for the Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk or the IPO App
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company as specified on the website at www.hkeipo.hk or in the IPO App
“HKFRS”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

DEFINITIONS AND GLOSSARY

“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of our Company
“Hong Kong Dollars”, “HK\$” or “HK Dollars”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Third Party(ies)”	a person(s) or company(ies) who/which, so far as our Directors are aware after having made all reasonable enquiries, is not a connected person of our Company
“IPO App”	the mobile application for HKeIPO While Form service which can be downloaded by searching “IPO App” in App Store or Google Play or download at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“Ipsos”	Ipsos Asia Limited, an industry research consultant and an Independent Third Party
“Ipsos Report”	the industry report provided by Ipsos, which was commissioned by us in relation to, among other things, the overview of the industry in which our Group operates, a summary of which is set out in the section headed “Industry Overview” of this prospectus
“Joint Bookrunners”	First Shanghai Securities Limited, Guotai Junan Securities (Hong Kong) Limited, Shanxi Securities International Limited, Essence International Securities (Hong Kong) Limited, and Astrum Capital Management Limited
“Joint Lead Managers”	First Shanghai Securities Limited, Guotai Junan Securities (Hong Kong) Limited, Shanxi Securities International Limited, Essence International Securities (Hong Kong) Limited, Astrum Capital Management Limited, Conrad Investment Services Limited, Fruit Tree Securities Limited, and Quasar Securities Co., Limited
“Latest Practicable Date”	21 December 2019, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Legal Counsel”	Mr. Chan Chung, barrister-at-law of Hong Kong
“Listing”	the listing of our Shares on the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange

DEFINITIONS AND GLOSSARY

“Listing Date”	the date, expected to be on or about 17 January 2020, on which our Shares are listed and from which dealings in our Shares commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel to GEM of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, adopted on, and with effect from 12 December 2019, a summary of which is set out in Appendix III to this prospectus and as amended from time to time
“Mr. YW Chen”	Mr. Chen Yuet Wa (陳越華), a permanent resident of Hong Kong, our Chairman and chief executive officer, one of our executive Directors and a Controlling Shareholder
“Mr. ZC Chen”	Mr. Chen Zhenchuan (陳振川), a permanent resident of Hong Kong and a brother of Mr. YW Chen
“Nomination Committee”	the nomination committee of our Board
“Offer Price”	the final offer price per Offer Share (exclusive of a brokerage fee of 1.0%, an SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005%) to be determined in the manner described in the section headed “Structure and Conditions of the Share Offer” of this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Ornate Bright”	Ornate Bright Limited (華曜有限公司), a company incorporated in the BVI with limited liability on 18 April 2018, being a Controlling Shareholder and is wholly-owned by Mr. YW Chen
“Paul Y.”	collectively, Paul Y. Builders Limited, Paul Y. Construction & Engineering Co., Ltd, Paul Y. General Contractors Limited and PYE General Contractors (Macau) Limited, being Independent Third Parties, which together were one of our Group’s five largest customers during the Track Record Period

DEFINITIONS AND GLOSSARY

“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters with professional, institutional, corporate and/or other investors at the Offer Price, as further described in the section headed “Structure and Conditions of the Share Offer” of this prospectus
“Placing Shares”	the 225,000,000 Shares initially being offered by us for subscription under the Placing, subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” of this prospectus
“Placing Underwriters”	the underwriters of the Placing
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing expected to be entered into by, among others, our Company and the Placing Underwriters on or about the Price Determination Date
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Company (Winding Up and Miscellaneous Provisions) Ordinance
“Price Determination Agreement”	the agreement to be entered into between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about 9 January 2020 or such later date as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), on which the Offer Price will be determined for the purposes of the Share Offer
“Public Offer”	the offer by the Company of the Public Offer Shares for subscription to the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) as described in the section headed “Structure and Conditions of the Share Offer” of this prospectus and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto

DEFINITIONS AND GLOSSARY

“Public Offer Shares”	the 25,000,000 Shares initially offered by our Company for subscription at the Offer Price pursuant to the Public Offer (as described in the section headed “Structure and Conditions of the Share Offer” of this prospectus)
“Public Offer Underwriters”	the underwriters of the Public Offer listed in the section headed “Underwriting — Public Offer Underwriters” of this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 30 December 2019 relating to the Public Offer entered into by, among others, our Company, our Controlling Shareholders, our executive Directors and the Public Offer Underwriters, as further described in the section headed “Underwriting” of this prospectus
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in the section headed “History, Reorganisation and Group Structure — Reorganisation”
“RMB” or “Renminbi”	Renminbi, the lawful currency for the time being of the PRC
“Securities Act”	the United States Securities Act of 1933, as amended from time to time
“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 the Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme our Company conditionally adopted on 12 December 2019, the principal terms of which are summarised in the section headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS AND GLOSSARY

“Sino Keen”	Sino Keen Limited (華敏有限公司), a company incorporated in the BVI with limited liability on 18 April 2018, which is a direct wholly-owned subsidiary of our Company
“Sole Sponsor” or “Sponsor” or “First Shanghai Capital”	First Shanghai Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the sole sponsor to the Share Offer
“sq.ft.”	square feet
“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the three years ended 31 March 2019 and the four months ended 31 July 2019
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “US Dollars”	United States dollar(s), the lawful currency of the United States
“Wah Kee”	Wah Kee (R&M) Limited (華記維修有限公司), a company with limited liability incorporated in Hong Kong on 15 May 2007 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS AND GLOSSARY

“Wah Kee Decoration”	Ming Lun Company Limited (銘倫有限公司) previously known as Wah Kee Decoration Limited (華記裝飾有限公司), a company with limited liability incorporated in Hong Kong on 5 April 2017
“Wah Wo”	Wah Wo Aluminium Work Company Limited (華和鋁質工程有限公司), a company with limited liability incorporated in Hong Kong on 2 April 2012 and an indirect wholly-owned subsidiary of our Company
“Xinyi Design”	Xinyi Design (Shenzhen) Company Limited* (信怡設計(深圳)有限公司) previously known as Wah Wo Design (Shenzhen) Company Limited* (華和設計(深圳)有限公司), a company established in the PRC with limited liability on 25 October 2016
“WHITE Application Form(s)”	the form(s) of application for the Public Offer Shares for use by members of the public who require such Public Offer Shares to be issued in an applicant’s own name
“YELLOW Application Form(s)”	the form(s) of application for the Public Offer Shares for use by members of the public who require such Public Offer Shares to be deposited directly into CCASS
“%”	per cent

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancy in any table between totals and sums of individual amounts listed in any table are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless expressly stated or the context otherwise requires, all data in this prospectus is as at the date of this prospectus.

All time and dates refer to Hong Kong local time and dates unless otherwise stated.

** The English names of the Chinese nationals, companies, entities, departments, facilities, certificates, titles and the like are translation of their Chinese names and are included in this prospectus for identification purpose only and should not be regarded as their English translation. In the event of any inconsistency, the Chinese name shall prevail.*

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and plans for the development of existing and new businesses and our ability to implement such strategies and plans;
- our contracts on hand;
- our financial conditions and performance;
- our dividend distribution plans;
- our ability to maintain our competitiveness and operational efficiency;
- the prospects of our business and operations, including development plans for our existing and new businesses;
- the regulatory environment, as well as the industry outlook for our industry in general;
- certain statement in the sections headed “Industry Overview”, “Regulatory Overview”, “Business”, “Financial Information”, “Relationship with our Controlling Shareholders” and “Future Plans and Use of Proceeds” with respect to trends in interest rates, exchange rates, prices, volumes, operations, margins, risk management and overall market trend; and
- other factors that are described in the section headed “Risk Factors” of this prospectus.

The words “aim”, “anticipate”, “believe”, “contemplate”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “schedule”, “seek”, “should”, “target”, “will”, “would” and the negatives forms of these terms, as well as similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. We undertake no obligation to publicly update or revise any

FORWARD-LOOKING STATEMENTS

forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise, except as required by applicable laws, rules and regulations. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

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

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks and uncertainties associated with an investment in our Company before making any investment decision relating to the Shares. Our Group's business, financial condition and results of operations could be materially and adversely affected by, and the trading prices of the Shares could decline due to, any of these risks or any uncertainty that our Group is unaware of, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our projects are non-recurring in nature and we generally have to go through competitive tendering or quotation process to secure new projects. Failure to continuously secure new projects could materially affect our sustainability and financial performance

The projects we undertake are awarded on a project-by-project basis through tender or quotation. There is no guarantee that our existing customers will continue to engage us for new projects, and our Group generally has to go through competitive tendering or quotation process to secure new projects. The result of such process is beyond our control and there is no assurance that our Group can secure new projects in the future.

We had 12 ongoing design and build projects as at the Latest Practicable Date and the last expected completion time of such projects is April 2022. The duration of our Group's design and build projects may take up to 12 to 36 months or more to complete. Our Group cannot guarantee that we can continuously secure new projects after the completion of all our design and build projects on hand.

It is critical for our Group to secure new projects at a level similar to or greater than our current business level on a continuous basis. In the event that our Group is unable to maintain business relationships with existing customers or engage with new customers, such that new projects are not continuously awarded to us, our business, sustainability and financial performance could be adversely affected.

Revenue derived from our five largest customers accounted for a substantial portion of our total revenue, failure to retain business relationships with existing customers or secure new business may materially affect our results of operation and financial performance

For each of the three years ended 31 March 2019 and the four months ended 31 July 2019, revenue derived from our five largest customers amounted to approximately HK\$149.2 million, HK\$207.9 million, HK\$225.2 million and HK\$89.6 million, respectively, which accounted for approximately 97.0%, 96.0%, 96.7%, and 98.8% of our total revenue, respectively. In particular, approximately 46.1%, 60.5%, 67.4% and 61.6% of our total revenue was attributable to our respective largest customer for each of the three years ended 31 March 2019 and the four months ended 31 July 2019, respectively.

RISK FACTORS

Our Group does not enter into any long-term written agreement with any of these major customers as the contracts are principally awarded to us on a project-by-project basis through tender. The volume and/or value of new projects initiated by our major customers also depend on their own financial condition and commercial success, and if they are unwilling or unable to make payments to us, our Group may be unable to recover significant amount of progress payment receivables and our cash flow and financial position could be adversely affected.

There is no assurance that our Group would be able to continue to obtain contracts from our major costumers in the future. In the event that our Group is unable to secure new projects from our major customers at a level similar to that in the past, and to secure a similar level of business from other customers on comparable commercial terms such that the loss of revenue from our major customers could be partly or wholly offset, our results of operation, profitability and liquidity could be materially and adversely affected.

Our Group is dependent on building material suppliers and subcontractors to implement our contracts

As our Group does not sign any long-term contracts with our building material suppliers and subcontractors, there is no assurance that they will be able to continue to provide building materials and subcontracting services to our Group at prices acceptable to us. Also, there is no assurance that our Group can still maintain the relationship with those suppliers and subcontractors in the future. In the event that any of the major building material suppliers and subcontractors are unable to provide the required building materials and subcontracting services to our Group or the costs for them to provide those required materials and services increase substantially whereas our Group fails to obtain alternative providers on similar or more favourable terms, our Group's business, results of operation, profitability and liquidity may be materially and adversely affected.

Under-performance by our subcontractors or unavailability of subcontractors may adversely affect our operations, profitability and reputation

In line with common industry practice, we engage subcontractors to carry out installation works . Whilst we closely monitor the performance of our subcontractors, there is no assurance that the work quality of our subcontractors can always meet our requirements. We are exposed to legal liabilities if we cannot monitor our subcontractors' performance, or if our subcontractors violate any laws, rules, or regulations in relation to safety, health and environmental matters. In addition, pursuant to the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), a principal contractor or a principal contractor with every superior subcontractor is/are jointly and severally liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, if such wages are not paid within the period specified in the Employment Ordinance. Our operations and hence our financial position may be adversely affected if any of our subcontractors violates its obligations to pay its employees.

RISK FACTORS

Also, there is no assurance that our Group can always identify and engage with suitable subcontractors when required, or be able to engage with subcontractors at acceptable fees and terms of service. In such events, our operations, financial performance and reputation may be adversely affected.

There may be net cash outflow during certain periods of our operations due to payment practice and this may affect our ability to secure new projects and expand our business

During the Track Record Period, we experienced fluctuation of cash flows generated from operating activities and we recorded a net cash outflow used in operating activities of approximately HK\$0.3 million for the year ended 31 March 2018. Our projects normally incur net cash outflows at the early stages when our Group is required to incur costs including but not limited to purchasing building materials from our suppliers, settlement of salaries of our direct labours and subcontractors' fees, prior to receiving progress payments from our customers. The cash flow of a particular project will turn from net outflow at the early stages into accumulative net inflow gradually as the work progresses. Our Group undertakes a number of projects at any given period, and the net cash outflow of a particular project is generally compensated by the net cash inflows from other projects. Should the mix of the projects be such that more projects are at the early stages and that the aggregate cash outflow is greater than the aggregate cash inflow, our corresponding liquidity and cashflow position may be adversely affected, which may then affect our projects' financing and progress.

Our Group expects our execution of new projects and future business development will require significant capital. There is no assurance that the capital required for securing new projects can be obtained through equity or debt financing on acceptable terms, or sufficient cash flow can be generated from our operations to meet the cash requirement. Our Group may not be financially capable of securing new projects while financing existing projects simultaneously without adequate capital, which may hinder our business expansion.

Changes in the supply and costs of building materials, subcontracting fees and other costs overruns may materially and adversely affect our operations and profitability

We obtain our projects through a competitive tendering and quotation process. We determine our price with reference to our estimates of costs of building materials, subcontracting costs, direct labour costs and other costs. However, the actual costs incurred and time spent for completing a project may vary from the estimation due to various factors.

One of the factors which may affect the actual costs of our projects is the cost of building materials. Our Group's building material costs accounted for approximately 47.5%, 63.5%, 47.9% and 38.4% of our cost of sales for each of the three years ended 31 March 2019 and the four months ended 31 July 2019, respectively. The supply and costs of building material are affected by macroeconomic conditions, production quantity and cost of such material. All of our projects are subject to the risks arising from fluctuation in the costs of building material as there is time lag between the time our Group submits the tender and the time we purchase the materials. Failure to accurately estimate the cost of materials for projects and any

RISK FACTORS

substantial increase in the price of the materials between the time of submission of the tender and the time our Group purchases the material will therefore substantially increase our costs of building materials. In the event that the costs of building materials increase due to the external factors aforementioned, which are beyond our control, our profitability may be materially and adversely affected.

Our Group generally engages subcontractors to carry out installation works. During the Track Record Period, subcontracting fee of our Group accounted for approximately 37.3%, 25.2%, 35.7% and 46.8% of our total cost of sales for each of the three years ended 31 March 2019 and the four months ended 31 July 2019, respectively. Such charges may fluctuate from time to time due to changes in, among others, macroeconomic conditions, and the supply and cost of labour in the market. If there is any unexpected and significant increase in subcontracting fees due to the abovementioned factors, the actual costs of project may be greater than the estimated costs, and our profitability may be materially and adversely affected.

A project may also take a long time than expected to complete and the risk of cost overruns increases with the duration of a project due to a higher possibility of increases in the cost of building materials and labour costs. In the event that cost overruns occur in our projects due to the factors including but not limited to the abovementioned, our Group may have to bear such increase in project costs, and the profitability and financial performance of our Group may be materially and adversely affected.

Mismanagement or delay of our projects will materially affect our reputation and financial performance

As billings are primarily based on progress claims, a delay in our project may adversely affect our receipt of progress payments, operational cash flow and financial performance. A delay in our project can be due to various factors, including but not limited to, weather conditions, safety incidents and other factors that are beyond our control. In addition, there may be a lapse of buffer time for our Group to complete a project and receive full payments before the commencement of subsequent projects, which may adversely affect our liquidity position. If a delay in completion of our project is caused by our Group, we are liable to pay damages to our contracting parties as stipulated in the contracts, as well as the additional costs incurred. Our financial performance and reputation may hence be adversely affected, which could adversely affect our future business opportunities.

We are exposed to the risk of not receiving progress payment, not recovering our contract assets or retention money not being released to us after expiry of the defect liability period on time and in full and the credit risk of our customers in general

Where projects awarded are of a relatively large scale, our Group usually receives progress payments with reference to the value of our works completed. Generally, the value of our works completed would be certified by our customers. Once the work completed has been certified by our customer, we typically receive progress payment within 30 days of

RISK FACTORS

presentation of a payment certificate. Please refer to the section headed “Business — Customers — Credit Policy” of this prospectus for more details. However, we cannot assure you that our customers will always certify our works in due course in the future. Our Group’s contract assets mainly represent (i) works performed but not yet certified and billed and (ii) retention receivables which are certain amounts payable to our Group withheld by our customers as retention money to secure the due performance of the contracts during defect liability period after completion of the relevant works. There is no assurance that we will be able to bill the amount of contract assets based on our estimated timeline or recover the full amount of contract assets. As at 31 March 2017, 2018 and 2019 and 31 July 2019, we recorded unbilled revenue of approximately HK\$33.1 million, HK\$16.1 million, HK\$53.0 million and HK\$49.3 million, respectively. There is also no guarantee that the retention money will be released to us after the expiry of defect liability period on time and in full. We recorded retention receivables of approximately HK\$10.4 million, HK\$18.0 million, HK\$18.0 million and HK\$23.0 million as at 31 March 2017, 2018 and 2019 and 31 July 2019, respectively. For details of the subsequent settlement of our contract assets, please refer to the section headed “Financial Information – Analysis of Certain Items of Consolidated Statements of Financial Position – Contract assets and contract liabilities” in this prospectus.

In addition, we are subject to credit risk of our customers in general. As at 31 March 2017, 2018 and 2019 and 31 July 2019, the net trade receivables amounted to approximately HK\$5.8 million, HK\$33.9 million, HK\$20.1 million and HK\$30.6 million, respectively. If any of our customers face unexpected situations, including, but not limited to, financial difficulties, we may not be able to receive full or any payment of uncollected sums or enforce any judgment debts against such customers.

If there is any delay or default in payment by our customers, our profitability, working capital and cash flow may be adversely affected.

Our success significantly depends on the key management and our ability to attract and retain additional façade works design team staff

Our success depends on the efforts and ability of our key management and other skilled personnel. Details of the background and experience of our Directors and senior management are set out in the section headed “Directors and Senior Management” of this prospectus. The loss of any executive Director or member of the senior management could have a material adverse effect on our business if our Group is unable to find suitable replacements in a timely manner. Our success also depends on our ability to identify, attract, recruit, train and retain additional façade and curtain wall design team staff with the requisite industry expertise and project management personnel.

Our Group may face challenges in attracting, recruiting or retaining our staff. Failure to recruit and retain the necessary personnel or the loss of a significant number of staff at any time could adversely affect our operations, business and prospects.

RISK FACTORS

Our Group may be liable for significant defects in our projects

Our projects generally include a defect liability period of 12 to 24 months from the date of practical completion during which our Group is responsible to rectify work defects. If the building materials used are defective, our Group would replace them during the defect liability period or request our suppliers to do so. If our Group is required to rectify a significant defect, i.e. a batch of material defects, during the defect liability period which may result in substantial additional costs being borne by our Group, our results of operation together with our reputation may be adversely affected.

Our Group is exposed to potential warranty claims in relation to our projects

We generally provide our customers with warranty period up to 15 years from the date of project completion or after the end of the defect liability period. During the warranty period, we are subject to potential warranty claims. We could be required to replace or rectify the defects of our work at our own cost and compensate our customers for losses or damages caused by non-performance of our works. We may also have to spend resources to defend ourselves in the event where claims or legal proceedings are instituted against us which may adversely affect our reputation. Even if we can make claims against our subcontractors for the defects of their work performed, we may not be able to fully recover the desired amount from our subcontractors. Thus, we may be required to bear the damages to our customers at our own costs and expenses and our reputation, business, financial condition and results of operations may be adversely affected.

Our Group may be exposed to non-compliance, disputes, claims or litigations

Our business operations are subject to relevant applicable laws, rules and regulations. For further details, please refer to the section headed “Regulatory Overview” of this prospectus. In the event that our Group fails to comply with such laws, rules and regulations, our Group may be subject to prosecution or fines, which may lead to our financial performance and reputation being materially affected. There may also be changes in the existing policies by the government authorities in relation to regulations regarding the construction industry, which may cause an interruption to our operations and have a material adverse effect on our business and results of operation.

Our Group may also be involved in claims or proceedings relating to warranty, indemnification or liability claims, contractual disputes with our customers or subcontractors, labour disputes, safety or other legal requirements. Legal proceedings can be time-consuming, expensive, and may divert management’s attention away from the operations of business. Moreover, if there is any significant claims raised by our customers or other interested 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 settling such claims. As such, any claims or legal proceedings to which our Group may become a party in the future may have a material and adverse impact on our business operations, financial condition and reputation.

RISK FACTORS

Our Group engages direct or indirect labour by which industrial actions or strikes may be launched, which may affect our business

Typical construction works are divided into various disciplines, and industrial actions taken by any one discipline may disrupt the progress of our projects. We cannot assure you that no industrial action and strike in relation to our business will be launched in the future. Should there be any such actions in the future, our project progress may be adversely affected, hence affecting our results of operation, financial performance and likelihood of securing future projects.

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

Our Group maintains employees' compensation insurance for all our staff members in accordance with applicable laws and regulations. Subject to the terms of a contract, contractors' all-risks insurance and third party insurance may be taken out by our customers or us for a particular project.

However, our Group may become subject to liabilities against which it is not insured adequately or at all. Should any significant property damage or personal injury occurs in the construction sites or to the workers due to accidents, natural disasters or similar events which are not wholly or partially covered by insurance, our business may be adversely affected, potentially leading to a loss of assets, lawsuits, employee compensation obligations or other form of economic loss. There is no assurance that the current levels of insurance maintained by our Group are sufficient to cover all potential risks and losses. If our Group faces any operating risks resulting from any of the aforesaid events in relation to the failure to purchase insurance, our Group may bear a substantial cost and experience a loss.

In addition, we cannot guarantee that we can renew our policies on similar or other acceptable terms, nor that the insurance premiums will not arise. Our Group may also be required by law or customers to obtain additional insurance coverage. Any further increase in insurance costs or reduction in coverage may materially and adversely affect our business operations and financial results.

Adverse weather conditions may affect the work progress of our projects. We are also subject to other construction risks such as fire, suspension of water and electricity supply

Our projects are generally undertaken outdoor and may be affected by adverse weather conditions, such as rainstorms, tropical cyclones and continuous rain. These adverse weather conditions may delay our project schedules and thus may render our Group subject to penalty and adversely affect our results of operation. Our Group may also have to subsequently accelerate work progress in order to catch up to meet the scheduled time for completion, inevitably incurring additional costs. In addition, there may also be other construction risks, such as fire and suspension of water and electricity supply, to which our Group is subject to. These risks may not only affect work progress but also pose risks on building materials and equipment kept at the construction sites. Any loss arising from these risks may adversely affect our results of operation.

RISK FACTORS

Our business plans may not be implemented successfully or be achieved within the expected time frame which may adversely affect our prospects

Our future business plans as described in the section headed “Future Plans and Use of Proceeds” of this prospectus are based on certain assumptions. The successful implementation of our business plans may be hindered by other factors beyond our control, such as the general market conditions, government policies relevant to façade works industry in Hong Kong and new market entrants.

Our Group may also need to further finance additional amount for implementing our business objectives and strategies on top of the Share Offer. Our Group cannot guarantee that adequate cash could be generated from our operations, or that we could obtain external financing, to finance such business objectives and strategies in a timely manner.

In the event that our Group fails to successfully implement our business plans, or to obtain sufficient financing in a timely manner for such implementation if so required, our results of operation, financial performance and future prospects could be adversely affected.

Our Group may not be able to completely prevent or detect fraud or other misconduct which may be committed by our employees or third parties

Our employees or third parties may commit fraud or other misconduct and such actions could subject our Group to financial losses and harm our business, operations and reputation. There is no assurance that they can be completely prevented or detected even if extensive internal controls and corporate governance practices are in place. In addition to potential financial losses, improper acts of our employees or third parties could subject our Group to third party claims and regulatory investigations. Any such fraud or other misconduct committed against our Group, whether involving past acts or future acts, could have an adverse effect on our business, results of operation, financial performance and reputation.

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

Any declaration of dividends proposed by our Directors and the amount of any such dividends will depend on various factors, including, without limitation, the results of operations, financial condition, future prospects and other factors which our Directors may determine are important. For further details of the dividends of our Company, please refer to the section headed “Financial Information — Dividends” of this prospectus. Our Group cannot guarantee if and when dividends will be paid in the future.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY IN WHICH OUR GROUP OPERATES

The construction industry in Hong Kong has been facing the problem of rising construction costs, including the costs of construction workers and construction materials

The construction industry in Hong Kong is suffering from labour shortage. This is mainly due to the growing construction industry in Hong Kong and the shortage of skillful labour as a number of skilled construction workers are approaching the age of retirement while the young people are reluctant to join the construction industry in Hong Kong. The façade works industry therefore offered higher daily wages to attract people to join the workforce and perform the related works. According to the Census and Statistics Department, the average daily wages of direct labour relating to façade works increased from HK\$1,298.5 in 2014 to HK\$1,444.2 in 2018, representing a CAGR of approximately 2.7%. The cost of construction materials have generally increased over the past years, according to the Ipsos Report. In view of the potential increase in the cost of installation labour and building materials used in our projects, our business operations and financial conditions could be materially and adversely affected.

Our Group is dependent on market conditions, changes in the façade works industry and relevant government policies in Hong Kong could adversely affect our operating performance

During the Track Record Period, all of our works were performed in Hong Kong. The future growth and level of profitability of the façade works industry in Hong Kong are likely to depend primarily upon the continued availability of major construction projects, which in turn depend likely on, amongst others, the government policies on the construction industry in Hong Kong, the investment of property developers and the prospects of Hong Kong economy. According to the Ipsos Report, the façade works industry will also be increasingly impacted by environmental concerns. These factors may affect the availability of façade and curtain wall projects from the commercial and residential sectors, in which our Group principally operates. Should the demand for façade and curtain wall in Hong Kong deteriorates due to reasons including but not limited to the aforementioned, our results of operations and profitability could be adversely affected.

Our Group operates in a competitive industry

According to the Ipsos Report, the construction industry in Hong Kong, including the façade works industry, has a number of participants and is highly competitive. New participants could enter the industry if they have the appropriate skills, local experience, necessary business network and capital and are granted the requisite licences by the relevant regulatory bodies. Our Group faces competition from other subcontractors in the submission of tender for project contracts. Increased competition may lead to lower profit margins and loss of market share, and adversely affect our profitability and results of operation.

RISK FACTORS

Personal injuries, property damages or fatal accidents may occur at construction sites

Notwithstanding the occupational health and safety control measures, accidents leading to personal injuries, property damages and/or fatal accidents remain an inherent risk at construction sites. In addition, there is no assurance that there will not be any violation of our Group's safety measures or other related rules and regulations by workers. Any such violation may lead to higher probability of occurrences, and/or increased seriousness, of personal injuries, property damages and/or fatal accidents at construction sites, which may materially and adversely affect business operations as well as financial position to the extent not covered by insurance policies.

Moreover, any personal injuries and/or fatal accidents to the employees of our Group and subcontractors may lead to claims or other legal proceedings against our Group. Any such claims or legal proceedings could adversely and materially affect financial position of our Group to the extent not covered by insurance policies. Also, notwithstanding the merits of such claims or legal proceedings, our Group needs to divert management resources and incur extra costs to handle these matters. Any such claims or legal proceedings could therefore have a material and adverse impact on our Group's business operations.

Any changes in existing laws and regulations and environmental requirements may increase our operating and compliance costs

The law and regulations and environment requirements relevant to our operations may change from time to time. Such changes may include but not limited to licensing and qualification requirement, labour safety, air pollution control, noise control and waste disposal. Any changes to these laws and regulations and requirements may increase our operating and compliance costs. If our Group fails to meet the changes in laws and regulations and requirements in actively manner, our Group's reputation and operations may be materially and adversely affected.

RISKS RELATING TO THE SHARE OFFER AND THE SHARES

There has not been any prior public market for the Shares and an active trading market may not develop

Prior to the Listing, there is no public market for the Shares. The listing of, and the permission to deal in, the Shares on the Stock Exchange does not guarantee the development of an active public market or the sustainability thereof following the completion of the Share Offer. There are factors that could cause the market price and trading volume of the Shares to change substantially, such as variations in our revenues, earnings and cash flows, strategic alliances or acquisitions made by our Company or our competitors, industrial or environmental accidents suffered by our Group, loss of key personnel, litigation or fluctuation in the market prices for our services, the liquidity of the market for the Shares, and the general

RISK FACTORS

market sentiment regarding the industry. The Offer Price may not be indicative of the price at which the Shares will be traded following the completion of the Share Offer, and there is no assurance the trading price of the Shares will not decline below the Offer Price.

In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our control and unrelated to the performance of our business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, you may not be able to sell the Shares at or above the Offer Price.

Existing Shareholders' shareholding may experience dilution if our Company issues additional Shares in the future

Our Company may issue additional Shares in the future. The increase in the number of Shares outstanding after the issue of new Shares would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

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

The trading volume and share price of the Shares may fluctuate. Further, any disposal of a substantial number of the Shares by the Controlling Shareholders in the public market could adversely affect the market price of the Shares

The market price and liquidity of the Shares may be highly volatile as mentioned previously. Furthermore, there is no guarantee that the Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. Our Group cannot predict the effect, if any, of any future sales of the Shares by any of our Controlling Shareholders, or that the availability of the Shares for sale by any of the Controlling Shareholders may have on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

You may face difficulties in protecting your interests under Cayman Islands laws

Our Company's corporate affairs are governed by, amongst others, the Articles of Association, the Companies Law and common law of the Cayman Islands. The rights of the Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to our Company are to a large extent governed by

RISK FACTORS

the Companies Law, common law of the Cayman Islands and the Articles of Association. Common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which may have persuasive, but not binding, authority on a court in the Cayman Islands. The common law of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those in Hong Kong and other jurisdictions. For further details, please refer to “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus.

RISKS RELATING TO THIS PROSPECTUS

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

Certain facts, statistics, and data presented in the section headed “Industry Overview” of this prospectus and elsewhere in this prospectus relating to the Hong Kong market of the construction industry have been derived, in part, from various publications and industry-related sources prepared by government officials or Independent Third Parties. The information in the section headed “Industry Overview” of this prospectus has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Underwriters, any of our or their respective affiliates, directors or advisers or any other persons or parties involved in the Share Offer, and no representation is given as to its completeness, accuracy or fairness. Our Directors believe that the sources of the information are appropriate sources for such information, and the Sole Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, our Group has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, it cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

Investors should read the entire prospectus and our Group strongly cautions you not to place any reliance on any information contained in press articles, other media and/or research reports regarding our Group, its business, its industry and the Share Offer

There may be press and media coverage regarding our Group or the Share Offer, which may include certain events, financial information, financial projections and other information about our Group that do not appear in this prospectus. Our Group has not authorised the disclosure of any other information not contained in this prospectus. Our Group does not accept any responsibility for any such press or media coverage and makes no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus and the Application

RISK FACTORS

Forms, our Group disclaims responsibility for them. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to subscribe for and/or purchase the Shares, you should rely only on the financial, operational and other information included in this prospectus and the Application Forms.

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

Included in this prospectus are various forward-looking statements that are based on various assumptions. Our future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed “Forward-looking Statements” of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

UNDERWRITING

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

The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement, subject to the agreement on the Offer Price between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Share Offer is managed by the Joint Bookrunners. Further details of the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" of this prospectus.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

No action has been taken in any jurisdiction other than Hong Kong to permit the public offering of the Offer Shares or the distribution of this prospectus and/or Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any other 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 unauthorised offer or invitation.

Each person acquiring the Offer Shares will be required under the Share Offer and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the U.S.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

INFORMATION ON THE SHARE OFFER

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

Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” of this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed “How to apply for Public Offer Shares” of this prospectus and on the relevant Applications Forms.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

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

Save as disclosed herein, no part of the equity or debt securities of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be void if the listing of, and permission to deal in, our Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company’s compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants should consult their professional advisors if they are in any doubt as to the tax implications of subscription for, purchasing, holding, disposing of and dealing in our Shares. It is emphasised that none of our Group, the Joint Bookrunners, the Sole Sponsor, the Underwriters, any of their respective directors, agents or advisors or any other person involved in the Share Offer accepts responsibility for the tax effects or liabilities resulting from your subscription for, purchase, holding, disposal of or dealing in our Shares.

HONG KONG BRANCH SHARE REGISTER AND STAMP DUTY

All Shares issued pursuant to applications made in the Share Offer will be registered on our Company's branch register of members to be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Our principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands, Conyers Trust Company (Cayman) Limited.

Dealings in our Shares registered in the share register 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 Shares will be paid to the Shareholders listed on the Hong Kong share register of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

The application procedures for the Public Offer Shares are set out in the section headed "How to apply for Public Offer Shares" of this prospectus and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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

DEALING

Dealing in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 17 January 2020.

The Shares will be traded in board lots of 5,000 Shares each.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

ROUNDING

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

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in Hong Kong Dollars have been translated, for the purpose of illustration only, into RMB and US Dollars, and vice versa, in this prospectus at the following rate:

HK\$1.13: RMB1.00

HK\$7.80: US\$1.00

No representation is made that any amounts in RMB, Hong Kong Dollars or US Dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

WEBSITE

The contents of any website mentioned in this prospectus do not form part of this prospectus.

LANGUAGE

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Chen Yuet Wa (陳越華)	Flat E, 15/F, Shung Oi Building Shung Kit Street, Hung Hom Kowloon, Hong Kong	Chinese
Mr. Chan Fai (陳輝)	Flat D, 5/F, Cheong Wing Mansion 107 Tai Loong Street, Kwai Chung New Territories, Hong Kong	Chinese
Independent non-executive Directors		
Mr. Chow Chi Fai (周志輝)	Flat F, 10/F Block 2, Felicity Garden 111 Shau Kei Wan Road Sai Wan Ho, Hong Kong	Chinese
Mr. Chan Hon Ki (陳漢淇)	Flat F, 6/F, Block 6, Phase II, Belvedere Garden Tsuen Wan, New Territories Hong Kong	Chinese
Mr. Yu Chi Wing (于志榮)	Flat A, 5/F, Tower 5B The Wings IIIA 19 Tong Yin Street Tseung Kwan O, New Territories	Chinese

Further information on the profile and background of our Directors has been disclosed in the section headed “Directors and senior management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Party	Name and address
Sole Sponsor	First Shanghai Capital Limited <i>A corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activities</i> 19/F, Wing On House 71 Des Voeux Road Central Central, Hong Kong
Joint Bookrunners	First Shanghai Securities Limited <i>A corporation licensed under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities</i> 19/F, Wing On House 71 Des Voeux Road Central Central, Hong Kong Guotai Junan Securities (Hong Kong) Limited <i>A corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities</i> 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong Shanxi Securities International Limited <i>A corporation licensed under the SFO to carry out type 1 (dealing in securities) regulated activities</i> Unit A, 29/F Admiralty Centre Tower 1 18 Harcourt Road, Admiralty Hong Kong Essence International Securities (Hong Kong) Limited <i>A corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities</i> 39/F, One Exchange Square Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Astrum Capital Management Limited

A corporation licensed under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities

Room 2704, 27/F, Tower 1
Admiralty Centre
18 Harcourt Road, Admiralty
Hong Kong

Joint Lead Managers

First Shanghai Securities Limited

A corporation licensed under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities

19/F, Wing On House
71 Des Voeux Road Central
Central, Hong Kong

Guotai Junan Securities (Hong Kong) Limited

A corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities

27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Shanxi Securities International Limited

A corporation licensed under the SFO to carry out type 1 (dealing in securities) regulated activities

Unit A, 29/F
Admiralty Center Tower 1
18 Harcourt Road, Admiralty
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Essence International Securities (Hong Kong) Limited

A corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities

39/F, One Exchange Square
Central, Hong Kong

Astrum Capital Management Limited

A corporation licensed under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities

Room 2704, 27/F, Tower 1
Admiralty Centre
18 Harcourt Road, Admiralty
Hong Kong

Conrad Investment Services Limited

A corporation licensed under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities

23/F, Tung Hip Commercial Building
No. 244-248 Des Voeux Road Central
Hong Kong

Fruit Tree Securities Limited

A corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities

Room 1906, 19/F, China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

Quasar Securities Co., Limited

A corporation licensed under the SFO to carry out type 1 (dealing in securities) regulated activity

Unit A, 12/F, Harbour Commercial Building
122-124 Connaught Road, Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to our Company

As to Hong Kong law:

David Fong & Co.

Solicitors, Hong Kong

Unit A, 12/F

China Overseas Building

139 Hennessy Road, Wan Chai

Hong Kong

As to Cayman Islands law:

Conyers Dill & Pearman

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

As to PRC law:

Li & Partners (Shenzhen)

10/F, Hantang Building

OCT Nanshan District

Shenzhen

PRC

**Legal advisers to the Sole Sponsor
and the Underwriters**

As to Hong Kong law:

Howse Williams

27/F, Alexandra House

18 Chater Road, Central

Hong Kong

Auditors and reporting accountants

Ernst & Young

Certified Public Accountants

22/F, CITIC Tower

1 Tim Mei Avenue, Central

Hong Kong

Compliance adviser

First Shanghai Capital Limited

*A corporation licensed under the SFO to carry out
type 6 (advising on corporate finance) regulated
activities*

19/F, Wing On House

71 Des Voeux Road Central

Central, Hong Kong

Industry Consultant

Ipsos Asia Limited

6/F, China Life Center Tower A

One Harbour Gate, 18 Hung Luen Road

Hung Hom, Hong Kong

CORPORATE INFORMATION

Registered Office in the Cayman Islands	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headoffice and principal place of business in Hong Kong (registered under Part 16 of the Companies Ordinance)	Units 01–02, 20/F, Millennium Trade Centre No. 56 Kwai Cheong Road Kwai Chung, New Territories Hong Kong
Website of the Company	<u>www.wahwoalum.com</u> (the content of this website does not form part of this prospectus)
Company secretary	Mr. Lee Kai Ming (李啟明) <i>HKICPA</i> Flat C, 13/F Lap Tak Building 209 Lockhart Road Wanchai Hong Kong
Authorised representatives	Mr. Chen Yuet Wa (陳越華) Flat E, 15/F, Shung Oi Building Shung Kit Street, Hung Hom Kowloon, Hong Kong Mr. Lee Kai Ming (李啟明) <i>HKICPA</i> Flat C, 13/F Lap Tak Building 209 Lockhart Road Wanchai Hong Kong
Audit committee	Mr. Chow Chi Fai (周志輝) (<i>Chairperson</i>) Mr. Chan Hon Ki (陳漢淇) Mr. Yu Chi Wing (于志榮)

CORPORATE INFORMATION

Remuneration committee	Mr. Chan Hon Ki (陳漢淇) (<i>Chairperson</i>) Mr. Chen Yuet Wa (陳越華) Mr. Chow Chi Fai (周志輝)
Nomination committee	Mr. Chen Yuet Wa (陳越華) (<i>Chairperson</i>) Mr. Yu Chi Wing (于志榮) Mr. Chan Hon Ki (陳漢淇)
Principal bankers	Nanyang Commercial Bank, Ltd. 151 Des Voeux Road Central Hong Kong
Cayman Islands principal share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Receiving Bank	Bank of China (Hong Kong) Limited 1 Garden Road, Central Hong Kong

INDUSTRY OVERVIEW

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

SOURCE AND RELIABILITY OF INFORMATION

Background of Ipsos

We commissioned Ipsos to conduct an analysis of, and to report on the façade works industry in Hong Kong at a fee of HK\$588,000 and our Directors consider that such fee reflects market rates. Ipsos is an independent market research company wholly-owned by Ipsos Group S.A. Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos Group S.A. acquired Synovate Limited in October 2011 and employs approximately 16,000 personnel worldwide across 88 countries. Ipsos Group S.A. conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. Ipsos Business Consulting, a division of Ipsos, has solid experience in conducting market research for various industries in initial public offerings of companies listed on the Stock Exchange.

Research methodology

The information in the Ipsos Report are derived by data and intelligence obtained by: (a) primary research via in-depth telephone conversations and face to face interviews with key knowledge leaders; (b) secondary desk research by gathering background information and to support facts and identify trends on the industry; and (c) performing client consultation to facilitate the research including in-house background information of the client (such as the business of the Group). The information and statistics as set forth in this section have been extracted from the Ipsos Report.

INDUSTRY OVERVIEW

Assumptions and parameters used in the Ipsos Report

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

- It is assumed that the global economy remains in steady growth across the period from 2019 to 2023;
- The external environment is assumed to have no shocks, such as financial crises or natural disasters, that will influence the demand and supply of the façade works in Hong Kong from 2019 to 2023.

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

- GDP and GDP growth rate in Hong Kong from 2014 to 2018 and forecast from 2019 to 2023.
- Gross output value of construction works performed at constructions sites in Hong Kong from 2014 to 2018 and forecast from 2019 to 2023.
- Historical price trend of aluminium from 2014 to 2018 and forecast from 2019 to 2023 in Hong Kong.
- Historical price trend of steel from 2014 to 2018 and forecast from 2019 to 2023 in Hong Kong.
- Historical price trend of glass from 2014 to 2018 and forecast from 2019 to 2023 in Hong Kong.
- Historical average daily wage of direct labour related to façade works in Hong Kong from 2014 to 2018 and forecast from 2019 to 2023.
- Gross output value of the façade works industry in Hong Kong from 2014 to 2018 and forecast from 2019 to 2023.

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

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

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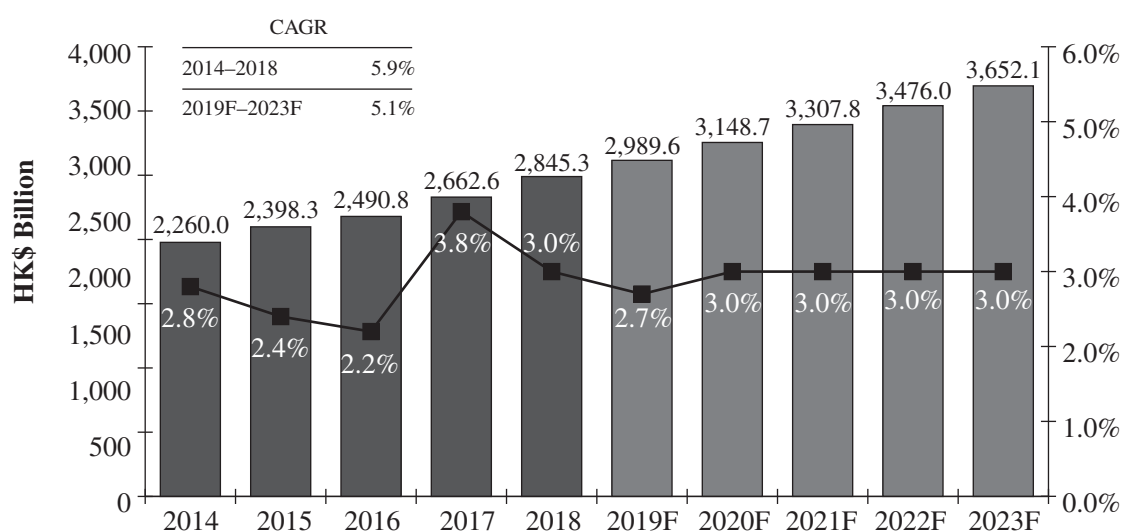
MACRO-ECONOMIC ENVIRONMENT IN HONG KONG

The GDP value of Hong Kong increased from approximately HK\$2,260.0 billion to approximately HK\$2,845.3 billion from 2014 to 2018, at a CAGR of approximately 5.9%. The increase was mainly attributable to the Government's intensive infrastructure investments, as well as the prudent development of finance, tourism and real estate sectors.

From 2019 to 2023, it is projected that the GDP value in Hong Kong will grow from approximately HK\$2,989.6 billion to approximately HK\$3,652.1 billion, at a CAGR of approximately 5.1%. The forecast GDP growth is supported by the potential growth in capital investment from Mainland China, as well as the infrastructure development resulting from the completion of Hong Kong-Zhuhai-Macao Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link, connecting Hong Kong to adjacent areas.

The exhibit below sets forth the GDP and GDP growth rate in Hong Kong.

GDP and GDP Growth in Hong Kong from 2014 to 2023F



Notes:

- 1 GDP refers to gross domestic product, current prices; GDP growth rate is calculated in constant prices;
- 2 F denotes forecast.

Sources: Census and Statistics Department, HKSAR; International Monetary Fund (IMF); Ipsos research and analysis

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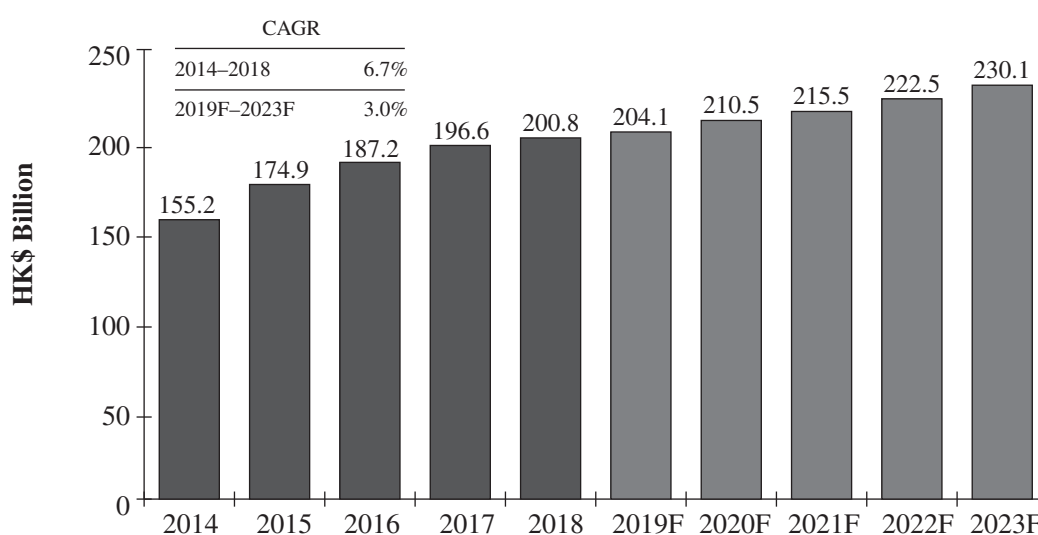
CONSTRUCTION INDUSTRY IN HONG KONG

The total gross output value of construction works performed at construction sites in Hong Kong increased from HK\$155.2 billion in 2014 to HK\$200.8 billion in 2018, at a CAGR of approximately 6.7%.

It is expected that the gross output value of work performed at construction sites in Hong Kong will rise from HK\$204.1 billion in 2019 to HK\$230.1 billion in 2023, at a CAGR of approximately 3.0%. The growth is expected to be continuously driven by the Government's initiatives to increase the public housing supply, land supply for private housing and commercial buildings as well as the commencing and upcoming infrastructure projects.

The exhibit below sets forth the gross output value of construction works performed at construction sites in Hong Kong.

**Gross Output Value of Construction Works Performed at Construction Sites
in Hong Kong from 2014 to 2023F**



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

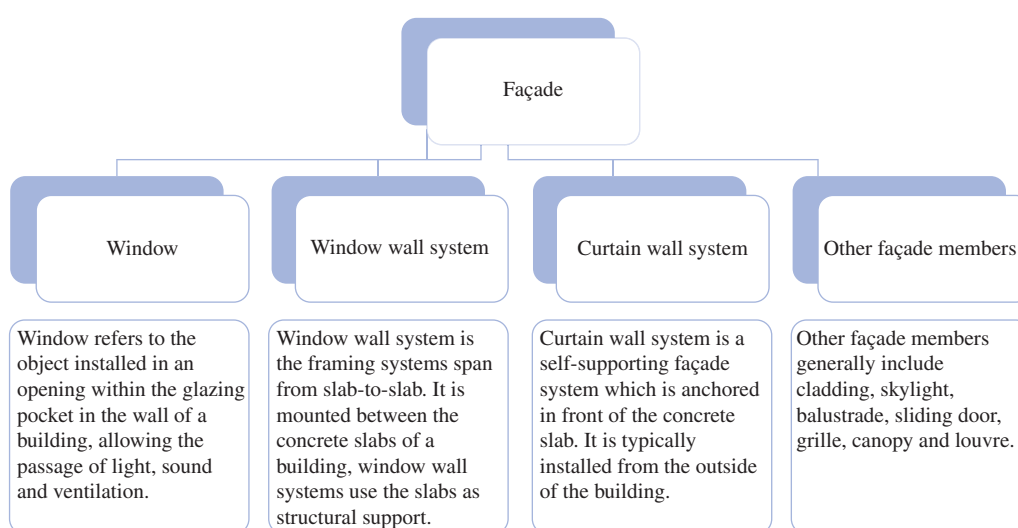
Sources: Census and Statistics Department, HKSAR Construction Industry Council, HKSAR; Ipsos research and analysis

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THE FAÇADE WORKS INDUSTRY IN HONG KONG

In general, façade refers to the exterior surface of the building. The external surface of a building can be made up of different materials, such as glass, granite and other cladding materials, or a combination of different materials. Depending on the requirements and complexity, the scope of a typical façade works project may include but not limited to the design, supply and installation of curtain wall, window wall, cladding, aluminium window, skylight, balustrade, sliding door, grille, canopy, and louvre. Among the aforementioned elements of the façade works, they can be classified into four categories: (i) window, (ii) window wall system, (iii) curtain wall system, and (iv) other façade members.

The exhibit below sets forth the categorization of the façade works.



In a typical new building project, façade works are considered part of the building construction works. To carry out the building construction works, the developer or the government will choose a main contractor to be responsible for the project management and the on-site construction. After a main contractor is selected, it will further tender different subcontractors in accordance with their expertise, such as foundation, site formation and building construction works including façade works. In this case, façade works contractors are engaged by the main contractor in the construction project and are considered as domestic subcontractor. However, there are cases in which façade works contractors are nominated by the ultimate developers of a construction project and become nominated subcontractor. Both domestic subcontractors and nominated subcontractors will sign contracts with the main contractor.

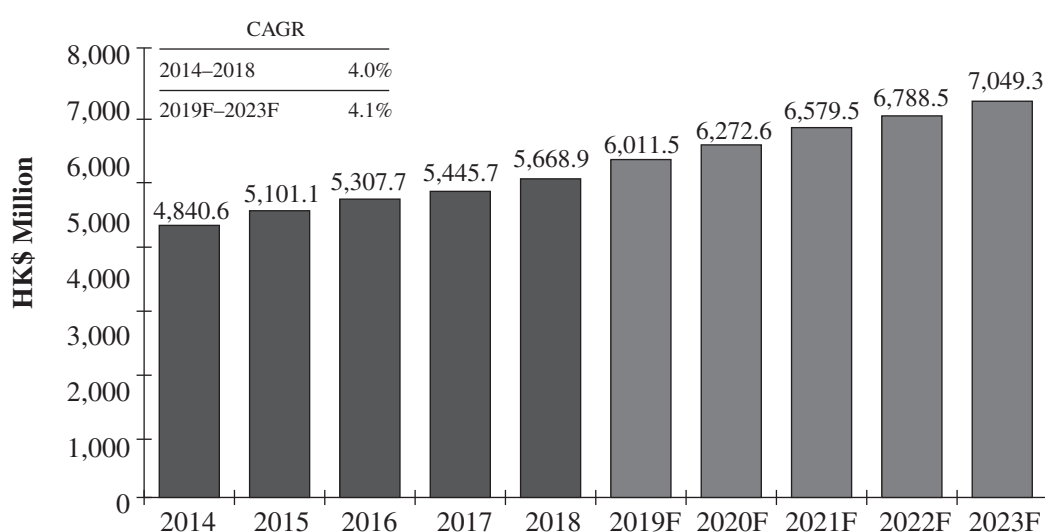
For renovation and maintenance projects, developers or property owners follow similar process flow as in a new building project. They may directly engage façade works contractors or engage main contractors by tendering, and the selected main contractor further choose façade works subcontractors for the façade renovation and maintenance works.

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For new building projects, it is a common industry practice that generally 10% of each progress payment will be withheld by the customers as retention money. It is also a common practice that the main contractor may require its subcontractors to procure a surety bond, which also known as performance or demand bond, issued by a bank or insurance company. The bond value normally equals to 10% of the project's contract sum. Main contractors may not require its subcontractors to procure surety bond, depending on their relationship and past working experience. This can also be part of the business negotiation.

The exhibit below sets forth the revenue of the façade works industry in Hong Kong.

**Gross Output Value of the Façade Works Industry
in Hong Kong from 2014 to 2023F**



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

The gross output value of the façade works industry increased from HK\$4,840.6 million in 2014 to HK\$5,668.9 million in 2018, at a positive CAGR of approximately 4.0%. The growth is attributed to the rising demand from infrastructure projects. The increasing number of infrastructure projects which require façade works have generated demand for the industry, for example, the façade works in Kai Tak Cruise Terminal as part of its exterior envelope under the “Energising Kowloon East” program, and the construction of museums and theatres which require façade works under the development plan of Kowloon West Cultural District. Furthermore, the Government increases land supply by converting governmental property into land for private residential and commercial uses.

The gross output value of the industry is expected to continue with the upward trend from HK\$6,011.5 million in 2019 to HK\$7,049.3 million in 2023, at a CAGR of approximately 4.1%. Such growth could be driven by the increase of land supply for public and private

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residential buildings under the development plan for North East New Territories New Development Areas and the conversion of government properties into commercial use. The continuous development of the New Territories is likely to bring business opportunities to the façade works industry in Hong Kong.

Key Materials Used in the Façade Works Industry in Hong Kong

	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F	2023F	CAGR 2014-2018	CAGR 2019-2023
Aluminum (HK\$ per tonne) (Note 1)	16,461.7	14,479.5	13,755.1	13,985.1	15,671.0	16,321.3	16,504.3	16,687.2	16,870.2	16,954.1	-1.2%	1.0%
Steel (HK\$ per tonne) (Note 2)	10,592.9	10,360.9	10,162.4	12,192.1	14,244.0	13,452.5	13,624.5	13,801.7	13,963.0	14,118.7	7.7%	1.2%
Glass (HK\$ per meter square) (Note 3)	153.4	157.0	157.0	157.0	161.0	160.2	162.3	164.2	166.1	167.8	1.2%	1.2%

Notes:

- 1 Aluminum above refers to the aluminum alloy imported to Hong Kong;
- 2 Prices of steel above involved calculations of the average wholesale prices of (i) steel plates, (ii) steel angles and (iii) steel flats;
- 3 Glass above refers to clear sheet glass, 5mm thick.

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

Aluminium

The price of aluminium decreased from HK\$16,461.7 per tonne in 2014 to HK\$15,671.0 per tonne in 2018, decreasing at a negative CAGR of approximately 1.2%. The decrease in Hong Kong aluminium price was primarily due to a fall in demand. Aluminium imported in Hong Kong decreased from 10,874.6 tonnes in 2014 to 5,167.7 tonnes imported in 2018, representing at a negative CAGR of approximately 17.0%. Although there was unstable demand of aluminium in other sectors, demand for aluminium in fabrication of aluminium windows, curtain walls, roofing and external claddings remains solid during 2014 and 2018. From 2019 to 2023, in line with the increasing trend projected by the World Bank, the price of aluminium is forecasted to grow moderately at a CAGR of approximately 1.0% due to the increasing production cost and consistent demand.

Steel

The price of steel fluctuated with a general increase from HK\$10,592.9 per tonne in 2014 to HK\$14,244.0 per tonne in 2018, rising at a CAGR of approximately 7.7%. The decreased price during 2014 and 2016 was mainly caused by the increase in production volume of steel in China. According to National Bureau of Statistics, the production volume of steel in China increased from 1,125.1 million tonnes in 2014 to 1,134.6 million tonnes in 2016, rising at a CAGR of approximately 0.4%. The price of steel rebounded to HK\$12,192.1 per tonne in 2017 from HK\$10,162.4 per tonne in 2016, representing an approximately 20.0% increase and continued to increase in 2018 with a YoY of 16.8%. The increase is mainly attributed to the

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issuance of China industrial overcapacity cutback policies in capping the excessive production. Despite a significant growth between 2017 and 2018, the price of steel started to decrease since late 2018 partly due to weakening global demand. It is expected that the price of steel will resume to normal level, growing at a CAGR of approximately 1.2% from 2019 to 2023.

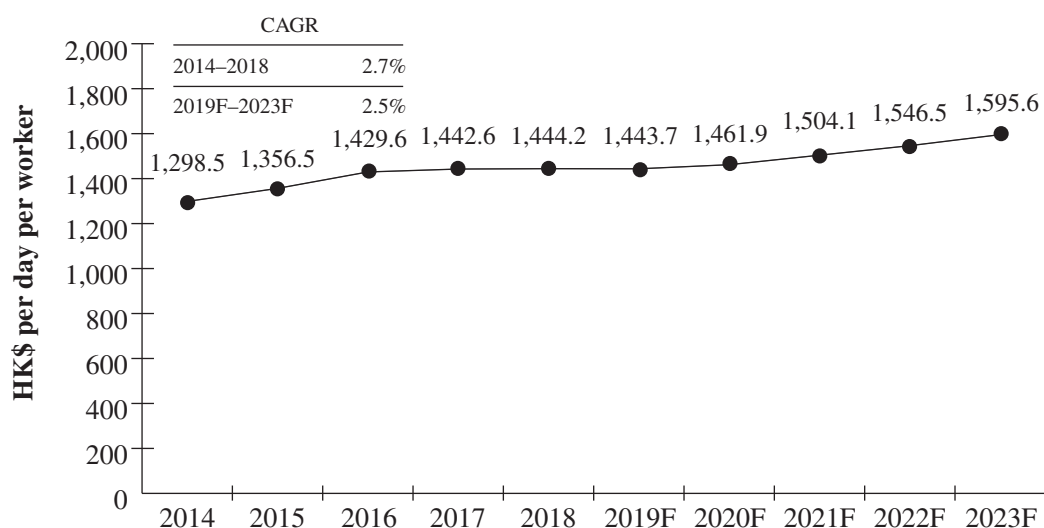
Glass

The price of glass slightly increased from HK\$153.4 per m² in 2014 to HK\$161.0 per m² in 2018, with a CAGR of approximately 1.2%. The price is largely affected by the production volume and price movement of glass in China since Hong Kong mainly imports glass from China. The slight increase of price was largely attributed to the constant demand derived from construction activities including façade works. From 2019 to 2023, the price of glass is expected to maintain an upward trend at a CAGR of approximately 1.2%.

Average Daily Wages of Direct Labour

The exhibit below sets forth the average daily wages of direct labour of the façade works industry in Hong Kong.

**Average Daily Wages of Direct Labour of the Façade Works Industry
in Hong Kong from 2014 to 2023F**



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

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The average daily wages of direct labour related to façade works increased from HK\$1,298.5 in 2014 to HK\$1,444.2 in 2018, rising at a CAGR of approximately 2.7%. The increase in average daily wages was mainly caused by the insufficient labour supply to the façade works industry. With the aging problem and the young people less willing to join the construction workforce, the supply of direct labour for various types of construction works decreased. Since the supply of direct labour related to façade works was insufficient, the industry offered higher daily wage to attract more people to join the workforce and perform the related works. It is expected that the daily wage of façade workers will increase consistently at a CAGR of approximately 2.5% from 2019 to 2023 with the stably growing façade works industry.

COMPETITIVE LANDSCAPE OF THE FAÇADE WORKS INDUSTRY IN HONG KONG

The façade works industry is considered mature and consolidated with approximately 30 to 40 major companies performing façade works in the industry in 2018. In the façade works industry, market players may specialise in a particular façade category such as window and window system, podium façade or curtain wall, or adopt a fairly diversified product portfolio with involvement in each category of façade depending on their own business development and strategies. The Group is one of the players with a focus on window works for over 10 years. The top five players accounted for 50.9% market share of the façade works industry. The Group's revenue was approximately HK\$233.0 million for the year ended 31 March 2019, accounted for 4.1% market share of the façade works industry in Hong Kong in 2018.

Rank	Company	Headquarter location	Estimated revenue in 2018	Share of total industry revenue	Business coverage	Status
			<i>HK\$ million</i>	<i>%</i>		
1	A	Hong Kong	1,016.9	17.9%	Focus on design, supply and installation of curtain wall systems in Hong Kong and the PRC	Listed
2	B	Hong Kong	613.0	10.8%	Focus on design and build of curtain wall systems in Hong Kong with production base in the PRC	Private
3	C	Mainland China	476.2	8.4%	Focus on design and build of curtain wall systems, window and window wall systems in Hong Kong and the PRC	Listed
4	D	Italy	414.8	7.3%	Focus on design, fabrication and installation of architectural envelopes and interior systems for iconic architectures	Private

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Rank	Company	Headquarter location	Estimated revenue in 2018	Share of total industry revenue	Business coverage	Status
			<i>HK\$ million</i>	<i>%</i>		
5	E	Hong Kong	365.4	6.5%	Specialised in curtain wall systems (i.e. podium façade systems) in Hong Kong.	Listed
	Others		2,782.6	49.1%		
	Total		<u>5,668.9</u>	<u>100%</u>		

Note: Revenue of the top five façade works contractors are estimated based on information we derived from three major information channels, namely: (i) publicly available information as published in financial reports by the listed contractors; (ii) opinions and figures shared during the interviews by industry stakeholders; and (iii) job references of the respective contractors shared during fieldwork and followed by Ipsos' verification and evaluation process.

Source: Ipsos Research and Analysis (Note)

MARKET DRIVERS AND OPPORTUNITIES

The demand for façade works is driven by construction of residential, office and commercial buildings, in both private and public sectors, along with the government development plans such as North East New Territories New Development Areas and Kai Tak development. Under the development plans in the New Territories and Kowloon East, new office buildings are likely to be constructed in these areas. The construction of residential, commercial and office buildings brings opportunities to the façade works industry since some newly constructed buildings will require façade installation.

The construction of residential buildings has been a major driver of façade works. Windows have been considered as the indispensable features in building structures that serve the lighting and ventilation purposes. Installation of windows has been an essential part of the residential building construction works in Hong Kong. Under section 30 of the Building (Planning) Regulations (Chapter 123F of the Laws of Hong Kong), every room used for habitation or for the purposes of an office or as a kitchen shall be provided with natural lighting and ventilation. Such natural lighting and ventilation shall be provided by means of one or more windows which shall be so constructed that (i) the aggregate superficial area of glass in the window or windows is not less than one-tenth of the area of the floor of the room (the “**prescribed window**”); and (ii) the windows can, to an extent at least equal in the aggregate to one-sixteenth of the area of the floor of the room, be opened in such manner that the top of the opening of each window is at least 2 meters above the level of the floor or, in the case of detached and semi-detached buildings, at least 1.9 meters above the level of the floor, and the window being not less than the prescribed window shall face directly into the external air. Therefore, besides the substantial demand from ongoing and new residential developments with windows and window systems as their core façade portfolios, windows are also required for the minimum ventilation of kitchen and other habitation spaces for residential buildings with curtain wall installations. The increases in (i) the number of private residential units from

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15,719 units in 2014 to 20,968 units in 2018 at a CAGR of 7.5% and (ii) the number of public housing units from 9,938 units in 2014 to 26,779 units in 2018 at a CAGR of approximately 28.1%, have underpinned the demands for window installations during 2014 and 2018. Moving forward, the upcoming new town development plans such as the continuous development of Kai Tak and Kowloon East, Kwu Tung North New Development Area (NDA), Fanling North NDA and Tung Chung New Town Extension are expected to commence in the near future to accommodate the pressing need of residential units and improve the housing conditions in Hong Kong. In addition, based on the latest publications by the Lands Department, there are 23 applications with a total of 8,185 residential units in respect of residential developments in Tuen Mun, Kai Tak, Tsuen Wan, Yuen Long, Tseung Kwan O, Shum Shui Po and Mid-Levels East have been processed as of the end of September 2019, among which (i) 119 units are expected to be completed in 2019; (ii) 560 units are expected to be completed in 2020; (iii) 5,303 units are expected to be completed in 2021 and (iv) 2,203 units are expected to be completed in 2022. The commenced establishments of residential units are expected to continue to drive the demand for window installation works in the façade works industry in Hong Kong. Another driver for the façade works industry is office building where the Government puts effort in developing areas like Kowloon East as new business areas. The annual total floor area of newly completed commercial space in Hong Kong experienced an overall increase from 57,100 m² in 2014 to 125,000 m² in 2018, representing a CAGR of approximately 21.6%.

Additionally, the Government has taken effort in promoting energy efficient buildings. Since that curtain wall systems, especially with the adoption of low-emissivity glass, can reduce heat loss and air leakage to achieve energy efficiency, demand for façade works may increase.

THREATS AND CHALLENGES

The façade works contractors have been facing increasing construction costs. The increase in construction costs is attributed to the increasing wage trend of construction workers due to the labour shortage. The average wage of direct labours in façade works industry in Hong Kong increased from approximately HK\$1,298.5 per day in 2014 to approximately HK\$1,444.2 per day in 2018, at a CAGR of approximately 2.7%. Another threat is the aging workforce. According to the Hong Kong Construction Industry Council, the percentage of registered workers who were aged over 60 increased from 15.6% in January 2017 to 18.3% in March 2019. Moreover, the young people are less willing to enter the construction industry which has worsened the labour shortage issue.

ENTRY BARRIERS

Capital requirement for subcontractors within the façade works industry remain significant as it is a general phenomenon to incur upfront costs for new projects such as building material costs, subcontracting costs and/or insurance expenses in advance of receiving progress payments from their customers, on top of the fact that the subcontractors also need to continuously finance their existing projects. Based on the public information of

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listed players, the upfront cost incurred for façade works projects will generally range from approximately 5% to 30% of the respective contract sum. Variations in the upfront cost may be subjected to numerous factors including (i) project scale, (ii) project nature, (iii) specification of materials used, (iv) contract terms and conditions between customers, relevant subcontractors and material suppliers, and (v) customers' or suppliers' request upon payment terms.

Proven track record is another entry barrier for new entrants in the industry. When selecting a façade works contractor, developers or main contractors will consider track record and reputation of the façade works contractors in terms of quality of works, design capability, and project management. New entrants to the industry may find difficulties obtaining projects because they have limited past project experience to showcase their capabilities.

REGULATORY OVERVIEW

This section sets forth a summary of the laws and regulations applicable to our business in Hong Kong. As this is a summary, it does not contain detailed analysis of the Hong Kong laws which are relevant to the business of our Group.

BUILDING (CONSTRUCTION) REGULATIONS (CHAPTER 123B OF THE LAWS OF HONG KONG) (THE “BUILDING (CONSTRUCTION) REGULATIONS”)

Curtain walls shall be designed to meet the specific requirements set out in Regulation 43 of the Building (Construction) Regulations. Under the Building (Construction) Regulations and the practice note issued by the Buildings Department, curtain wall plans shall be submitted to the Building Authority for approval to ensure that, among others, curtain walls are constructed entirely of non-combustible materials and are designed in accordance with recognised engineering principles relating to the design and structural use of materials for curtain wall construction in Hong Kong.

Under Regulation 43(6) of the Building (Construction) Regulations, all curtain wall systems are required to undergo a safety test. The test should be carried out by an independent laboratory accredited by The Hong Kong Laboratory Accreditation Scheme (“HOKLAS”) or by other laboratory accreditation bodies which have reached mutual recognition agreements/arrangements with HOKLAS. The test carried out by an accredited laboratory should be within its scope of accreditation. The test reports should be made on a HOKLAS Endorsed Certificate or equivalent Certificate/Report and be also appended with a statement signed by the registered structural engineer who has prepared the plans to confirm the acceptance criteria appropriate to the test have been complied with. They should be submitted prior to the application of an occupation permit.

Regulation 3 of the Building (Construction) Regulations stipulates that materials used in any building works or street works shall be of a suitable nature and quality for the purposes for which they are used; adequately mixed or prepared; and applied, used or fixed so as to perform adequately the functions for which they are designed. Such requirement is applicable to aluminium windows to be installed in any buildings.

Pursuant to the practice note issued by the Buildings Department, where aluminium windows are proposed, the registered contractors should ensure that aluminium windows used in their projects are properly designed and installed to meet the performance requirements and the safety standards in the Building (Construction) Regulations. They should have experienced and skilled supervisors and workers as well as suitable quality assurance procedures in place to ensure the proper installation of the windows.

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

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

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Under the current contractors registration system in Hong Kong, the Building Authority shall keep a register of general building contractors who are qualified to perform the duties of a general building contractor and a register of specialist contractors who are qualified to carry out specialised works (such as foundation works) specified in the category in the sub-register in which they are entered. Registered general building contractors may carry out general building works and street works which do not include any specialised works designated for registered specialist contractors. Registered minor works contractors may carry out such minor works belonging to the class, type and item specified in the register for which they are registered.

BUILDING (MINOR WORKS) REGULATION (CHAPTER 123N OF THE LAWS OF HONG KONG) (THE “BUILDING (MINOR WORKS) REGULATION”)

The Building (Minor Works) Regulation is a subsidiary legislation under the Buildings Ordinance and provides for a simplified procedure and requirements to regulate building works which have been specified as “minor works”.

Under the Building (Minor Works) Regulation, minor works are classified into three classes according to their nature, scale, complexity and the risk and safety they pose and are subject to different degrees of control. Class I minor works are relatively more complicated and require higher technical experience and more stringent supervision and thus requires the appointment of a prescribed building professional (such as an authorised person and where necessary, may include a registered structural engineer and/or a registered geotechnical engineer) and a prescribed registered contractor. Class II are works of a lower complexity while Class III comprises common household minor works. Class II and Class III can be carried out by a prescribed registered contractor (which can be a registered general building contractor, a registered specialist contractor registered under the category of demolition works/site formation works/foundation works/ground investigation field works or a registered minor works contractor) without the involvement of a prescribed building professional. Under each class of minor work, it is further sub-divided into seven types (i.e. Type A (alteration and addition works), Type B (repair works), Type C (works relating to signboards), Type D (drainage works), Type E (works relating to structures for amenities), Type F (finishes works) and Type G (demolition works),) that correspond to the specialisation of works in the industry as set out in schedule 1 of the Building (Minor Works) Regulation.

A person who wishes to arrange for works to be carried out (for example, a property owner or tenant) can commence Class I to Class III minor works without obtaining prior approval and consent of the Building Authority by following the simplified procedures contained in section 14AA of the Buildings Ordinance.

The Building Authority must be notified of the commencement of projects involving Class I and Class II minor works items, in the specified form with prescribed plans, supporting document and site photos, which must be submitted at least 7 days before commencement of the works concerned. For projects in which only Class III minor works are involved, it is not

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necessary to notify the Building Authority of commencement of the projects as required for Class I and Class II minor works.

For projects involving either Class I, Class II or Class III minor works, a certificate of completion of works and plans of the completed works must be submitted to the Building Authority within 14 days after completion of works.

Renewal of the registration as registered minor works contractor is required every three years.

Any person who, without reasonable excuse, fails to observe the relevant requirements under the Building (Minor Works) Regulation for conducting the minor works commits an offence and is liable on conviction to a fine at level 5 (currently at HK\$50,000).

Under section 40(2E) of the Buildings Ordinance, where a registered minor works contractor or registered specialist contractor certifies or carries out minor works not belonging to the class, type or item for which he is registered, he will be guilty of an offence and liable on conviction (a) to a fine at level 6 (currently at HK\$100,000) and to imprisonment for six months, and (b) to a fine of \$5,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Wah Kee is registered as a minor works contractor under the Buildings Ordinance. For details, please refer to the section headed “Business — Licenses and registration”.

SUBCONTRACTOR REGISTRATION SCHEME (THE “SUBCONTRACTOR REGISTRATION SCHEME”) AND REGISTERED SPECIALIST TRADE CONTRACTORS SCHEME (THE “REGISTERED SPECIALIST TRADE CONTRACTORS SCHEME”)

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

Subcontractors which are involved in, among others, window fabrication and installation in Hong Kong may apply for registration as a registered subcontractor under the Subcontractor Registration Scheme of the Construction Industry Council (建造業議會).

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

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

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

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

Generally speaking, as long as the principal contractor holds all the required registrations for the project, the subcontractors are not required to hold the same registrations as the main contractors in public projects. However, being registered on the Subcontractor Registration Scheme at the Construction Industry Council is required for subcontractors to participate in public projects commissioned by certain Government departments and statutory bodies, including the Airport Authority, Development Bureau and the Housing Authority.

The Register of Specialist Trade Contractors comprise of businesses carrying out works in seven designated trades, including (1) demolition; (2) reinforcement bar fixing; (3) erection of concrete precast component; (4) concreting formwork; (5) concreting; (6) scaffolding; and (7) curtain wall (“**Designated Trade**”). Registered Specialist Trade Contractors within each Designated Trade are further divided into Group 1 or 2 according to the registration requirements fulfilled by them.

Under the Registered Specialist Trade Contractors Scheme, an applicant for registration as a Registered Specialist Trade Contractor may make an application for registration to the Committee on Registered Specialist Trade Contractors Scheme (“**Committee**”) established by the Construction Industry Council and shall satisfy the Committee that it meets all the

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relevant registration requirements (as set out in Schedule 2 of the Rules and Procedures for the Register of Specialist Trade Contractors) and is suitable for registration.

Generally, any registration of a Registered Specialist Trade Contractor shall expire on a date not less than 36 months after the date on which the Committee approves the application for registration or renewal of registration. Registered Specialist Trade Contractor may apply for the renewal of its registration and such an application shall be made to the Committee not earlier than six months before and not later than three months before the expiration date of the registration.

A Registered Specialist Trade Contractor shall be responsible for the good behaviours of its employees and agents in relation to any construction works undertaken by the Registered Specialist Trade Contractor and shall establish and promulgate its Code of Conduct with reference to Schedule 3 of the Rules and Procedures for the Register of Specialist Trade Contractors.

The Committee may conduct an inquiry into any conduct of a Registered Specialist Trade Contractor if the Committee has reasonable cause to suspect the Registered Specialist Trade Contractor no longer meets any of the Registration Requirements or has fallen into any of the circumstances set of below. In such a case, the Registered Specialist Trade Contractor shall answer to queries or provide information within prescribed time as specified by the Committee.

The circumstances that may lead to regulatory actions be taken against a Registered Specialist Trade Contractor include, but are not limited to: (1) a petition for winding-up or bankruptcy has been filed against the Registered Specialist Trade Contractor or other financial problems; (2) Registered Specialist Trade Contractor's failure to answer queries or provide information relevant to the registration within the prescribed time specified by the Committee; (3) misconduct or suspected misconduct of the Registered Specialist Trade Contractor; (4) court conviction or violation of any law by the Registered Specialist Trade Contractor; (5) matters of public interest; (6) serious or suspected serious poor performance or other serious causes in any public or private sector works contract; and (7) the Registered Specialist Trade Contractor's failure to comply with any provisions of the Rules and Procedures for the Scheme.

When there is a prima facie case for conducting a hearing, the Secretariat of the Construction Industry Council shall give the Registered Specialist Trade Contractor concerned not less than 14 calendar days written notice advising the time and place for the hearing and the grounds for initiating regulatory proceedings. After the hearing, the Committee may impose regulatory actions by directing that (a) written warning be given to the Registered Specialist Trade Contractor; (b) the Registered Trade Contractor be suspended from registration for a specified period; (c) the grouping of a Registered Specialist Trade Contractor be changed; or (d) the registration of the Registered Specialist Trade Contractor be revoked.

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Currently, Wah Wo and Wah Kee are registered under the Registered Specialist Trade Contractors Scheme and the Subcontractors Registration Scheme of the Construction and Industry Council as follows:

	<u>Registered Specialist Trade Contractor Designated Trade</u>	<u>Registered Subcontractors Trade Code</u>	<u>Registered Subcontractors Trade Specialty</u>
Wah Wo	Curtain Wall	Window fabrication and installation Shutters/doors Fabrication and Installation Metal Work Metal Work	Aluminum window/louvers Metal doors Metal work Metal roof/skylight/cladding/space frame Glazier work
Expiry date of current registration	15 January 2023	15 January 2023	
Wah Kee	Curtain Wall	Building Maintenance Window fabrication and installation Other finishing trades and components	Aluminum window/louvers Glazier work
Expiry date of current registration	25 April 2023	25 April 2023	

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

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

According to section 3 of the Construction Workers Registration Ordinance, a person shall not personally carry out on a construction site construction work unless the person is a registered construction worker. A person who contravenes section 3 commits an offence and is liable on conviction to a fine at level 3 (currently at HK\$10,000). The establishment of Construction Industry Council under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) is responsible for the registration of construction workers.

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Further, section 5 of the Construction Workers Registration Ordinance provides that no person shall employ unregistered construction workers to carry out on construction sites construction work. A person who contravenes section 5 commits an offence and is liable on conviction to a fine at level 5 (currently at HK\$50,000).

According to section 2 of the Construction Workers Registration Ordinance, there are five categories of construction worker registration as at the Latest Practicable Date. The following table sets forth the qualifications of each of the five categories of construction worker registration:

<u>Registration category</u>	<u>Qualifications for registration</u>
Registered skilled worker (for designated trade division)	Holds a trade test certificate set out in Schedule 1 of the Construction Workers Registration Ordinance; a registered skilled worker (provisional) who completes a specified training course and passes the assessment; or holds other qualifications as specified by the Construction Workers Registration Ordinance
Registered skilled worker (provisional) (for designated trade division)	As at 29 December 2005, possesses not less than six years of experience in personally carrying out construction work of a trade division with documentary proof
Registered semi-skilled worker (for designated trade division)	Holds an intermediate trade test certificate set out in Schedule 1 of the Construction Workers Registration Ordinance; or holds other specified qualifications
Registered semi-skilled worker (provisional) (for designated trade division)	As at 29 December 2005, possesses not less than two years of experience in personally carrying out construction work of a trade division with documentary proof
Registered general worker	Holds a valid “green card”

Upon registering a person as a registered construction worker, the registrar of construction workers shall issue to him/her a construction workers registration card, which is a smart card with the name of the registered worker, registered trade (if applicable) and the validity period of the registration printed on the card and stored in its embedded chip for checking and verifying through the electronic card reading system. A normal validity of

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worker registration is five years. Every registered construction worker is required to carry his/her valid registration card when he/she personally carries out construction work on a construction site.

The “designated workers for designated skills” requirement under the Construction Workers Registration Ordinance became effective on 1 April 2017 which was about forbidding any person from carrying out construction work of designated trade divisions unless he/she is a registered skilled/semi-skilled worker of relevant trade division or working under the “instruction and supervision” of registered skilled/semi-skilled worker(s) of relevant trade division.

To enable the industry stakeholders to adapt gradually, the following construction works will temporarily not be subject to the regulation of “designated workers for designated skills” requirement under section 2B of the Construction Workers Registration Ordinance:

- maintenance work, carried out under a term contract for maintenance, of specified structure owned by a public body or a specified body set out in schedule 2 of the Construction Workers Registration Ordinance;
- class I and class II minor works as defined by section 2(2) of the Building (Minor Works) Regulation (Note: class III minor works are not regulated by the Construction Workers Registration Ordinance); and
- construction works under a construction contract with a total value of all construction operations not exceeding HK\$10 million.

The development bureau and the construction industry council would closely monitor the implementation of the “designated workers for designated skills” requirement and after extensive consultation with the industry stakeholders, determine an appropriate time to extend the “designated workers for designated skills” requirement to all construction works.

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

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, it is the duty of a proprietor (including person for the time being having the management or control of the business carried on in such industrial undertaking and also the occupier of any industrial undertaking) of an industrial undertaking to take care of, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor extend to include:

- providing and maintaining plant and work systems that do not endanger safety or health;

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- making arrangement for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy work environment.

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

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

Pursuant to section 6BA of the Factories and Industrial Undertakings Ordinance, persons employed at industrial undertakings engaging in construction work must attend a relevant safety training course recognised under the Factories and Industrial Undertakings Ordinance and be issued a construction industry safety training certificate (also known as “**green card**”) for attendance of such safety training course. A “green card” is valid for a period from one year to three years after the day on which it was issued.

It shall be the duty of every relevant person employed at an industrial undertaking engaging in construction work who has been issued a “green card” which has not expired to, among other things, carry with his person the “green card” or an equivalent document while at work at the undertaking, and it is the duty of every proprietor of an industrial undertaking engaging in construction work not to employ at the undertaking a relevant person who has not been issued a “green card” or whose “green card” has expired.

Any proprietor who contravenes section 6BA of the Factories and Industrial Undertakings Ordinance commits an offence and is liable to a fine of HK\$50,000. Nevertheless, it shall be a defence for an offence contrary to section 6BA of the Factories and Industrial Undertakings Ordinance for the proprietor to show that it believed, and that it was reasonable for it to believe, that the relevant person to whom the offence relates had been issued with a “green card” and that the certificate had not expired.

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OCCUPATIONAL SAFETY AND HEALTH ORDINANCE (CHAPTER 509 OF THE LAWS OF HONG KONG) (THE “OCCUPATIONAL SAFETY AND HEALTH ORDINANCE”)

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

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

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

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

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 notice against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

EMPLOYEES’ COMPENSATION ORDINANCE (CHAPTER 282 OF THE LAWS OF HONG KONG) (THE “EMPLOYEES’ COMPENSATION ORDINANCE”)

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.

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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 dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 15(1A) of the Employees' Compensation Ordinance, employer shall report work injuries of its employee to the Commissioner of Labour not later than 14 days after the accident.

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

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 both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Where a main contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$100 million per event (where the number of employees in relation to who the policy is in force does not exceed 200) and no less than HK\$200 million per event (where the number of employees in relation to whom the policy is in force exceeds 200) 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 commits an offence and is liable on conviction upon indictment to a fine of HK\$100,000 and to imprisonment for two years and on a summary conviction to a fine of HK\$100,000 and to imprisonment for one year.

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

A main 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 main contractor and/or every superior subcontractor jointly and severally. A main contractor's (and/or, where applicable, superior subcontractor's) liability shall be limited (a) to the wages of an employee

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whose employment relates wholly to the work which the main contractor has contracted to perform and whose place of employment is wholly on the site of the building work; and (b) to the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due).

According to section 43D of the Employment Ordinance, an employee who has outstanding wage payments from subcontractor must serve a notice in writing on the main contractor within 60 days after the wage due date. A main contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the main contractor. Upon receipt of such notice from the relevant employee, a main contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware. A main contractor who without reasonable excuse fails to serve notice on the superior subcontractors shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000).

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

CONSTRUCTION INDUSTRY COUNCIL ORDINANCE (CHAPTER 587 OF THE LAWS OF HONG KONG) (THE “CONSTRUCTION INDUSTRY COUNCIL ORDINANCE”)

According to section 32 of the Construction Industry Council Ordinance, construction industry levy (“CIL”) is payable by registered contractors appointed under section 9 of the Buildings Ordinance or any persons who carry out construction operations in Hong Kong to the Construction Industry Council (“CIC”). “Construction operation” is exhaustively defined under Schedule 1 of the Construction Industry Council Ordinance, which includes building works and street works as defined in section 2(1) of the Buildings Ordinance, construction, alteration, repair, maintenance, extension, demolition or dismantling, external or internal cleaning and painting or decorating any external or internal surfaces or parts of any buildings, or other temporary or permanent structures forming part of land.

After July 2018, the CIL chargeable is 0.5% of the total value of the construction operations (as defined under section 53 of the Construction Industry Council Ordinance) concerned. Pursuant to section 32 and Schedule 5 of the Construction Industry Council Ordinance, no CIL is chargeable for any construction operations not exceeding HK\$3,000,000.

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According to section 34 of the Construction Industry Council Ordinance, the contractor and authorized person each are required to inform the CIC by notice in a specified form (Form 1) in respect of the construction operations within 14 days after its commencement. It is an offence if a person without reasonable excuse failed to give such notice and liable to a fine at level 1, which is fixed at HK\$2,000. Notice is only required for term contract or if the reasonable estimation of the total value of construction operations exceeds HK\$3,000,000.

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

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

The CIC shall assess the CIL payable upon receiving the NOP or NOC and give a Notice of Assessment (“**NOA**”) in writing specifying the amount of CIL. The CIC can also make the assessment notwithstanding no NOP or NOC has been given. According to section 41 of the Construction Industry Council Ordinance, if a contractor fails to give the NOP or NOC, a surcharge not exceeding twice the amount of the CIL payable may be imposed and a Notice of Surcharge (“**NOS**”) in writing shall be given by the CIC.

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

CIL, surcharge, penalty or further penalty is recoverable by the CIC as civil debt under the jurisdiction of the District Court.

The time limits for the CIC to make the assessment or imposing the surcharge under sections 42 to 45 of the Construction Industry Council Ordinance are, whichever is the last of the following periods:

- (a) 2 years after the completion of all construction operations under the contract, or without term contract 2 years after the completion of the construction operations;
- (b) 2 years after the expiry of the period within which the contract stipulates that all such construction operations have to be completed; and

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- (c) one year after evidence, sufficient in the opinion of the CIC to justify the making of the assessment, comes to its knowledge.

PNEUMOCONIOSIS AND MESOTHELIOMA (COMPENSATION) ORDINANCE (CHAPTER 360 OF THE LAWS OF HONG KONG) (THE “PNEUMOCONIOSIS AND MESOTHELIOMA (COMPENSATION) ORDINANCE”) AND PNEUMOCONIOSIS AND MESOTHELIOMA (COMPENSATION) (ASSESSMENT OF LEVY) REGULATIONS (CHAPTER 360A OF THE LAWS OF HONG KONG)

According to section 35 of the Pneumoconiosis and Mesothelioma (Compensation) Ordinance, pneumoconiosis compensation fund levy (“**PCFL**”) is imposed in respect of construction operations carried out in Hong Kong. PCFL is rated at 0.15% of the value of the construction operations (0.25% before 2012) and not chargeable if the total value (as defined under section 39D of Pneumoconiosis Mesothelioma (Compensation) Ordinance) do not exceed HK\$3,000,000. Pursuant to section 39A of the Pneumoconiosis Mesothelioma (Compensation) Ordinance, Pneumoconiosis Mesothelioma (Compensation) Ordinance does not apply to construction operations for domestic unit, or for the sole and principal purpose of renovation.

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

According to Regulations 4 to 5A of the Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations, contractors are required to:

- (a) inform the PCFB the commencement of construction operations within 14 days thereafter by a notice of commencement in specified form (Form 1). Failure to comply without reasonable excuse is liable for a fine at Level 2, which is fixed at HK\$5,000;
- (b) inform the PCFB within 14 days after the contractor receives a payment in respect of the construction operation by a notice of payment in specified form (Form 2)(“**NOP**”). Failure to comply without reasonable excuse is liable for a fine at Level 2, which is fixed at HK\$5,000; and
- (c) inform the PCFB the completion of the construction operations within 14 days by a notice of completion in specified form (Form 3)(“**NOP**”). Failure to comply without reasonable excuse is liable for a fine at Level 2, which is fixed at HK\$5,000.

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According to Regulation 6 of the Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations, the PCFB shall assess the PCFL payable upon receiving the NOP or NOC and give a NOA in writing specifying the amount of PCFL. The PCFB can make the assessment notwithstanding no NOP or NOC has been given. If a contractor fails to give the NOP or NOC, a surcharge not exceeding twice the amount of the PCFL payable may be imposed and a notice of surcharge in writing shall be given by the PCFB.

According to section 37 of the Pneumoconiosis and Mesothelioma (Compensation) Ordinance, if the contractor fails to pay in full the amount of levy or surcharge within 28 days after the NOA or NOS is given, a 5% penalty of the unpaid amount shall be imposed. If the contractor still fails to pay the unpaid amount within 3 months after the expiry of 28 days, a further 5% penalty of the unpaid amount or HK\$1,000 whichever is greater shall be imposed. The time limits for the PMFB to make the assessment or imposing the surcharge under Regulations 6E to 6H of the Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations are, whichever is the last of the following periods:

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

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

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

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

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

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

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

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

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

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

Industry Scheme

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

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

1. foundation and associated works;
2. civil engineering and associated works;
3. demolition and structural alteration works;
4. refurbishment and maintenance works;
5. general building construction works;
6. fire services, mechanical, electrical and associated works;

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7. gas, plumbing, drainage and associated works; and
8. interior fitting-out works.

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

MINIMUM WAGE ORDINANCE (CHAPTER 608 OF THE LAWS OF HONG KONG) (THE “MINIMUM WAGE ORDINANCE”)

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$37.5 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.

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

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

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation, Air Pollution Control (Construction Dust) Regulation and Air Pollution Control (Smoke) Regulation. For instance, a contractor responsible for a construction site shall devise and arrange methods of carrying out the works in a manner that minimises the impact of dust on the surrounding environment of the construction site, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require building works involving asbestos to be conducted only by registered qualified personnel under the supervision of a registered consultant.

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

The Noise Control Ordinance regulates, amongst others, the noise from construction activities.

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

Under the Noise Control Ordinance, construction works that use powered mechanical equipment (other than percussive piling) are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Noise Control Authority through the construction noise permit system. The use of certain equipment is also subject to restrictions.

Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Noise Control Authority. Schedule 1 of the Noise Control (Hand Held Percussive Breakers) Regulations (Chapter 400D of the Laws of Hong Kong) sets out the maximum permissible sound power levels based on the different masses of the hand-held percussive breakers. Similarly, Schedule 1 of the Noise Control (Air Compressors) Regulations (Chapter 400C of the Laws of Hong Kong) sets out the maximum permissible sound power levels based on the different air flows of the air compressors.

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

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

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

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

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

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Department to pay any disposal charges for the construction waste generated from the construction work under that contract.

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

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

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

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

Any placing or throwing of any solid matter, mud or waste (except such as is contained in ordinary house sewage) in or into any public sewer or drain or any sewer, drain, inlet or other drainage work communicating with any public sewer or drain, or over any grate communicating with any public sewer and drain is actionable under the Public Health and Municipal Services Ordinance. Maximum fine is HK\$50,000 (level 5).

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

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

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

REGULATORY OVERVIEW

COMPETITION ORDINANCE (CHAPTER 619 OF THE LAWS OF HONG KONG) (THE “COMPETITION ORDINANCE”)

The Competition Ordinance, which was entered into force on 14 December 2015 (i) prohibits conduct that prevents, restricts or distorts competition in Hong Kong; (ii) prohibits mergers that substantially lessen competition in Hong Kong; and (iii) provides for incidental and connected matters.

The Competition Ordinance includes the First Conduct Rule which provides 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 provides 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.

The Competition Tribunal may impose pecuniary penalty, director disqualifications, and prohibition, damage and other orders. Pursuant to section 93 of the Competition Ordinance, the Competition Tribunal may award a penalty of up to 10% of the turnover of the undertakings concerned for up to three years in which the contravention occurs.

PROPOSED SECURITY OF PAYMENT LEGISLATION FOR THE CONSTRUCTION INDUSTRY (THE “SOPL”)

The Development Bureau issued a consultation document on the proposed SOPL for the construction industry in June 2015.

The proposed SOPL will apply to all contracts under which the Government (and certain specified statutory and/or public bodies and corporations) procure construction activities or related services, materials or plant. Relevant construction activities include new build works and repair, maintenance and renovation projects amongst others. Subcontracts of all tiers will also be covered regardless of value.

The proposed SOPL will also apply to private sector contracts, but only where the employer is procuring construction activities or related services, materials or plant for construction of a “new building”. Also, the employer’s main contract value must exceed a specified amount (tentatively HK\$5,000,000 for construction contracts and HK\$500,000 for professional services and supply only contracts). Where the main contract is subject to the proposed SOPL, then sub-contracts of all tiers will also be subject to the proposed SOPL regardless of value. Where the main contract is not subject to the proposed SOPL, then the sub-contracts will not be subject to the proposed SOPL.

REGULATORY OVERVIEW

Under the proposed SOPL, parties will still retain a large degree of freedom to agree on the payment terms that best suit their needs. Nevertheless, the proposed SOPL will impose certain obligations, in particular, “pay when paid” clauses will not be effective or enforceable.

Pursuant to the report on public consultation of the proposed SOPL issued by the Development Bureau in April 2016, the Government intends to proceed with the legislation. The next step is for the Development Bureau to finalise the framework of the legislation and to prepare the bill for submission to the Legislative Council of Hong Kong. As at the Latest Practicable Date, the implementation date of the SOPL had not been announced.

It is probable that some of the contracts of our Group will be caught by the new SOPL legislation and where such contracts are subject to SOPL, our Group will have to ensure that the contract terms comply with the legislation in this regard.

COMPLIANCE WITH THE RELEVANT REQUIREMENTS

Our Directors confirmed that, so far as the Hong Kong laws are concerned, our Group has obtained all relevant permits, registrations and licences for its existing operations in Hong Kong as at the Latest Practicable Date.

HISTORY, REORGANISATION AND GROUP STRUCTURE

OVERVIEW

Our Group's history can be traced back to Mr. YW Chen forming his sole proprietorship, Wa Kee Company, in 2002, which primarily engaged in the business of aluminium window works in Hong Kong. In 2007, in anticipation of the growth in size of future business, Mr. YW Chen decided to continue and develop his business by incorporating Wah Kee, a private company with limited liability in Hong Kong, with his own personal wealth accumulated from running the business of Wa Kee Company.

Since 2012, we have started to provide design and build and renovation services. Over the years, we have become an established contractor engaged in façade works based in Hong Kong.

BUSINESS MILESTONES

The following table outlines the key milestones and achievements in the history of our Group:

<u>Year</u>	<u>Event</u>
2007	Wah Kee was incorporated in Hong Kong with limited liability to commence engaging in interior decoration and building renovation in Hong Kong
2011	Wah Kee was provisionally registered as a minor works contractor under the Buildings Ordinance
2011	Wah Kee first established business relationship with Paul Y. for provision of renovation services
2012	Wah Wo was incorporated in Hong Kong with limited liability as a subcontractor providing design and build services and renovation services
2012	Wah Kee was registered under the Subcontractor Registration Scheme of the Construction Industry Council
2013	Wah Kee first established business relationship with Customer B for provision of design and build services
2013	Wah Kee was registered as a minor works contractor under the Buildings Ordinance
2013	Wah Wo was accredited with the ISO9001:2015 applicable to design, supply and installation of aluminium works by Hong Kong Quality Assurance Agency
2014	Wah Kee first established business relationship with Chevalier for provision of design and build services

HISTORY, REORGANISATION AND GROUP STRUCTURE

Year	Event
2014	Wah Wo was registered under the Subcontractors Registration Scheme of the Construction Industry Council
2016	Wah Wo first established business relationship with Grand Tech for provision of design and build services

CORPORATE AND BUSINESS DEVELOPMENT HISTORY

Please refer to the sub-section headed “Our Group Structure” in this section for the diagram setting forth the corporate structure of our Group as at 1 April 2016, the commencement date of the Track Record Period. The following sets forth the shareholding and corporate structure, place of incorporation and principal business activities of each member of our Group as at the Latest Practicable Date.

Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 May 2018, with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each, of which, one Share was subscribed by its initial subscriber, an Independent Third Party, who, on the same date, transferred to Ornate Bright the said one issued Share, which represented the entire issued share capital of our Company. On 3 August 2018, as part of the Reorganisation, our Company further allotted and issued two shares credited as fully paid to Ornate Bright. As a result of the Reorganisation, our Company has become the holding company of our Group, details of which are set out in the sub-section headed “Reorganisation” in this section.

On 12 December 2019, Ornate Bright, being the sole Shareholder, resolved to increase the authorised share capital of our Company from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional of 9,962,000,000 Shares, each ranking *pari passu* with our Shares then in issue in all respects.

Our intermediate holding subsidiary

Sino Keen (BVI)

Sino Keen was incorporated in the BVI with limited liability on 18 April 2018 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. As at the Latest Practicable Date, Sino Keen had two shares in issue. Sino Keen is an investment holding company.

On 29 May 2018, Sino Keen allotted and issued one share to our Company at par. Immediately after the aforesaid allotment and issue of share, Sino Keen became a direct wholly-owned subsidiary of our Company.

HISTORY, REORGANISATION AND GROUP STRUCTURE

On 3 August 2018, as part of the Reorganisation, Sino Keen further allotted and issued one share credited as fully paid to our Company.

Our operating subsidiaries

Wah Kee (Hong Kong)

Wah Kee is a private company incorporated in Hong Kong with limited liability on 15 May 2007. Wah Kee provides interior decoration and maintenance services and aluminium works related services in Hong Kong.

As at 1 April 2016, being the commencement date of the Track Record Period, Wah Kee had 10,000 shares in issue and was wholly-owned by Mr. ZC Chen (who held such 10,000 shares on trust for Mr. YW Chen).

On 27 March 2018, Mr. ZC Chen transferred his legal interest in the 10,000 shares in Wah Kee (representing the entire issued share capital of Wah Kee) to Mr. YW Chen at nil consideration. After the aforesaid transfer of shares, Wah Kee was legally and beneficially wholly-owned by Mr. YW Chen.

As a result of the Reorganisation, Wah Kee became an indirect wholly-owned subsidiary of our Company, details of which are set out in the sub-section headed “Reorganisation” in this section.

Wah Wo (Hong Kong)

Wah Wo is a private company incorporated in Hong Kong with limited liability on 2 April 2012. Wah Wo provides engineering works and aluminium works related services in Hong Kong.

As at 1 April 2016, being the commencement date of the Track Record Period, Wah Wo had 10,000 shares in issue and was wholly-owned by Mr. YW Chen. There had been no change in the shareholding in Wah Wo since 1 April 2016 until immediately before the Reorganisation.

As a result of the Reorganisation, Wah Wo became an indirect wholly-owned subsidiary of our Company, details of which are set out in the sub-section headed “Reorganisation” in this section.

Our disposed companies

To streamline our core business, we disposed Xinyi Design and Wah Kee Decoration in April 2017 and April 2018, respectively.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Our Directors confirm that, to the best of their knowledge, Xinyi Design and Wah Kee Decoration did not involve in any material litigations, or any material or systemic non-compliances from their respective date of incorporation and up to their respective date of disposal.

Based on the audited accounts and/or unaudited management accounts of Xinyi Design and Wah Kee Decoration, Xinyi Design incurred net loss of approximately RMB14,500 during the period from its date of incorporation up to its disposal on 19 April 2017 while Wah Kee Decoration generated nil profit/loss, during the period from its date of incorporation up to its disposal on 6 April 2018. Had these two companies been included in our Group and their financial information been included in the financial information of our Group, our Group would have recorded a slight decrease in net profit. In the opinion of our Directors, the disposal of these two companies from our Group will not affect our compliance with the requirements set out in Rule 8.05 of the Listing Rules.

Xinyi Design (PRC)

Xinyi Design was established in the PRC with limited liability on 25 October 2016 and was wholly-owned by Wah Kee. Xinyi Design had no material operation since its establishment up till our disposal on 19 April 2017.

On 19 April 2017, Wah Kee transferred its entire interest in Xinyi Design to SY Decoration Engineering Limited (an Independent Third Party) at a consideration of RMB1, on the basis that Xinyi Design has a negative net asset value of approximately RMB14,500. Immediately after the aforesaid transfer of interest, Wah Kee ceased to own any interest in Xinyi Design. As confirmed by our Directors, the disposal was conducted on normal commercial terms.

After the disposal of Xinyi Design, with a view to distinguish Xinyi Design from our Group, Xinyi Design changed its company name from Wah Wo Design (Shenzhen) Company Limited* (華和設計(深圳)有限公司) to Xinyi Design (Shenzhen) Company Limited* (信怡設計(深圳)有限公司) on 19 June 2018.

Wah Kee Decoration (Hong Kong)

Wah Kee Decoration was incorporated in Hong Kong with limited liability on 5 April 2017 and was wholly-owned by Wah Kee. Wah Kee Decoration had no business operation since its incorporation up till our disposal on 6 April 2018.

On 6 April 2018, Wah Kee transferred one share in Wah Kee Decoration (representing the entire issued share capital of Wah Kee Decoration) to Mr. Du Yongle (a nephew of Mr. YW Chen) at a consideration of HK\$1. Immediately after the aforesaid transfer of share, Wah Kee ceased to own any interest in Wah Kee Decoration.

HISTORY, REORGANISATION AND GROUP STRUCTURE

After the disposal of Wah Kee Decoration, with a view to distinguish Wah Kee Decoration from our Group, Wah Kee Decoration changed its company name from Wah Kee Decoration Limited (華記裝飾有限公司) to Ming Lun Company Limited (銘倫有限公司) on 8 August 2018.

REORGANISATION

For the purpose of the Listing, we underwent the Reorganisation as a result of which our Company became the holding company of our Group.

The Reorganisation involved the following steps:

Stage (1) — Incorporation of Ornate Bright, our Company and Sino Keen

Ornate Bright was incorporated in the BVI with limited liability on 18 April 2018 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On 17 May 2018, Ornate Bright allotted and issued one share to Mr. YW Chen at par.

For details of the incorporation of our Company and Sino Keen, please refer to the sub-section headed “Corporate and business development history” in this section.

Stage (2) — Acquisition of Wah Kee and Wah Wo by our Company from Mr. YW Chen

As part of the Reorganisation and pursuant to a sale and purchase agreement dated 2 August 2018 entered into between Mr. YW Chen, our Company and Sino Keen, and a direction letter given by Mr. YW Chen to our Company dated 3 August 2018, Mr. YW Chen transferred:

- his legal and beneficial interests of 10,000 shares in Wah Kee (representing the entire issued share capital of Wah Kee); and
- his legal and beneficial interests of 10,000 shares in Wah Wo (representing the entire issued share capital of Wah Wo),

to our Company (all to be held through our Company’s wholly-owned subsidiary, Sino Keen), at the consideration of HK\$1 and HK\$1 respectively, which were settled on 3 August 2018.

Our Company assigned the entire issued share capital of Wah Kee and Wah Wo to Sino Keen at the consideration of US\$1, which was settled on 3 August 2018.

Immediately after the aforesaid transfer of shares, Wah Kee and Wah Wo became indirect wholly-owned subsidiaries of our Company.

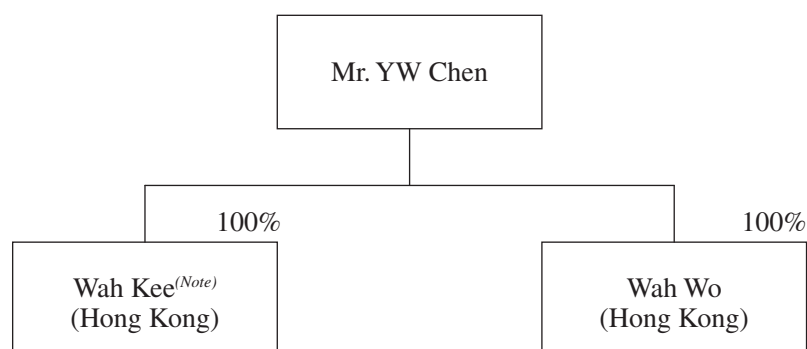
HISTORY, REORGANISATION AND GROUP STRUCTURE

THE CAPITALISATION ISSUE AND THE SHARE OFFER

We will offer the Offer Shares for subscription at the Offer Price. Conditional upon the crediting of our Company's share premium account as a result of the allotment and issue of the Offer Shares pursuant to the Share Offer, our Directors are authorised to capitalise an amount of HK\$7,499,999.97 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 749,999,997 Shares for allotment and issue to Ornate Bright.

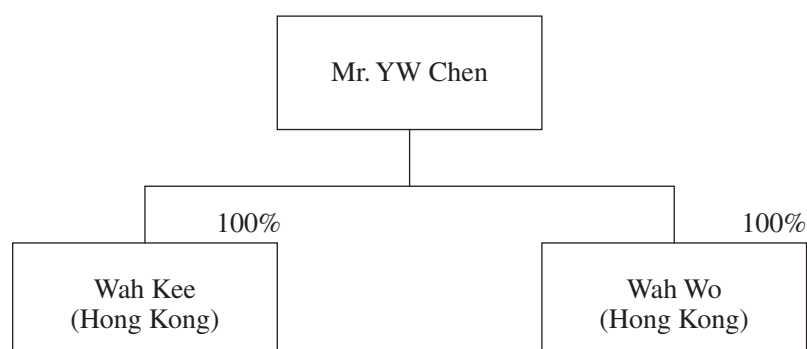
OUR GROUP STRUCTURE

The following diagram sets forth the corporate structure of our Group as at 1 April 2016, being the commencement date of the Track Record Period:



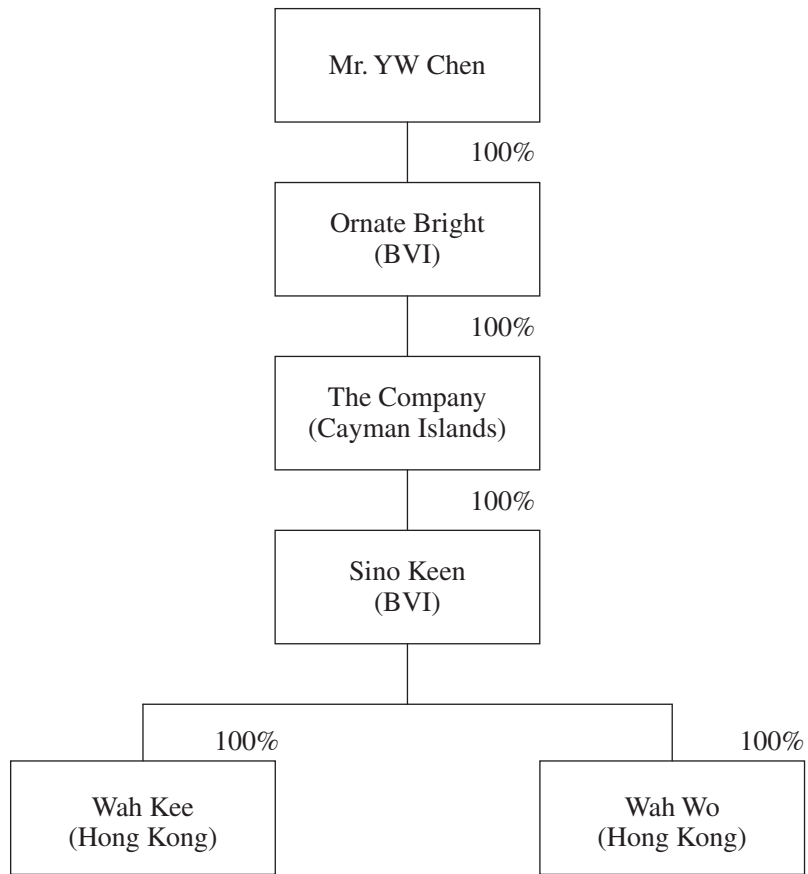
Note: 10,000 shares (representing the entire issued share capital of Wah Kee) was held by Mr. ZC Chen on trust for Mr. YW Chen.

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



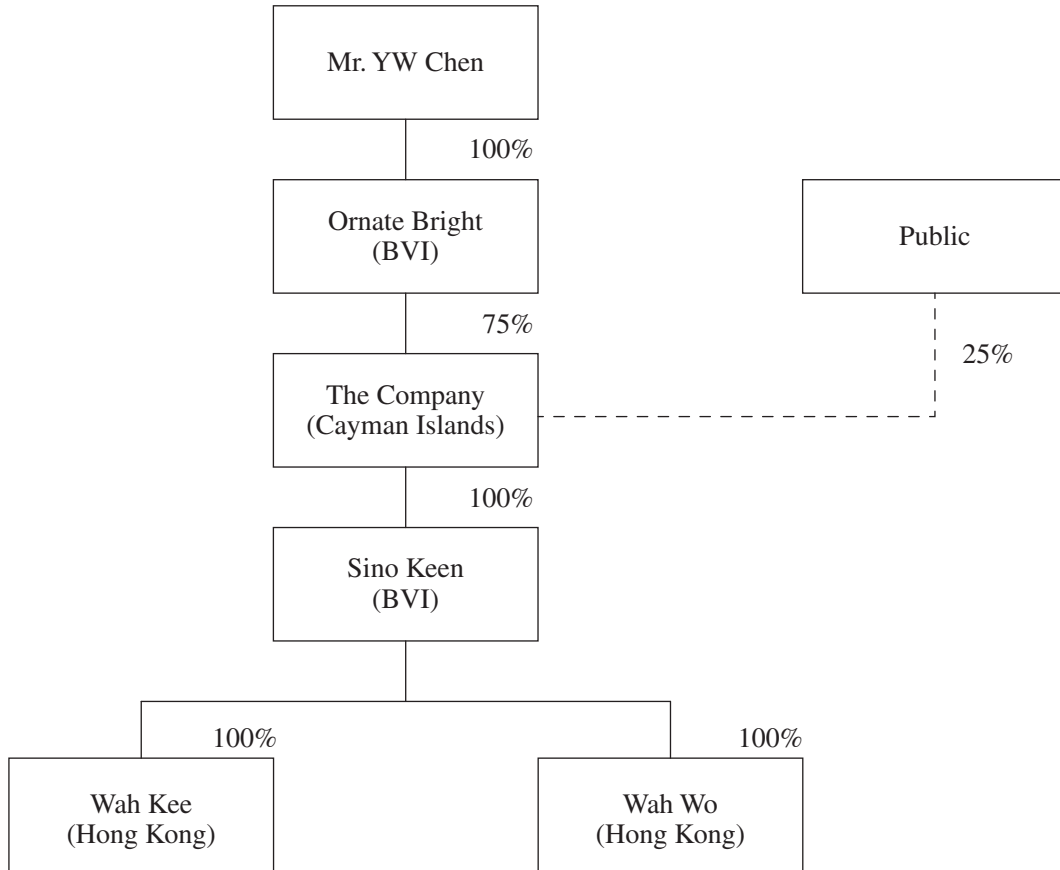
HISTORY, REORGANISATION AND GROUP STRUCTURE

The following diagram sets forth the corporate structure of our Group immediately after completion of the Reorganisation:



HISTORY, REORGANISATION AND GROUP STRUCTURE

The following diagram sets forth the corporate structure of our Group immediately after the completion of the Capitalisation Issue and the Share Offer (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):



OVERVIEW

We are an established contractor engaged in façade works with a focus on window in Hong Kong. Façade works can be classified into window, window wall system, curtain wall system and other façade members. According to the Ipsos Report, our revenue for the year ended 31 March 2019 accounted for 4.1% market share of the façade works industry in Hong Kong in 2018. We principally provide design and build services for new buildings and renovation services for built premises. Our services include developing designs, conducting structural calculations and preparing shop drawings, as well as management and coordination of various aspects of a project which involve procurement of building materials from material suppliers and/or subcontracting installation works to our subcontractors, on-site project management and post-project completion and maintenance services.

Our design and build services are typically conducted on new buildings and involve the installation of windows and other façade components such as metal doors, louvres, balustrades, grilles and canopy (referred to as “**design and build projects**”). Our renovation services on the other hand are typically conducted on built premises and usually involve the repair, replacement, upgrade or maintenance of windows, metal doors and other façade components (referred to as “**renovation projects**”). In a typical design and build project, our Group is involved in every stage of the project. Our design team works closely with our project managers to understand and fulfil our customers’ requests and to develop tailor-made designs to meet their technical specifications and requirements. In line with industry practice, we procure building materials from material suppliers and subcontract the on-site installation works to our subcontractors, while our Group mainly focuses on the overall project management and supervision of the façade works. Our project managers are principally responsible for managing the progress of the facade works and managing, coordinating and supervising our subcontractors at work sites. Our Directors believe that our experienced project managers have gained good understanding of our subcontractors’ work quality and are able to manage and complete our projects timely and to the satisfaction of our customers, which are crucial to our success in the industry. In addition, among our project management staff, 20 of our staff members as at the Latest Practicable Date, which mainly include project supervisors, foremen and site workers, are also capable of handling execution works for urgent variation and repair works. By engaging us, our Directors believe our customers could benefit from time and financial costs savings that would otherwise be spent on searching for and engaging multiple parties to perform different stages of works and managing different parties involved in a project. We enter into contracts with our customers on a project basis either through tendering or quotation process.

Our customers are mainly main contractors for our design and build projects while we are mainly engaged by owners and tenants of properties and their contractors for renovation projects. For design and build projects, our Group may either act as a nominated subcontractor and is engaged by main contractors through the nomination of the property developers or a domestic subcontractor whereby our Group is directly engaged by main contractors.

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During the Track Record Period, our revenue was principally derived from our design and build projects in Hong Kong while the remaining was generated from our renovation projects in Hong Kong. For each of the three years ended 31 March 2019 and the four months ended 31 July 2019, our total revenue was approximately HK\$153.8 million, HK\$216.3 million, HK\$233.0 million and HK\$90.7 million, respectively and our profit was approximately HK\$26.4 million, HK\$27.2 million, HK\$33.2 million and HK\$14.2 million, respectively.

The following table sets forth a breakdown of our revenue and the number of projects by project types during the Track Record Period:

	Year ended 31 March						Four months ended 31 July								
	2017		2018		2019		2018		2019						
	Number HK\$'000	%	Number HK\$'000	%	Number HK\$'000	%	Number HK\$'000	%	Number HK\$'000	%	Number HK\$'000	%			
	<i>of projects</i>		<i>of projects</i>		<i>of projects</i>		<i>of projects</i>		<i>of projects</i>		<i>of projects</i>				
Design and build projects	35	146,507	95.3	31	207,543	96.0	22	213,980	91.9	13	82,343	97.8	14	69,689	76.8
Renovation projects	38	7,272	4.7	17	8,718	4.0	34	18,977	8.1	9	1,824	2.2	12	21,010	23.2
Total	73	153,779	100.0	48	216,261	100.0	56	232,957	100.0	22	84,167	100.0	26	90,699	100.0

For each of the three years ended 31 March 2019 and the four months ended 31 July 2019, our revenue from design and build projects accounted for approximately 95.3%, 96.0%, 91.9% and 76.8%, respectively, of our total revenue.

We provide design and build services and renovation services for different types of buildings, including residential apartments, commercial buildings, retail premises, universities and hotels in Hong Kong. These different types of buildings can be broadly classified as (i) residential buildings and (ii) non-residential buildings.

The following table sets forth a breakdown of our revenue and the number of projects by types of building during the Track Record Period:

	Year ended 31 March						Four months ended 31 July								
	2017		2018		2019		2018		2019						
	Number HK\$'000	%	Number HK\$'000	%	Number HK\$'000	%	Number HK\$'000	%	Number HK\$'000	%	Number HK\$'000	%			
	<i>of projects</i>		<i>of projects</i>		<i>of projects</i>		<i>of projects</i>		<i>of projects</i>		<i>of projects</i>				
Residential	57	126,935	82.5	37	171,132	79.1	45	196,990	84.6	16	64,079	76.1	18	69,531	76.7
Non-residential	16	26,844	17.5	11	45,129	20.9	11	35,967	15.4	6	20,088	23.9	8	21,168	23.3
Total	73	153,779	100.0	48	216,261	100.0	56	232,957	100.0	22	84,167	100.0	26	90,699	100.0

During the Track Record Period, our revenue was mainly derived from residential buildings in Hong Kong. The residential buildings we served during the Track Record Period included a residential development close to the Long Ping station in Yuen Long Town with an

BUSINESS

awarded contract sum (exclusive of variation orders) of approximately HK\$94.8 million; a residential development in Kai Tak with an awarded contract sum (exclusive of variation orders) of approximately HK\$159.8 million; and a residential development in Yau Tong with aggregated awarded contract sum (exclusive of variation orders) of approximately HK\$120 million.

During the Track Record Period, we completed a total of 13 projects with individual revenue contribution over HK\$5 million. Together, their revenue contribution amounted to approximately HK\$394.4 million, representing approximately 56.9% of our revenue during the Track Record Period. As at the Latest Practicable Date, we had a total of 14 ongoing projects, each with an aggregate contract sum (exclusive of variation orders) of HK\$5 million or above and the aggregate contract sum of these ongoing projects (inclusive of variation orders and contractual adjustment as at 31 July 2019) amounted to approximately HK\$829.3 million.

OUR COMPETITIVE STRENGTHS

Our Directors believe the following competitive strengths contribute to our continued success and potential for growth:

Well established presence in the façade works industry focusing on windows in Hong Kong

Our Group has been operating in the façade works industry in Hong Kong, with a focus on windows. Wah Kee is registered as a minor works contractor under the Buildings Ordinance. Also, Wah Kee and Wah Wo are registered as specialist trade contractors under the Registered Specialist Trade Contractors Scheme of the Construction Industry Council. Over the years, we have provided design and build and renovation services for residential buildings and non-residential buildings in Hong Kong. During the Track Record Period, the residential buildings we served include a residential development close to the Long Ping station along the MTR West Rail Line located in the northern part of Yuen Long Town with an awarded contract sum (exclusive of variation orders) of approximately HK\$94.8 million. We were also awarded with a tender for the design, supply and installation of aluminum window, glass wall, louvre, balustrade and aluminum cladding works to a residential development in Kai Tak with an awarded contract sum (exclusive of variation orders) of approximately HK\$159.8 million in June 2016. In June 2018, we were awarded with two design and build projects in relation to a residential development in Yau Tong with an aggregated awarded contract sum (exclusive of variation orders) of approximately HK\$120 million.

We believe that our proven track record, timely delivery of service, workmanship and cost control gives us a competitive edge. During the Track Record Period, we were able to obtain projects through a competitive tendering or quotation process and many of such projects were obtained from our recurring customers. During the Track Record Period, revenue derived from our recurring customers of the respective year/period amounted to approximately HK\$141.0 million, HK\$207.8 million, HK\$231.2 million and HK\$90.4 million, respectively. In addition, immediately after numerous windows of an office building and a hotel in Hung Hom were damaged by Super Typhoon Mangkhut on 16 September 2018, we were awarded

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with three renovation projects in relation to the cleaning up of shattered glass, the replacement of windows and the supply and installation of temporary glass panels with an aggregate awarded contract sum (inclusive of variation orders) of approximately HK\$16.4 million, of which the individual contract sum (inclusive of variation orders) amounted to approximately HK\$9.5 million, HK\$3.2 million and HK\$3.7 million, respectively. We were also awarded a project for the supply and installation of permanent glass panels at the same location with awarded contract sum (inclusive of variation orders) of approximately HK\$17.4 million in February 2019.

Based on the above, our Directors are of the view that our Group has, over the years, established our reputation and proven track record in the industry, which has enabled our Group to expand and develop our business and will continue to drive our Group's growth in the future.

Long-term business relationships with some of our major customers and property developers

Our customers generally include main contractors of the projects and our tendering process likely involves dealing with project owners (i.e. property developers). Some of our customers are active players in the private sector of the construction industry. Our Group may act as a nominated subcontractor and is engaged by main contractors through the nomination of project owners (i.e. property developers), or we may act as a domestic subcontractor whereby our Group is directly engaged by main contractors.

The business relationship between our Group and our five largest customers during the Track Record Period has ranged from 3 to 8 years. In particular, we have maintained a long-term business relationship with certain major recurring customers including Paul Y., Customer A, Chevalier and Grand Tech since 2011, 2013, 2014 and 2016, respectively. Throughout these years, we have accumulated an in-depth understanding of their requirements and were capable of accommodating their requests. Our Directors believe that this is one of the major reasons of our Group being engaged by them. Please refer to the sub-section headed "Customers" of this section for more details.

We receive tender invitations from our recurring customers from time to time. Our Directors believe that our long-term business relationship with our major customers could strengthen our ability to secure projects.

Stable business relationships with our major building material suppliers and subcontractors who could supply building materials and perform installation works with reliable quality

Throughout our operating history, we have built relationships with a stable pool of building material suppliers and subcontractors which are responsible for building materials procurement, component production or on-site installation, and have maintained business relationship with our five largest suppliers during the Track Record Period ranging from 2 to 10 years. For details about our Group's major suppliers, please refer to sub-section headed "Suppliers — Top suppliers" of this section. We maintain a list of approved building material

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suppliers and subcontractors and select our building material suppliers and subcontractors carefully based on their (i) quality of building materials or subcontracting work; (ii) timely delivery of building materials or subcontracting work; (iii) communication skills; and (iv) promptness in follow up or corrective actions. For every type of principal building materials used in our projects, we generally maintain two to three suppliers which are on our approved suppliers list. For further details, please refer to the sub-section headed “Suppliers — Suppliers selection criteria” of this section.

Our Directors believe that the long standing relationships with our building material suppliers and subcontractors are established based on trust as we have a good track record of making timely payments to our building material suppliers and subcontractors.

Our Directors also consider that having a stable supply of building materials and labour for installation works, would allow our Group to effectively maintain the timeliness, budget and quality of our works, which is a crucial factor for us to maintain a good reputation in the façade works industry in Hong Kong and secure future business opportunities.

We are experienced in windows in the façade works industry

In the façade works industry, market players possess stronger presence in a particular façade category such as window, podium façade or curtain wall, or adopt a fairly diversified product portfolio with involvement in each category of façade depending on their own business development and strategies. According to the Ipsos Report, our Group is one of the market players in the façade works industry focusing on window with an established track record for over 10 years.

According to the Ipsos Report, windows have been the indispensable features in building structures and installation of window has been an essential part of the building construction works in Hong Kong, especially for particular building types including residential buildings, industrial buildings and warehouses. Our Directors believe that our experience in windows allows us to possess a competitive edge of (i) having a more stable relationship with our suppliers and subcontractors over other competitors with a more diversified portfolio, given our frequent cooperation with the same groups of suppliers and subcontractors for the same category of façade works; (ii) having effective cost management with less engineering and technical considerations which enables us to maximize our returns; and (iii) having better quality control by maintaining a stable pool of suppliers and subcontractors that are more likely to offer more competitive pricing and perform stable quality of works with our expertise.

In addition, in order to ensure the quality of our works, with our focus in window, we have established effective operating procedures to streamline and monitor our projects. Apart from project management and coordination works, our project team is also capable of handling execution works for urgent variation and repair works. Our project team is fully capable of monitoring workmanship of our subcontractors’ staff and handling urgent variation works if needed.

BUSINESS

Extensive experience and technical know-how of our management team

Our management team has extensive industrial and managerial knowledge, skills and technical know-how in the construction industry. As at the Latest Practicable Date, our executive Directors, Mr. YW Chen, and Mr. Chan Fai, had more than 12 years of experience in façade and window works industry and more than 16 years of experience in the construction industry, respectively. Our Directors also consider that other members of the management team possess the requisite industry knowledge and management experience in project execution, and expertise in the façade and window works. As at the Latest Practicable Date, our senior design manager, Mr. Lam Mau Yuen who is responsible for overseeing general technical and engineering works, tender preparation and compliance matters, had over 20 years of experience in the construction industry, and our senior quality control manager, Mr. Lee Ka Keung who is primarily responsible for overseeing the execution of projects and supervising workers at construction sites, had approximately 13 years of experience in the construction industry. For further details of the biographies and relevant experience of our management team, please refer to the section headed “Directors and senior management” of this prospectus.

Our Directors believe that the extensive experience and technical know-how of our management team, as well as that of our skilled employees, are essential to our success and further development.

BUSINESS STRATEGIES

We aim to expand our business in Hong Kong and strengthen our financial position. We plan to implement the following strategies:

Strengthen our financial position

Our Group plans to further expand and undertake more sizeable design and build and renovation projects in Hong Kong, which is subject to the availability of working capital and cash flow. As mentioned in the section headed “Risk Factors — Risks relating to our business — There may be net cash outflow during certain periods of our operations due to payment practice and this may affect our ability to secure new projects and expand our business” of this prospectus, it is common in the construction industry that subcontractors, including our Group, to incur net cash outflows at the early stage of projects since suppliers are required to pay significant upfront costs such as building material costs, subcontracting costs and insurance expenses, in advance of receiving progress payments from customers, and generally 10% of each progress payment will be withheld by the customers as retention money until the aggregate amount withheld reaches 5% of the project contract sum.

In addition, during the Track Record Period, certain customers required us to provide a surety bond at early stage which generally amounted to approximately 10% of the contract sum as security for due performance. The surety bond could only be released upon the issue of the certificate of practical completion or at the time specified in the surety bond document.

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Such surety bond requirement may result in the lock-up of a portion of our capital during the term of the surety bond and therefore may affect our liquidity position. As at 31 March 2017, 2018 and 2019 and 31 July 2019, our Group's surety bonds in respect of our contracts with customers amounted to approximately HK\$9.5 million, HK\$25.5 million, HK\$42.6 million and HK\$33.1 million, respectively.

In light of the above, we intend to strengthen our financial position with the net proceeds from the Share Offer in the following manner:

- approximately HK\$34.4 million (or approximately 39.6%) will be allocated to satisfy the surety bond requirement in full of our awarded projects at Muk Tai Street and Sassoon Road, the details of which are set out in the section headed "Future Plans and Use of Proceeds — Future plans — Strengthening of our financial position";
- approximately HK\$34.7 million (or approximately 39.8%) for payment of the upfront costs of our awarded projects at Sin Fat Road and Sassoon Road and other potential new projects, the details of which are set out in the section headed "Future Plans and Use of Proceeds — Future plans — Strengthening of our financial position".

As at the Latest Practicable Date, our Group had two likely to be awarded projects (our management has assessed based on on-going negotiation along the tendering process) with aggregate project sum of approximately HK\$160.5 million. These likely to be awarded projects will require us to provide approximately HK\$12.1 million of surety bond and approximately HK\$22.5 million for upfront costs payment in aggregate. We also plan to utilise remaining part of the proceeds to act as reserve and to apply such to other potential projects that have a chance to be awarded to our Group for surety bond and upfront costs to strengthen our financial position. For further details, please refer to the section headed "Future Plans and Use of Proceeds" of this prospectus.

Expand our project management team, design team and supporting staff with corresponding expansion of our office

Our Directors believe that our capability to provide design and build services to our customers has allowed our Group to obtain more business opportunities. Such capability depends on, to a larger extent, the number and scale of our operation teams, particularly our project management and design teams.

Our project management team is responsible for the overall execution, management and monitoring of our projects, and is actively involved at various stages of our projects, such as the assessment of potential projects, preparation and submission of tenders, project planning, execution and management, and quality control. As at the Latest Practicable Date, our project management team had 43 staff.

BUSINESS

Our design teams generally refer to our design engineers and designers who are principally responsible for developing designs, conducting structural calculations and preparing shop drawings for our projects. As multiple types of building materials are required to fit in seamlessly, designs have to be feasible and structural calculations have to be precise while taking into account of safety requirements. Given the complexity of design works, our Directors believe that experienced design engineers and designers are crucial to our business. Our in-house design team had nine employees as at the Latest Practicable Date. To cope with our Group's business development and expansion plans, we intend to recruit one project manager, three project supervisors and three project coordinators for our project management team, and two design managers and one designer for our design team.

We also intend to increase the number of our supporting staff and rent a new office of around 1,800 sq.ft in view of our business expansion.

Our Directors believe that increasing our manpower would improve our capacity to undertake more projects simultaneously and improve our results of operation and financial performance. For more details about our recruitment plan and office expansion, please refer to the section headed "Future Plans and Use of Proceeds — Future plans" of this prospectus.

OUR SERVICES AND PROJECTS

We are a contractor engaged in façade works in Hong Kong, with a focus on windows. We principally provide design and build services for new buildings and renovation services for built premises. Our services, covering design and project management services, are customised to meet the technical specifications and performance requirements of our customers. Our Group's customers mainly include main contractors for design and build projects and owners and tenants of the properties and their contractors for renovation projects.

The following table sets forth a breakdown of our revenue and the number of projects by project types during the Track Record Period:

	Year ended 31 March									Four months ended 31 July					
	2017			2018			2019			2018			2019		
	<i>Number of projects</i>	<i>HKS'000</i>	<i>%</i>	<i>Number of projects</i>	<i>HKS'000</i>	<i>%</i>	<i>Number of projects</i>	<i>HKS'000</i>	<i>%</i>	<i>Number of projects</i>	<i>HKS'000</i>	<i>%</i>	<i>Number of projects</i>	<i>HKS'000</i>	<i>%</i>
Design and build projects	35	146,507	95.3	31	207,543	96.0	22	213,980	91.9	13	82,343	97.8	14	69,689	76.8
Renovation projects	38	7,272	4.7	17	8,718	4.0	34	18,977	8.1	9	1,824	2.2	12	21,010	23.2
Total	73	153,779	100.0	48	216,261	100.0	56	232,957	100.0	22	84,167	100.0	26	90,699	100.0

BUSINESS

During the Track Record Period, our Group's revenue was substantially derived from our design and build projects for new buildings, which accounted for approximately 95.3%, 96.0%, 91.9% and 76.8% of our total revenue for each of the three years ended 31 March 2019 and the four months ended 31 July 2019, respectively. On a much smaller scale, our revenue from renovation projects accounted for approximately 4.7%, 4.0%, 8.1% and 23.2% of our total revenue for each of the three years ended 31 March 2019 and the four months ended 31 July 2019, respectively.

We provide our design and build and renovation services for different types of buildings, including residential apartments, commercial buildings, retail premises, universities and hotels in Hong Kong. These different types of buildings can be broadly classified as (i) residential buildings; and (ii) non-residential buildings. The following table sets out a breakdown of our revenue and the number of projects by types of building during the Track Record Period:

	Year ended 31 March									Four months ended 31 July					
	2017			2018			2019			2018			2019		
	<i>Number of projects</i>	<i>HKS'000</i>	<i>%</i>	<i>Number of projects</i>	<i>HKS'000</i>	<i>%</i>	<i>Number of projects</i>	<i>HKS'000</i>	<i>%</i>	<i>Number of projects</i>	<i>HKS'000</i>	<i>%</i>	<i>Number of projects</i>	<i>HKS'000</i>	<i>%</i>
Residential	57	126,935	82.5	37	171,132	79.1	45	196,990	84.6	16	64,079	76.1	18	69,531	76.7
Non-residential	16	26,844	17.5	11	45,129	20.9	11	35,967	15.4	6	20,088	23.9	8	21,168	23.3
Total	73	153,779	100.0	48	216,261	100.0	56	232,957	100.0	22	84,167	100.0	26	90,699	100.0

During the Track Record Period, our Group mainly fitted out residential buildings in Hong Kong. For each of the three years ended 31 March 2019 and the four months ended 31 July 2019, we undertook 57, 37, 45 and 18 residential projects, respectively and the corresponding revenue derived from these projects accounted for approximately 82.5%, 79.1%, 84.6% and 76.7% of our total revenue, respectively.

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Design and build projects awarded to our Group during the Track Record Period and up to the Latest Practicable Date

The following table sets out the number of design and build projects awarded to us during the Track Record Period and up to the Latest Practicable Date and the corresponding aggregate awarded contract sum (exclusive of variation orders):

	For the year ended 31 March			For four months ended 31 July	From 1 August 2019 to the Latest Practicable Date
	2017	2018	2019	2019	
Number of design and build projects awarded (<i>Note 1</i>)	17	19	9	2	4
Corresponding aggregate awarded contract sum (exclusive of variation orders) (<i>HK\$'000</i>)	225,567	186,412	250,511	261,405	101,016

Note:

- The number of design and build projects awarded includes all design and build projects for a particular year/period during which our management had made assessment and assigned the project start date based on reasonable written evidence that our engagement was confirmed through letter of award, letter of intent, work order, invoices and payment records and etc., and irrespective of whether our tender was submitted during the same year/period.

Our Group generally submits for more tenders than the available capacity we have in order to secure sufficient projects for optimization of our resources and we focus on and occupy ourselves with larger projects before turning to projects with smaller size. The fluctuation of the aggregate awarded contract sum for the year ended 31 March 2018 was mainly due to our resources and capacity being occupied by one of our largest projects, namely the project at Muk Ning Street, which was awarded to us by Grand Tech in June 2016 with an awarded contract sum (exclusive of variation orders) of approximately HK\$159.8 million. This project was the largest design and build project in terms of revenue contribution for the year ended 31 March 2018, accounting for approximately 63.1% of our revenue from design and build projects. Taking into consideration of the above and that our resources were mostly tied up by the project at Muk Ning Street, we strategically turn to projects with smaller contract sum which resulted in the decrease in our aggregate awarded contract sum for the year ended 31 March 2018.

In May 2019, our Group was awarded with a significant design and build project at Muk Tai Street from Grand Tech with awarded contract sum (exclusive of variation orders) of approximately HK\$261.4 million. The contract sum for this project at Muk Tai Street was larger than that of Muk Ning Street mainly due to the fact that the work scope of the project at Muk Tai Street was technically more complicated and it involved more expensive material

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costs such as special coating double layered glass. Also, the project at Muk Tai Street involved more technical elements such as curtain walls and aluminium cladding as compared to the project at Muk Ning Street which resulted in the increase in the usage of aluminum and curtain walls. Our Directors believe that there were a number of reasons enabling us to win this project, being (i) our proven track record that has demonstrated our capability in handling project of similar size, in particular, our Group has completed the project at Muk Ning Street with an awarded contract sum (exclusive of variation orders) of approximately HK\$159.8 million, of which the customer is the same (i.e. Grand Tech) and our Group is nominated by the same property developer; (ii) both projects at Muk Tai Street and Muk Ning Street are located in Kai Tak, which we have already thoroughly explored the area and have established an efficient logistics arrangement to the work sites; and (iii) we have completed the project at Muk Ning Street to the satisfaction of our customer based on our quality of works and have thereon continued to maintain an amicable working relationship with them.

The following table sets forth a breakdown of the design and build projects awarded to and completed by our Group during the Track Record Period and up to the Latest Practicable Date by ranges of contract sum (exclusive of variation orders):

	Year ended 31 March						From 1 August 2019 up to the Latest Practicable Date			
	2017		2018		2019		Four months ended 31 July 2019		Latest Practicable Date	
	<i>Number of projects Awarded</i>	<i>Number of projects Completed</i>	<i>Number of projects Awarded</i>	<i>Number of projects Completed</i>	<i>Number of projects Awarded</i>	<i>Number of projects Completed</i>	<i>Number of projects Awarded</i>	<i>Number of projects Completed</i>	<i>Number of projects Awarded</i>	<i>Number of projects Completed</i>
Contract sum										
Above HK\$50 million	1	–	1	1	2	1	1	–	1	–
Above HK\$10 million to HK\$50 million	1	5	2	2	2	1	–	–	1	–
HK\$10 million and below	15	16	16	22	5	9	1	2	2	2
Total	17	21	19	25	9	11	2	2	4	2

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Design and build projects with revenue recognition during the Track Record Period

The following table sets forth a breakdown of our design and build projects undertaken, with revenue contribution during the Track Record Period by range of revenue recognition during the Track Record Period:

	Year ended 31 March						Four months ended 31 July			
	2017		2018		2019		2018		2019	
	<i>Number of projects</i>	<i>HK\$'000</i>	<i>Number of projects</i>	<i>HK\$'000</i>	<i>Number of projects</i>	<i>HK\$'000</i>	<i>Number of projects</i>	<i>HK\$'000</i>	<i>Number of projects</i>	<i>HK\$'000</i>
Revenue recognised										
Above HK\$50 million	1	70,960	1	130,915	-	-	-	-	-	-
Above HK\$10 million to HK\$50 million	2	21,230	2	40,947	7	183,998	4	60,569	1	24,920
Above HK\$1 million to HK\$10 million	11	49,043	7	32,198	6	26,561	5	20,556	7	43,436
HK\$1 million and below	21	5,274	21	3,483	9	3,421	4	1,218	6	1,333
Total	35	146,507	31	207,543	22	213,980	13	82,343	14	69,689
Average revenue recognized per design and build project		4,186		6,695		9,726		6,334		4,978

For a breakdown of our renovation projects based on their respective range of revenue recognized during the Track Record Period, please refer to the section headed “Financial Information — Principal Components of Results of Operations — Revenue”.

Details of completed design and build and renovation projects during the Track Record Period and up to Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, we completed 13 design and build and renovation projects with individual revenue contribution over HK\$5 million. Together, their aggregate revenue contribution amounted to approximately HK\$394.4 million, representing approximately 56.9% of our total revenue during the Track Record Period. The following table sets out a detailed list of our completed projects with individual revenue contribution over HK\$5 million during the Track Record Period and up to the Latest Practicable Date:

No.	Location	Type of building	Type of work	Nominated subcontractor	Time of commencement	Time of completion	Awarded contract sum	Revenue recognised during the Track Record Period
					(Note 1)	(Note 2)	(Note 3)	
							HK\$'000	HK\$'000
1.	Muk Ning Street	Residential	Design and build	Yes	June 2016	August 2018	174,960	174,960

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No.	Location	Type of building	Type of work	Nominated subcontractor	Time of commencement	Time of completion	Awarded contract sum	Revenue recognised during the Track Record
								Period
					<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	
							<i>HKS'000</i>	<i>HKS'000</i>
2.	Kwong Yip Street	Residential	Design and build	Yes	December 2014	October 2017	101,581	96,194
3.	Victoria Road	Non-residential	Design and build	No	November 2016	July 2018	38,752	38,752
4.	Austin Road	Non-residential	Design and build	No	April 2015	March 2018	17,701	14,256
5.	Chi Shin Street	Residential	Design and build	No	September 2015	September 2017	11,439	11,439
6.	Lohas Park Road	Residential	Design and build	No	September 2016	April 2018	9,384	9,384
7.	Kai Cheung Road	Non-residential	Design and build	No	September 2014	April 2017	27,222	7,600
8.	Tak Fung Street	Non-residential	Renovation	N/A	October 2018	January 2019	9,511	9,511
9.	Chi Shin Street	Residential	Design and build	No	April 2016	September 2017	7,346	7,346
10.	Kwu Tung, Sheung Shui <i>(Note 4)</i>	Non-residential	Design and build	No	December 2015	Project on hold	9,236	6,866
11.	Victoria Road	Non-residential	Design and build	No	July 2017	July 2018	6,941	6,941
12.	Castle Peak Road	Residential	Design and build	No	October 2013	August 2016	16,629	6,130
13.	Canton Road	Non-residential	Renovation	N/A	August 2017	December 2017	5,003	5,003

Notes:

1. The time of commencement refers to the date on which the tender was awarded to us.

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2. The time of completion refers to the date of completion based on the date of the certificate of practical completion. In the case where a certificate of practical completion is unavailable, the completion date of a project refers to the date of the last payment certificate issued by the architect or other representative of our customers or the last date of the period covered by such last payment certificate.
3. The awarded contract sum is inclusive of variation orders and contract sum adjustments up to 31 July 2019.
4. This project is considered as completed from our management perspective as we have delivered our performance but the main contractor has informed us that the project owner has decided to put the project on hold.

Details of our ongoing projects as at the Latest Practicable Date

We had 14 ongoing projects, each with awarded contract sum (exclusive of variation orders) of HK\$5 million or above that have commenced but not yet completed as at the Latest Practicable Date, and the aggregate contract sums of these ongoing projects (inclusive of variation orders and contractual adjustment up to 31 July 2019) amounted to approximately HK\$829.3 million. The following table sets out a detailed list of such projects:

No.	Location	Type of building	Type of work	Nominated subcontractor	Time of commencement	Expected time of completion	Aggregate contract sum	Accumulated revenue recognised up to 31 July 2019	Outstanding contract sum as at 31 July 2019
					<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>		<i>(Note 4)</i>
							<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1.	Sassoon Road	Non-residential	Design and build	No	November 2019	April 2022	82,806	–	N/A <i>(Note 5)</i>
2.	Sin Fat Road	Residential	Design and build	No	November 2019	April 2022	15,991	–	N/A <i>(Note 5)</i>
3.	Muk Tai Street	Residential	Design and build	Yes	May 2019	April 2021	261,387	–	261,387
4.	Peking Road	Non-residential	Renovation	N/A	May 2019	December 2019	8,000	4,000	4,000
5.	So Kwun Wat Road	Residential	Design and build	No	December 2018	February 2021	144,600	11,588	133,012
6.	Sze Shan Street	Residential	Design and build	Yes	February 2018	February 2020	85,128	53,198	31,930
7.	Castle Peak Road	Residential	Design and build	No	May 2018	December 2019	63,631	46,366	17,265

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No.	Location	Type of building	Type of work	Nominated subcontractor	Time of commencement	Expected time of completion	Aggregate contract sum	Accumulated revenue recognised up to 31 July 2019	Outstanding contract sum as at 31 July 2019
					(Note 1)	(Note 2)	(Note 3)	(Note 4)	
							HKS'000	HKS'000	HKS'000
8.	Sze Shan Street	Residential	Design and build	Yes	February 2018	February 2020	34,872	21,425	13,447
9.	Tak Fung Street	Non-residential	Renovation	N/A	February 2019	December 2019	17,410	13,859	3,551
10.	Lok Chui Street	Residential	Design and build	No	October 2018	March 2020	17,026	1,584	15,442
11.	South Lantau Road	Residential	Design and build	Yes	June 2018	December 2019	26,495	24,360	2,135
12.	Castle Peak Road	Residential	Design and build	No	January 2018	March 2020	51,866	51,866	– (Note 6)
13.	Ka Wo Li Hill Road	Residential	Design and build	No	February 2017	December 2019	14,416	11,300	3,116
14.	Ka Wo Li Hill Road	Residential	Design and build	No	June 2017	December 2019	5,673	5,495	178

Notes:

1. The time of commencement refers to the date on which the tender was awarded to us.
2. The expected time of completion is estimated by the management by reference to indicators including the master construction schedule forming part of the main contract between a main contractor and a property developer work reports of our employees and/or the progress of a project as evidenced by the percentage of contract sum which has been fully settled.
3. Aggregate contract sum is inclusive of variation orders and contractual adjustments up to 31 July 2019.
4. The outstanding contract sum is inclusive of variation orders and contract sum adjustments as at 31 July 2019. It represents the difference between aggregate contract sum and accumulated revenue recognized up to 31 July 2019.
5. These projects were awarded to our Group in November 2019. Please refer to the respective aggregate contract sum (which equals to the awarded contract sum) as reference for the outstanding contract sums for these projects.
6. Our Directors considered this project as ongoing as we were instructed by our customer for additional works. Hence, this project is subject to remeasurement and the final contract sum will be determined based on the agreed unit rate and measurement of quantities or our work done.

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Our project backlog

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

	Year ended 31 March			Four months ended 31 July 2019	From 1 August 2019 to the Latest Practicable Date
	2017	2018	2019		
	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>
Projects brought forward from prior financial year/period	28	22	12	12	13
New projects awarded	50	31	48	11	7
Projects completed	(56)	(41)	(48)	(10)	(5)
Ongoing projects	<u>22</u>	<u>12</u>	<u>12</u>	<u>13</u>	<u>15 (Note 1)</u>

	Year ended 31 March			Four months ended 31 July 2019	From 1 August 2019 to the Latest Practicable Date
	2017	2018	2019		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening value of backlog	142,461	227,362	276,030	289,388	485,465
Awarded contract sum (Note 2)	225,532	260,079	213,773	283,226	104,599
Variation orders	13,148	4,850	32,582	3,550	4,358
Revenue recognized	(153,779)	(216,261)	(232,957)	(90,699)	(94,134)
Ending value of backlog (Note 3)	<u>227,362</u>	<u>276,030</u>	<u>289,388</u>	<u>485,465</u>	<u>500,288</u>

Notes:

1. Including 14 projects each with awarded contract sum (exclusive of variation orders) of HK\$5 million or above and one project with awarded contract sum (exclusive of variation orders) of less than HK\$5 million.
2. The awarded contract sum is the original contract sum based on the initial agreement with our customers.
3. Ending value of backlog refers to the portion of the total estimated revenue that has not been recognized with respect to the projects.

Based on the latest progress of the respective ongoing design and build projects and renovation projects as at the Latest Practicable Date, we expect that these projects will contribute revenue to our Group of approximately HK\$213.7 million for the remaining eight months ending 31 March 2020, of which approximately HK\$200.2 million and HK\$13.5 million will be derived from the ongoing design and build projects and renovation projects respectively.

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OPERATING PROCEDURE

We provide design and build services and renovation services with a focus on windows. We enter into contracts with our customers on project basis through tendering or quotations.

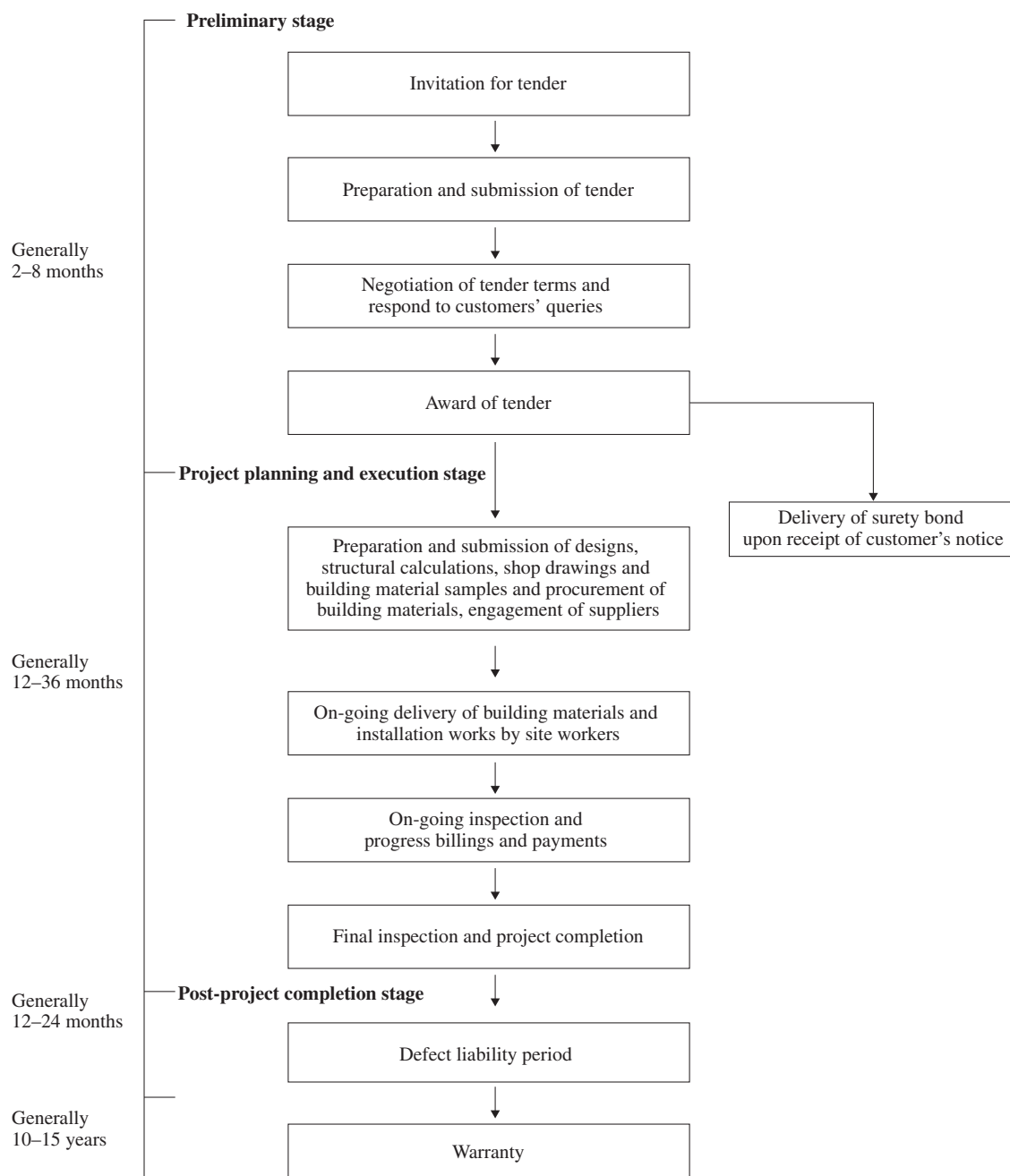
We set out below the typical workflow of our design and build projects and renovation projects respectively:

Design and build projects

Our design and build projects' tendering process mainly involve main contractors and project owners (i.e. property developers). During the Track Record Period, our Group acted as a nominated subcontractor whereby our Group was engaged by main contractors through the nomination of the property developers of the design and build projects or a domestic subcontractor whereby our Group was directly engaged by main contractors. There is no material difference between the operating procedure for a nominated subcontractor and a domestic subcontractor. When we act as a nominated subcontractor, we liaise with the representative of property developer (usually the architect or the quantity surveyor appointed by the property developer for the project) on matters pertaining to project planning and tender submission. We may be approached by the representative of the property developer prior to the appointment of the main contractor by the property developer. When we act as domestic subcontractor, we liaise with the main contractor directly on matters pertaining to tender submission. In either case, we enter into the formal subcontracting agreements with the main contractors directly.

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The following flow chart is an overview of the major steps that were generally involved in our design and build projects which were awarded to us through tender during the Track Record Period:



During the Track Record Period, a majority of our design and build projects were awarded to us through tender. A typical design and build project which was awarded to us through tender generally took up to 12 to 36 months to complete, commencing with our Group receiving a tender invitation and ending with the practical completion of project. This duration varies due to a number of factors, including the scale and complexity of the project, the technical specifications, the construction schedule specified by the property developers,

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timing of consents and approvals from relevant parties and the progress of installation. We may also obtain design and build projects through quotation. Where a design and build project obtained through quotation is of a relatively large scale, the workflow of such projects are similar to the workflow of tender projects of similar size except that we do not need to prepare or submit any tender bundle at the preliminary stage.

A. Preliminary stage

Invitation for tender

Our Group generally receives invitations from our recurring customers or through referrals from business associates to tender for potential projects. Once our Group receives a tender invitation, our project management team will evaluate and consider various terms of the project, which generally include the scale and complexity of a project and the construction schedule. Besides, our management will also consider the availability of our financial and human resources.

A tender invitation typically encloses a bundle of tender documents which, among other documents, contain preliminary shop drawings, conditions of the main contract, forms to be completed by potential tenderers (such as the schedule of rates and building material quantities which form the basis of offer price calculation) and project specifications. Generally, our Group is required to submit the tender within one month upon the receipt of the tender invitation. After taking into account the above factors, our management will decide whether to submit a tender for a potential project.

A tender invitation may be preceded by a pre-qualification screening. A potential customer may, among other things, initially ask about our track record, financial standing and/or our organization structure and manpower.

Preparation and submission of tender

1. Preparation of tender bundle

Our project management team, design team, together with our quantity surveyor are responsible for preparing the tender document bundle. A tender document bundle typically includes (i) the form of tender; (ii) a completed schedule of rates and quantities which form the basis of offer price calculation; (iii) construction methodology; (iv) preliminary shop drawings; (v) building material list, and (vi) organization chart and the resumes of the proposed project management team.

Our project management team is responsible for the overall execution, management and monitoring of a project, and is actively involved at various stages of a project, such as the assessment of a potential project, preparation and submission of tender, project planning, execution and management, and quality control.

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2. *Negotiation of tender terms and respond to customer's queries*

Upon receiving our tender, our customers will arrange interviews or tender queries for our Group to clarify the particulars of the tender. We may also negotiate with our customers regarding technical and commercial terms of the contract.

3. *Tender submission during the Track Record Period*

The following table sets out the number of tenders submitted, number of design and build project(s) awarded and our tender success rate during the Track Record Period:

	Year ended 31 March			Four months ended 31 July
	2017	2018	2019	2019
In terms of number:				
Number of design and build tenders submitted	11	17	19	12
Number of design and build projects awarded through tendering (<i>Note 1</i>)	5	5	4	–
Tender success rate (%) (<i>Note 2</i>)	45.5	29.4	21.1	N/A (<i>Note 3</i>)
In terms of amount:				
Contract sum of design and build tenders submitted (<i>HK\$'million</i>)	259.0	754.4	1,097.9	462.9
Contract sum of design and build projects awarded through tendering (<i>HK\$'million</i>) (<i>Note 1</i>)	27.3	254.3	449.5	N/A (<i>Note 3</i>)

Notes:

1. In respect of relevant tenders that were submitted in the relevant year.
2. Tender success rate is calculated by the total number of design and build project(s) obtained over the total number of tenders submitted during the relevant year.
3. All of these submitted tenders were pending tender results as at the Latest Practicable Date.

For each of the three years ended 31 March 2019 and the four months ended 31 July 2019, approximately HK\$118.1 million, HK\$187.6 million, HK\$211.9 million and HK\$69.7 million, representing approximately 80.6%, 90.4%, 99.0% and 100.0% respectively, of our revenue from design and build projects were generated through tendering. For design and build projects, our Group may either act as a nominated subcontractor or a domestic subcontractor.

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It is our strategy to be responsive to our customers' tender invitations in various project sizes, and proactively provide to our customers tender submissions in response to most of their invitations after considering the number of projects on hand, our available capacity in terms of manpower and financial resources as well as the budgeted project profit margin which in turn depends on a number of factors pertaining to the project and the competitive environment. We generally (i) submit more tenders than the available capacity that we have in order to secure sufficient projects for optimisation of our resources; and (ii) focus on and occupy ourselves with larger projects before turning to projects with smaller size.

Due to such strategy and subject to our available resources and working capital from time to time, when we have successfully tendered for relatively sizeable projects (i.e. projects at Muk Ning Street, So Kwun Wat Road and Muk Tai Street) which would tie up most of our resources, we may submit tenders on terms which are less competitive for certain projects. This has given rise to the decrease in our overall tender success rates during the Track Record Period. Having said that, our Group remains responsive to our customers' invitations for relatively smaller scale projects by submitting tenders to them in order to maintain business relationships and our presence in the market as well as to keep abreast of the latest market development and pricing trends as market intelligence for our management. Under the above strategies and having regard that our capacity and resources are already fully optimised, our Group may still submit tenders on terms which are not competitive enough to be awarded with the contracts, thereby leading to lower tender success rates. Our Directors confirm that there were no changes in our tender strategies during the Track Record Period and up to the Latest Practicable Date.

Award of tender

Our customers usually confirm the award of a tender in writing. We usually start preparing for the shop drawings, perform structural calculations/verifications and the procurement process of building materials as soon as a tender has been awarded, as it takes time to obtain the requisite approvals from the architect, structural engineer and subsequently, the Buildings Department in relation to the shop drawings, structural calculations and component samples before we can commence with site work. During the course of a project, our customers may require additional services or amendments to the specifications, which will result in extra work to be performed by us. The variation orders with our customers are usually given by way of written confirmation for large amount but in case of small variations which are common in renovation projects, such variations will be verbally agreed and be reflected on the final bill issued to our customers.

Delivery of surety bond upon receipt of customer's notice

Our customers may require us to procure a surety bond, also known as performance or demand bond, which generally amounts to 10% of the contract sum as security for due performance and satisfactory completion of the project under the contracts with our customers. We generally procure surety bonds upon our customer's notice. Collateral

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and/or guarantees are required by the issuing bank for securing the surety bonds issued to our customers. If our Group does not fulfil such surety bond requirement upon our customers' notice, our customers may exercise their rights to withhold certain percentages of the progress payments until the aggregate amount withheld reaches the amount of the surety bond requirement. If there is any default in our obligations under our contracts with our customers, our customers are entitled to seek compensation from the bank for the amount of financial loss incurred not exceeding the amount of the surety bond which we will be liable to compensate such bank subsequently. The surety bonds are normally released upon the end of the defect liability period or at the time specified in the surety bond document.

Projects awarded through quotation

In the case of projects awarded through quotation, we send our price quotations to our potential customers, and do not need to prepare or submit any tender bundle.

B. Project planning and execution stage

Preparation and submission of designs, shop drawings, structural calculations and building material samples and procurement of building materials, engagement of suppliers

Once a project has been awarded to our Group, we will form a project management team, which typically consists of project managers, project coordinators and project supervisors to oversee and manage the project, our purchasing personnel and our design team who work with our project management team, will contact suppliers of different building materials such as aluminum windows, doors and louvres and glazing glass to obtain their price quotations. Suppliers may be designated by our customers or sourced from our list of approved suppliers. For details on the quality control of our selection of suppliers, please refer to the sub-section headed "Suppliers — Suppliers selection criteria" of this section. Suppliers may be required to produce a certificate of origin and test reports for certain building materials such as aluminium and steel to be used in construction.

Our project management team coordinates with our purchasing personnel and our design team from time to time in the preparation of shop drawings and monitoring on the procurement of building materials. Our design team passes to select suppliers the architect's preliminary drawings previously reviewed by our design team during the tendering process and specifications from the tender document for the suppliers' further improvement or revision under our supervision. At the same time, our design team works closely with the project's architect and structural engineer to better understand their requirements regarding the designs, structural calculations and shop drawings of the project.

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During this process, the combination and application of multiple types of building materials as well as the overall designs are decided after carefully considering the feasibility and safety of such designs. The designs together with samples of the raw materials, design finishes to metal extrusions and accessories among other things, are delivered to the architect and structural engineer for their approval. If obtained, approval will be sought from the Buildings Department for execution.

Also, in accordance with the requirements of the Buildings Department, the curtain wall systems will be subject to a series of tests by independent laboratories at various stages of the project, such as performance tests and welding test. Depending on the contract terms, project owners or main contractors may also require testing to be carried out on curtain wall systems, such as on-site water tests to check for water leakages.

After the designs and shop drawings have been finalized, our purchasing personnel will place production orders with suppliers of different components such as aluminum windows, doors and louvres. The time it takes to deliver a component depends on the complexity and scale of production.

Delivery of building materials and installation works by site workers

In line with the industry practice, we engage subcontractors from our approved supplier list to perform the installation works. In some cases, a building material supplier may also provide or arrange installation services. For more details about our approved list of subcontractors, please refer to the sub-section headed “Suppliers — Suppliers selection criteria” of this section.

We may require machinery to execute installation works, and will arrange the leasing of elevating platform and other scaffolding and staging from our approved suppliers at our cost from time to time.

Our project management team, which typically consists of project managers, project coordinators and project supervisors, is responsible for the management and coordination of the overall implementation of the installation work.

To ensure the works being carried out by the subcontractors are in compliance with applicable safety and environment laws and regulations, some of our project supervisors who are qualified to act as safety supervisor, are also responsible for ensuring that adequate measures or procedures have been implemented in accordance with the applicable safety and environmental laws and regulations. Our safety supervisor of a project attends meetings to discuss safety issues with main contractors from time to time. For details of the safety measures taken by our Group, please refer to the sub-section headed “Occupational health and safety” of this section.

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Inspection and progress billings and payments

We usually receive payment from our customers in accordance with the contract between our Group and our customers. We generally submit an interim payment application to the customer every month to apply for interim payment based on the works being completed and the progress of the project implementation. The quantity surveyor of the customer usually conducts an assessment upon receiving our interim payment application, determines the amount of work being completed on the site and then issue the interim payment certificate. The customer then makes a payment to the main contractor, which in turn makes the progress payment to our Group. Once the work completed has been certified by our customer, we typically receive progress payment within 30 days of presentation of a payment certificate. If we have not provided surety bond, in lieu of such requirement, sometimes the entire progress payment will be net-off and retained until the surety bond amount has been fulfilled. Usually, 10% of each progress payment would be held as retention money until the accumulated retention money reaches 5% of the total contract sum. For further details of the payment terms, please refer to the sub-section headed “Customers — Key contracts terms with customers” in this section.

During the course of a project, our customers may require alterations in items, services or specifications. As a result, extra work may be required and additional fees may be charged to our customers. After receiving instruction of a variation order, we prepare cost estimations for implementing the variation order for our customers’ approval.

Final inspection and completion

Our Group will ensure that all works are completed and have complied with the requirements as set out in the contract and by the Buildings Department before inspection by the authorised person of the customers and the Buildings Department. After inspection, the project will be considered to be substantially completed when the certificate of practical completion is issued.

C. Post-project completion stage

Defect liability period

Our Group generally provides a defect liability period of 12 to 24 months starting from the date of practical completion. During the defect liability period, our Group is liable at our own costs for remedial works arising from defective works identified or defective materials used. Half of the retention money withheld by our customers will usually be released to us upon the issuance of the certificate of practical completion and the remaining half upon the expiry of the defect liability period or the completion of works making good the defects by the authorised person of the project. The amounts incurred for remedial works during the Track Record Period amounted to approximately HK\$4.1 million, HK\$0.3 million, HK\$0.9 million and HK\$0.2 million, respectively. In

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order to protect our interest, our Group generally withholds 5% of each payment to our building material suppliers and subcontractors as retention money, which will generally be released upon our receipt of retention money from our customers.

Warranty period

Depending on the terms of the relevant contracts, our Group may provide to property developers or main contractors warranty and maintenance services against extra costs. We generally provide warranty against faulty workmanship and material, structural failure and distortion of the installation, non-uniformity of surface finish, water-penetration and corrosion of 15 years from the date of project completion or after the end of defect liability period depending on the terms of a contract and the components involved. Certain materials may have specific warranties originating from material suppliers. For example, tempered glass and weather seal sealant may have a warranty period of 15 years and spandrel glass and structural silicone may have a warranty period of 10 years. Also, if there are any defects discovered after the completion of the projects on works performed by our subcontractors, the relevant subcontractors in turn shall indemnify our Group for any costs suffered in relation to such defects. During the Track Record Period, there was no material claim brought against our Group by our customers and the cost incurred for rectifying defective works was not material.

Renovation projects

During the Track Record Period, we also provide renovation services on built premises which usually involve the repair, replacement, upgrade or maintenance (such as cleaning and painting) of components of façade (such as doors and windows). The workflow of a renovation project depends on the scale of the project and the terms of the agreement. The workflow of some of our renovation projects which are awarded to us through tender is substantially similar to the workflow of our design and build projects as illustrated earlier in this section and payment is based on the progress of work. In other cases, we obtain renovation projects through quotations. Where the renovation projects are of a smaller scale, for example, those involving small repair jobs for owners or tenants of properties, bills are generally settled in a lump sum upon completion of work.

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Characteristics of our customers

Our customers are mainly main contractors for our design and build projects while we are mainly engaged by owners and tenants of properties and their contractors for renovation projects. During the Track Record Period, all of our revenue were derived from our contract work performed in Hong Kong.

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Top customers

For each of the three years ended 31 March 2019 and the four months ended 31 July 2019, our largest customer for each of the year accounted for approximately 46.1%, 60.5%, 67.4% and 61.6% of our total revenue, respectively, while our five largest customers in aggregate accounted for approximately 97.0%, 96.0%, 96.7% and 98.8% of our total revenue, respectively.

Set out below are the details of our five largest customers during the Track Record Period:

For the year ended 31 March 2017

Rank	Customer	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method	Number of projects involved	Revenue derived from the customer	Approximate percentage to our total revenue
						<i>HK\$'000</i>	<i>%</i>
1	Chevalier	Chevalier's group was founded for approximately 50 years, and its holding company is listed in Hong Kong. The listed group is a seasoned expert in the construction and engineering industry and has around 10,000 employees working in its subsidiaries and associated companies. Based on the 2019 annual report of listed group, the listed group's revenue and net profit for the year ended 31 March 2019 amounted to approximately HK\$7 billion and HK\$699 million respectively.	5 years	Within 30 days upon presentation of payment certificate; By cheque	1 design and build project	70,960	46.1
2	Customer A	A construction group mainly engaged in construction contracting business in Hong Kong and the subsidiaries of an integrated infrastructure company listed in Hong Kong. Based on the 2019 annual report of the listed group, the listed group's revenue and net profit for the year ended 30 June 2019 amounted to approximately HK\$27 billion and HK\$4 billion respectively.	6 years	30 days upon presentation of payment certificate; By bank transfer	24 design and build projects; 8 renovation projects	47,316	30.8

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Rank	Customer	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method	Number of projects involved	Revenue derived from the customer <i>HK\$'000</i>	Approximate percentage to our total revenue %
3	Paul Y.	Four subsidiaries of a construction group which mainly engaged in construction contracting business headquartered in Hong Kong. Based on the 2018 annual report of the group, the group's revenue and the net profit for the year ended 31 March 2018 amounted to approximately HK\$7 billion and HK\$32 million respectively.	8 years	30 days upon presentation of payment certificate; By cheque	4 design and build projects; 2 renovation projects	18,889	12.3
4	Grand Tech	A construction services company located in Hong Kong for over 20 years and is a subsidiary of a construction contractor listed in Hong Kong which is principally engaged in building construction., property leasing and property development in Hong Kong. Based on the 2019 annual report of the listed group, the listed group's revenue and net profit for the year ended 31 March 2019 amounted to approximately HK\$613 million and HK\$149 million respectively.	3 years	30 days upon presentation of payment certificate; By cheque	1 design and build project	10,175	6.6
5	Customer B	Three subsidiaries of a conglomerate listed in Hong Kong. The conglomerate is one of the largest property developers in Hong Kong with a leading market share in Hong Kong, an extensive portfolio in Mainland China, and a significant presence in Singapore and the United Kingdom. Based on the 2018 annual report of the listed group, the listed group's revenue and net profit for year ended 31 December 2018 amounted to approximately HK\$50 million and HK\$40 million, respectively	6 years	30 days upon presentation of payment certificate; By cheque	1 renovation project	1,906	1.2
Five largest customers in aggregate						149,246	97.0

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For the year ended 31 March 2018

Rank	Customer	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method	Number of projects involved	Revenue derived from the customer	Approximate percentage to our total revenue
						<i>HK\$'000</i>	<i>%</i>
1	Grand Tech	A construction services company located in Hong Kong for over 20 years and is a subsidiary of a construction contractor listed in Hong Kong which is principally engaged in building construction., property leasing and property development in Hong Kong. Based on the 2019 annual report of the listed group, the listed group's revenue and net profit for the year ended 31 March 2019 amounted to approximately HK\$613 million and HK\$149 million respectively.	3 years	30 days upon presentation of payment certificate; By cheque	1 design and build project	130,915	60.5
2	Paul Y.	Four subsidiaries of a construction group which mainly engaged in construction contracting business headquartered in Hong Kong. Based on the 2018 annual report of the group, the group's revenue and the net profit for the year ended 31 March 2018 amounted to approximately HK\$7 billion and HK\$32 million respectively.	8 years	30 days upon presentation of payment certificate; By cheque	7 design and build projects; 1 renovation project	35,246	16.3
3	Customer A	A construction group mainly engaged in construction contracting business in Hong Kong and the subsidiaries of an integrated infrastructure company listed in Hong Kong. Based on the 2019 annual report of the listed group, the listed group's revenue and net profit for the year ended 30 June 2019 amounted to approximately HK\$27 billion and HK\$4 billion respectively.	6 years	30 days upon presentation of payment certificate; By bank transfer	6 design and build projects; 5 renovation projects	19,781	9.1

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Rank	Customer	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method	Number of projects involved	Revenue derived from the customer <i>HKS'000</i>	Approximate percentage to our total revenue %
4	Chevalier	Chevalier's group was founded for approximately 50 years, and its holding company is listed in Hong Kong. The listed group is a seasoned expert in the construction and engineering industry and has around 10,000 employees working in its subsidiaries and associated companies. Based on the 2019 annual report of listed group, the listed group's revenue and net profit for the year ended 31 March 2019 amounted to approximately HK\$7 billion and HK\$699 million respectively.	5 years	30 days upon presentation of payment certificate; By cheque	1 design and build project	16,964	7.8
5	Powin Engineering Limited	A private company which is principally engaged in renovation and fitting out works on luxury retail shops in Hong Kong and the PRC.	2 years	30 days upon presentation of certificate; By cheque	1 renovation project	5,003	2.3
				Five largest customers in aggregate		207,909	96.0

For the year ended 31 March 2019

Rank	Customer	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method	Number of projects involved	Revenue derived from the customer <i>HKS'000</i>	Approximate percentage to our total revenue %
1	Paul Y.	Four subsidiaries of a construction group which mainly engaged in construction contracting business headquartered in Hong Kong. Based on the 2018 annual report of the group, the group's revenue and the net profit for the year ended 31 March 2018 amounted to approximately HK\$7 billion and HK\$32 million respectively.	8 years	30 days upon presentation of payment certificate; By cheque	10 design and build projects; 4 renovation projects	157,043	67.4

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Rank	Customer	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method	Number of projects involved	Revenue derived from the customer <i>HK\$'000</i>	Approximate percentage to our total revenue %
2	Grand Tech	A construction services company located in Hong Kong for over 20 years and is a subsidiary of a construction contractor listed in Hong Kong which is principally engaged in building construction., property leasing and property development in Hong Kong. Based on the 2019 annual report of the listed group, the listed group's revenue and net profit for the year ended 31 March 2019 amounted to approximately HK\$613 million and HK\$149 million respectively.	3 years	30 days upon presentation of payment certificate; By cheque	1 design and build project	26,480	11.4
3	Chevalier	Chevalier's group was founded for approximately 50 years, and its holding company is listed in Hong Kong. The listed group is a seasoned expert in the construction and engineering industry and has around 10,000 employees working in its subsidiaries and associated companies. Based on the 2019 annual report of listed group, the listed group's revenue and net profit for the year ended 31 March 2019 amounted to approximately HK\$7 billion and HK\$699 million respectively.	5 years	30 days upon presentation of payment certificate; By cheque	2 design and build projects	26,105	11.2
4	Customer B	Three subsidiaries of a conglomerate listed in Hong Kong. The conglomerate is one of the largest property developers in Hong Kong with a leading market share in Hong Kong, an extensive portfolio in Mainland China, and a significant presence in Singapore and the United Kingdom. Based on the 2018 annual report of the listed group, the listed group's revenue and net profit for year ended 31 December 2018 amounted to approximately HK\$50 million and HK\$40 million, respectively	6 years	30 days upon presentation of payment certificate; By cheque	2 renovation projects	11,283	4.8

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Rank	Customer	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method	Number of projects involved	Revenue derived from the customer <i>HK\$'000</i>	Approximate percentage to our total revenue %
5	Customer C	A construction and project management services company located in Hong Kong. Based on the information available to us, Customer C was established in 1997 and principally engaged in the provision of construction works, renovation of building façade, refurbishment and fitting-out works and heritage preservation and revitalization.	4 years	30 days upon presentation of payment certificate; By cheque	2 design and build projects; 1 renovation project	4,328	1.9
Five largest customers in aggregate						225,239	96.7

For the four months ended 31 July 2019

Rank	Customer	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method	Number of projects involved	Revenue derived from the customer <i>HK\$'000</i>	Approximate percentage to our total revenue %
1	Paul Y.	Four subsidiaries of a construction group which mainly engaged in construction contracting business headquartered in Hong Kong. Based on the 2018 annual report of the group, the group's revenue and the net profit for the year ended 31 March 2018 amounted to approximately HK\$7 billion and HK\$32 million respectively.	8 years	30 days upon presentation of payment certificate; By cheque	9 design and build projects; 2 renovation projects	55,829	61.6
2	Customer B	Three subsidiaries of a conglomerate listed in Hong Kong. The conglomerate is one of the largest property developers in Hong Kong with a leading market share in Hong Kong, an extensive portfolio in Mainland China, and a significant presence in Singapore and the United Kingdom. Based on the 2018 annual report of the listed group, the listed group's revenue and net profit for year ended 31 December 2018 amounted to approximately HK\$50 million and HK\$40 million, respectively	6 years	30 days upon presentation of payment certificate; By cheque	2 renovation projects	15,833	17.5

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Rank	Customer	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method	Number of projects involved	Revenue derived from the customer <i>HK\$'000</i>	Approximate percentage to our total revenue %
3	Grand Tech	A construction services company located in Hong Kong for over 20 years and is a subsidiary of a construction contractor listed in Hong Kong which is principally engaged in building construction, property leasing and property development in Hong Kong. Based on the 2019 annual report of the listed group, the listed group's revenue and net profit for the year ended 31 March 2019 amounted to approximately HK\$613 million and HK\$149 million respectively.	3 years	30 days upon presentation of payment certificate; By cheque	1 design and build project	7,390	8.1
4	Chevalier	Chevalier's group was founded for approximately 50 years, and its holding company is listed in Hong Kong. The listed group is a seasoned expert in the construction and engineering industry and has around 10,000 employees working in its subsidiaries and associated companies. Based on the 2019 annual report of listed group, the listed group's revenue and net profit for the year ended 31 March 2019 amounted to approximately HK\$7 billion and HK\$699 million respectively.	5 years	30 days upon presentation of payment certificate; By cheque	1 design and build project	6,525	7.2
5	Powin Engineering Limited	A private company which is principally engaged in renovation and fitting out works on luxury retail shops in Hong Kong and the PRC.	2 years	30 days upon presentation of certificate; By cheque	1 renovation project	4,000	4.4
				Five largest customers in aggregate		89,577	98.8

All of our five largest customers during the Track Record Period are Independent Third Parties. To the best knowledge of our Directors, none of our Directors (or any person who, to the best knowledge of our Directors, owns more than 5% of the issued share capital of any of our subsidiaries or any of their respective associates) had any interest in any of our five largest customers during the Track Record Period.

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Our projects with Paul Y.

During the Track Record Period, our Group principally provided design and build services to Paul Y.. Please refer to the table above for details of the number and nature of projects engaged by Paul Y.. For each of the three years ended 31 March 2019 and the four months ended 31 July 2019, our revenue from Paul Y. amounted to approximately HK\$18.9 million, HK\$35.2 million, HK\$157.0 million and HK\$55.8 million, respectively, among which, approximately 87.7%, 99.8%, 99.7% and 98.7%, respectively, were derived from design and build projects. The relevant aggregate contract sum (exclusive of variation orders) from these design and build projects amounted to approximately HK\$32.5 million, HK\$159.5 million, HK\$424.1 million and HK\$384.0 million, respectively, during the Track Record Period. To our Directors' best knowledge, this increasing trend in our revenue from Paul Y. was primarily attributable to the increase in the number of projects involved and more sizeable design and build projects awarded to us. In particular, our Group has been awarded by Paul Y. for three and five design and build projects, respectively, with aggregate contract sum (exclusive of variation orders) of approximately HK\$58.1 million and HK\$371.9 million, respectively, for the year ended 31 March 2018 and 2019. Our Group recorded gross profit from projects engaged by Paul Y. of approximately HK\$4.4 million, HK\$7.1 million, HK\$31.7 million and HK\$10.2 million, respectively for each of the three years ended 31 March 2019 and the four months ended 31 July 2019. This increase was generally in line with the increase in our revenue from Paul Y. as mentioned above.

Customer concentration

For each of the three years ended 31 March 2019 and the four months ended 31 July 2019, approximately 97.0%, 96.0%, 96.7% and 98.8% of our Group's total revenue was attributable to our five largest customers respectively. In particular, our largest customer has contributed over 50% of our revenue for each of the years ended 31 March 2018 and 2019 respectively. For associated risks, please refer to the section headed "Risk Factors — Revenue derived from our five largest customers accounted for a substantial portion of our total revenue, failure to retain business relationship with them or secure new business may affect our results of operation and financial performance" in this prospectus.

Our Directors consider that the significant revenue contributions by some of our recurring customers, namely Chevalier, Customer A, Paul Y. and Grand Tech during the Track Record Period was mainly due to the following reasons:

1. we have developed business relationship with Paul Y., Customer A, Chevalier and Grand Tech since 2011, 2013, 2014 and 2016 respectively. Throughout these years, we have accumulated an in-depth understanding of their requirements and were capable of accommodating their requests. Our Directors believe that this is one of the major reasons of our Group being engaged by them;

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2. our Directors consider that it is beneficial to our financial position and performance to allocate our resources to undertake projects and work orders from these customers as they are reputable and sizeable main contractors or developers in Hong Kong; and
3. due to the limitation of our size and scale of operations, and the fact that some contract sums for design and build projects are relatively large, it is reasonable to have our Group's revenue each year to be overwhelmingly dominated by just a few large projects, leading to our top five largest customers contributing over 95% of our revenue during the Track Record Period.

Irrespective of the foregoing, we believe that our business is sustainable due to the following reasons:

1. considering the nature of the property development industry in Hong Kong in which most of our customers operate, our customer base, which comprises mainly main contractors, is relatively concentrated. As confirmed by Ipsos, it is not uncommon for construction companies in Hong Kong to rely on a few customers due to the nature of the construction industry where a few major developers and main contractors dominate the property development market in Hong Kong. According to Ipsos Report, among the identified 55 companies that are (i) newly listed on the Stock Exchange during the period from January 2016 to December 2019, and (ii) subcontractors in the construction industry in Hong Kong, according to their respective listing documents, 35 of them have over 90% of their revenue attributable to their five largest customers for at least one financial year;
2. we undertake design and build projects and renovation projects of considerably different scales with potential project period of up to approximately 12 to 36 months, therefore customer of a single or a few sizeable project(s) can easily become our largest customer in terms of revenue contributions for more than one financial year;
3. since we were founded in 2007, all projects have been awarded to us on project basis primarily through a competitive bidding process; and
4. based on the information available to our Group, the revenue of the relevant group of Grand Tech, Chevalier and Paul Y. for the year ended 31 March 2019 amounted to approximately HK\$613 million, HK\$7 billion and HK\$7 billion respectively; and the net profit amounted to approximately HK\$149 million, HK\$699 million and HK\$32 million respectively, for their respective latest financial year. Our Directors consider that the financial strength of these customers would provide a stable and

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substantial demand on our services. Grand Tech, for instance, has awarded us with a design and build project in Kai Tak in 2019 which has an awarded contract sum over HK\$250 million;

- a. in addition to Chevalier, Paul Y. and Grand Tech, we have been able to obtain contracts from other recurring customers including Customer A, a listed company in Hong Kong with revenue of approximately HK\$35 billion based on its 2018 annual report. We had business relationship with these four customers ranging from 3 years to 8 years as at the Latest Practicable Date;
 - b. our Directors believe that in addition to Chevalier, Paul Y. and Grand Tech, other customers have strong demand for our services. As at the Latest Practicable Date, we had 14 ongoing projects each with an aggregate contract sum (exclusive of variation orders) of HK\$5 million or above in progress. The aggregate contract sums (inclusive of variation orders and contract sum adjustments as at 31 July 2019) of these projects as at 31 July 2019 amounted to approximately HK\$829.3 million; and
5. our Directors believe the customer reliance and concentration issue were in substance less severe in the case of nominated subcontractor tendering process, as the decision to engage our Group was sometimes shifted to or shared between project owners and the main contractors. During the Track Record Period, several our major projects were engaged through nominated subcontractor tendering process. In a nominated subcontractor tendering process, our Group was engaged by main contractors through the nomination of the property developers. In such nominated subcontractor process, although we recognise the main contractor as our direct customer, the selection and decision to engage our Group was in fact shifted to or shared between the project employer and the main contractor.

Even though our customers are relatively concentrated, our Directors are of the view that it should not affect the sustainability and source of revenue of our Group. Due to the limitation of our Group's size and scale of operation, and the fact that some contract sums for design and build projects are very large, it is reasonable to have our Group's revenue per year to be overwhelmingly dominated by just a few large projects, leading to the results that (i) with large projects, some customers will become our major customers even with only one project during the respective period; and (ii) our five largest customers contributed to over 95% of our revenue during the Track Record Period. Based on the reasons as explained above in relation to customers concentration, our Directors believe that we are not reliant on any of our five largest customers. Given our strengths in the façades work industry and the standing of our major customers (who are leading main contractors or developers in Hong Kong), our Directors believe there is mutual preference and that we are entrusted by our customers to deliver quality performance in handling their projects. Also, as shown in the five largest customers' table during the Track Record Period, each customers' revenue contribution has

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varied greatly from year to year. In addition, our strengths and capability has allowed us to be the nominated subcontractor for some major projects as directed by the project owners. In conclusion, our Directors are of the view that the customer concentration issues are explainable and will not expose our Group to extreme reliance on any single major customer.

We intend to tender for more sizeable design and build projects and renovation projects from different customers to diversify our customer base. In order to enhance our capability to undertake more business from other customers, we intend to apply the net proceeds from the Share Offer to further strengthen our capital base and liquidity position to satisfy the surety bond requirements for potential projects and to further expand our manpower to increase our capacity to undertake more projects. For more details on our business plan, please refer to the section headed “Future Plan and Use of Proceeds” in this prospectus.

Pricing strategies

We generally set the tender price based on the estimated costs to be incurred plus a certain mark-up margin, which is determined by our management on a project-by-project basis after considering various factors including: (i) the scale and type of building; (ii) scope and complexity of the project; (iii) the customer’s historical certifying and payment pattern; (iv) the availability of our resources; (v) the expected costs of building materials and subcontracting costs; (vi) the completion time requested by customer; and (vii) the prevailing market conditions.

Key contract terms with customers

In line with industry practice, we are generally engaged by our customers on a project-by-project basis and our customers do not enter into any long-term contracts with us. The contract terms of each project may be different and are based on negotiations with the respective customers. The principal contract terms of a typical design and build project are summarised below:

Type and scope of work:	The contract identifies the types and scope of work in detail which we are engaged to perform. It often includes the technical specifications for each component such as aluminum windows, metal doors and louvres from the type of raw materials, measurement and product finishes.
Contract sum:	A lump sum fixed price will be agreed in the contract for carrying out the whole of the works as specified.

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Payment terms:	The contract sum is payable by instalment subject to construction milestones. For interim or progress payment, we generally provide our customers with a written statement of the details of completed works, the estimated fee of our work done along with any variation orders and the costs of the works done (including building materials and installation work) on a monthly basis. In respect of final payment, we usually issue final account showing the amount we are entitled to for our customers' approval. For details, please refer to the sub-section headed "Operating Procedure — B. Project Planning and execution stage — Inspection and progress billings and payments" of this prospectus.
Duration of work:	Our Group shall follow the construction schedule as specified by the customers, which may be revised from time to time according to the terms of the contract.
Insurance:	Contractors' all-risk, employee compensation and third party liability insurances are maintained either by our Group or our customers, depending on the terms of the contracts.
Surety bond:	Our customers may require us to procure a surety bond, also known as performance or demand bond, which generally amounts to 10% of the contract sum as security for due performance and satisfactory completion of the project under our contracts with our customers from time to time. If our Group does not fulfil such surety bond requirement upon our customers' notice, our customers may exercise their rights to withhold certain percentages of the progress payments until the aggregate amount withheld reaches the amount of the surety bond. If there is any default in our obligations under our contracts with our customers, our customers are entitled to seek compensation from the bank for the amount of financial loss incurred not exceeding the amount of the surety bond. Subsequently, we will be liable to compensate such bank accordingly. The surety bonds are normally released upon the issue of the certificate of practical completion or at the time specified in the surety bond document.

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Subcontracting:	For some of the contracts, prior consent from our customers is required for subcontracting. Generally, our Group is not prohibited to engage subcontractors to carry out the works and is responsible for the works performed by them.
Retention money:	Our customers usually have the right to withhold 10% of each progress payment due to us as retention money. In general, the total amount of the retention money will not exceed 5% of the contract sum. Pursuant to the contract, 50% of the retention money will generally be released upon the issue of the practical completion certificate, and the rest will be released upon the expiry of the defect liability period.
Defect liability period:	Our customers generally require a defect liability period ranging from 12 to 24 months after the practical completion of the works. During the defect liability period, our Group is responsible for rectifying work defects.
Warranty:	Our Group may provide a warranty of normally up to 15 years after the end of defect liability period, during which we generally rectify, without any charge, any defects and deficiencies in design of the façade works, materials and workmanship discovered after completion of the project.

Generally, the contract also includes the schedule of rates. The agreed unit rates and estimated quantities of each item involved in the works are set out in the schedule of rates based on the tender designs.

Where the contract sum of a renovation project is relatively small, we do not usually enter into formal written contract with our customers. Rather, we usually issue an invoice upon the completion of our works to owners or tenants of properties. Our invoice includes the contract sum and the scope of works performed.

Credit policy

We generally receive progress payments of our design and build projects and certain renovation projects after relevant works have been certified by our customers. For more details, please refer to the sub-section headed “Operating procedure — B. Project planning and execution stage — Inspection and progress billings and payments” in this section. Where the contract sum of a project is relatively small, we generally receive a lump sum payment after completion of works. This is common where the projects involved are renovation projects awarded to us through quotation.

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During the Track Record Period, the payments paid to our Group were generally settled by cheque or bank transfer. Once the work completed has been certified by our customers, we typically receive progress payments within 30 days of presentation of a payment certificate. Our Group will continuously review and identify any long outstanding receivables. For further details on our receivable turnover days, please refer to section headed “Financial Information — Analysis on certain items of consolidated statements of financial position — Trade receivables” of this prospectus.

SALES AND MARKETING

During the Track Record Period, our Group secured new businesses mainly through direct invitation for tendering by recurring customers or through referrals by business associates.

SUPPLIERS

Characteristics of our suppliers

Our Group’s suppliers generally include (i) building material suppliers for materials used in our projects; (ii) subcontractors for installation works; and (iii) providers of other miscellaneous services such as rental of elevating platform and machinery, transportation of materials and cleaning services. During the Track Record Period, all of our Group’s suppliers were either located in Hong Kong or the PRC.

Top suppliers

During the Track Record Period, our cost of sales mainly comprise subcontracting costs, building material costs, direct staff costs and other costs. For each of the three years ended 31 March 2019 and the four months ended 31 July 2019, purchases from our largest supplier accounted for approximately 17.2%, 41.5%, 17.4% and 16.0% of our total purchases, respectively, and purchases from our five largest suppliers in aggregate accounted for approximately 54.2%, 70.0%, 54.6% and 41.4% of our total purchases, respectively.

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Set out below are the details of our five largest suppliers during the Track Record Period:

For the year ended 31 March 2017

Rank	Supplier	Products/services provided to our Group	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method	Amount of cost of sale attributable to the supplier	Approximate percentage to the total purchases of our Group for the year
						<i>HKS'000</i>	%
1	SY Decoration Engineering Limited	Supply of fabricated glass and aluminium materials and installation works	Hong Kong incorporated company with principal business in production, sale and installation of aluminum windows	5 years	30 days upon presentation of payment certificate; By cheque	16,963	17.2
2	Supplier A	Supply of fabricated glass and aluminium materials	Manufacturer based in the PRC with principal business in production, sale of façade and curtain walls	4 years	30 days upon receipt of invoice; By cheque	13,887	14.1
3	Supplier B	Supply of fabricated glass and aluminium materials	A subsidiary of PRC listed Stated-owned Enterprise with principal business in production, sale and installation of aluminum windows and doors, among other products	10 years	30 days upon presentation of payment certificate; By bank transfer	10,005	10.1
4	Supplier C	Supply of fabricated glass and aluminium materials	Hong Kong incorporated company with principal business in production and sale of aluminum windows and doors, among other products	3 years	14 days upon receipt of invoice; By cheque	6,627	6.7

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Rank	Supplier	Products/services provided to our Group	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method	Amount of cost of sale attributable to the supplier	Approximate percentage to the total purchases of our Group for the year
						<i>HKS'000</i>	%
5	Supplier D	Installation works	Sole proprietorship in Hong Kong with principal business in sale and installation of aluminum windows and doors, among other products	5 years	30 days upon presentation of payment certificate; By cheque	6,014	6.1
					Five largest suppliers in aggregate	53,496	54.2
						53,496	54.2

For the year ended 31 March 2018

Rank	Supplier	Products/services provided to our Group	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method	Amount of cost of sale attributable to the supplier	Approximate percentage to the total purchases of our Group for the year
						<i>HKS'000</i>	%
1	SY Decoration Engineering Limited	Supply of fabricated glass and aluminium materials and installation works	Hong Kong incorporated company with principal business in production, sale and installation of aluminum windows	5 years	30 days upon presentation of payment certificate; By cheque	64,672	41.5
2	Supplier E	Supply of curtain wall materials	Subsidiary of PRC listed company with principal business in production and sale of aluminum windows and doors, among other products	3 years	30 days upon receipt of invoice; By bank transfer	17,122	11.0
3	Supplier F	Supply of fabricated glass and aluminium materials	Hong Kong incorporated company with principal business in production and sale of aluminum and iron products and accessories	2 years	30 days upon receipt of invoice; By cheque	11,092	7.1

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Rank	Supplier	Products/services provided to our Group	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method	Amount of cost of sale attributable to the supplier	Approximate percentage to the total purchases of our Group for the year
						<i>HKS'000</i>	%
4	Supplier G	Installation works	Hong Kong incorporated company with principal business in installation of façade and curtain walls	5 years	30 days upon presentation of payment certificate; By cheque	9,774	6.3
5	Supplier D	Supply of fabricated glass and aluminium material and installation works	Sole proprietorship in Hong Kong with principal business in sale and installation of aluminum windows and doors, among other products	5 years	30 days upon presentation of payment certificate; By cheque	6,408	4.1
					Five largest suppliers in aggregate	109,068	70.0

For the year ended 31 March 2019

Rank	Supplier	Products/services provided to our Group	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method	Amount of cost of sale attributable to the supplier	Approximate percentage to the total purchases of our Group for the year
						<i>HKS'000</i>	%
1	Supplier A	Supply of fabricated glass and aluminium materials	Manufacturer based in the PRC with principal business in production, sale of façade and curtain walls	4 years	30 days upon receipt of invoice; By cheque	25,735	17.4
2	SY Decoration Engineering Limited	Supply of fabricated glass and aluminium materials and installation works	Hong Kong incorporated company with principal business in production, sale and installation of aluminum windows	5 years	30 days upon presentation of payment certificate; By cheque	23,805	16.1

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Rank	Supplier	Products/services provided to our Group	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method	Amount of cost of sale attributable to the supplier	Approximate percentage to the total purchases of our Group for the year
						<i>HKS'000</i>	%
3	Supplier D	Installation works	Sole proprietorship in Hong Kong with principal business in sale and installation of aluminum windows and doors, among other products	5 years	30 days upon presentation of payment certificate; By cheque	13,720	9.3
4	Supplier H	Installation works	Hong Kong incorporated company with principal business in installation of curtain walls	2 years	30 days upon presentation of payment certificate; By cheque	9,253	6.3
5	Supplier I	Installation works	Hong Kong incorporated company with principal business in installation of aluminium windows	2 years	30 days upon presentation of payment certificate; By cheque	8,204	5.5
					Five largest suppliers in aggregate	80,717	54.6
						80,717	54.6

For the four months ended 31 July 2019

Rank	Supplier	Products/services provided to our Group	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method	Amount of cost of sale attributable to the supplier	Approximate percentage to the total purchases of our Group for the period
						<i>HKS'000</i>	%
1	SY Decoration Engineering Limited	Supply of fabricated glass and aluminium materials and installation works	Hong Kong incorporated company with principal business in production, sale and installation of aluminum windows	5 years	30 days upon presentation of payment certificate; By cheque	9,384	16.0

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Rank	Supplier	Products/services provided to our Group	Background and principal business	Years of business relationship (approximately)	Typical credit terms and payment method	Amount of cost of sale attributable to the supplier <i>HKS'000</i>	Approximate percentage to the total purchases of our Group for the period %
2	Supplier I	Installation works	Hong Kong incorporated company with principal business in installation of aluminium windows	2 years	30 days upon presentation of payment certificate; By cheque	4,088	7.0
3	Supplier J	Installation works	Sole proprietorship in Hong Kong with principal business in installation of façade and certain walls	1 year	30 days upon presentation of payment certificate; By cheque	3,986	6.8
4	Supplier K	Supply of fabricated glass and related materials	Hong Kong incorporated company with principal business in trading of fabricated glass and related materials	2 years	30 days upon receipt of invoice; By cheque	3,611	6.1
5	Supplier G	Installation works	Hong Kong incorporated company with principal business in installation of façade and curtain walls	5 years	30 days upon presentation of payment certificate; By cheque	3,234	5.5
Five largest suppliers in aggregate						24,303	41.4
						24,303	41.4

With a view to streamline our core business, we have disposed Xinyi Design (previously known as Wah Wo Design (Shenzhen) Company Limited* 華和設計(深圳)有限公司), one of our disposed businesses, to SY Decoration Engineering Limited in April 2017. SY Decoration Engineering Limited was owned as to 50% by one of our ex-employee who ceased to be employed by us in April 2017. To the best knowledge of our Directors, the ex-employee (Mr. Yeung Kwong Yee) established SY Decoration Engineering Limited with his business partner in April 2014. Prior to the establishment of SY Decoration Engineering Limited, Mr. Yeung Kwong Yee was a sole proprietor subcontractor of our Group providing us with renovation services since 2012. As Mr. Yeung Kwong Yee had years of experience in the construction industry, we invited him to join our Group in May 2015 as a consultant and he was mainly responsible for providing technical advices and support to our teams in various projects. Based on the audited accounts and/or unaudited management accounts of Xinyi Design, Xinyi Design recorded net loss of approximately RMB14,500 during the period from its date of incorporation up to its disposal on 19 April 2017. The transfer of Xinyi Design to SY Decoration Engineering Limited, an Independent Third Party, was at a consideration of

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RMB1, on the basis that the net asset value of Xinyi Design was negative at the material time. Immediately after the aforesaid transfer of interest, we ceased to own any interest in Xinyi Design. Our Directors believe that SY Decoration Engineering Limited has acquired Xinyi Design mainly because of their business strategies to further expand into the PRC and the disposal was conducted on normal commercial terms.

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

Suppliers selection criteria

Our Group maintains a list of approved suppliers and engages suppliers on our approved list for our projects. To ensure the quality of our works, we shortlist our suppliers carefully. We also review our list from time to time to consider whether any supplier should be removed or replaced based on their performance.

When selecting or reviewing a supplier, we primarily consider the following: (i) the background, experience and reputation of a supplier; (ii) quality of building materials or subcontracting works; (iii) timely delivery of building materials or services; (iv) communication skills; (v) promptness in follow up or corrective actions; and (vi) prevailing marketing price.

All workers who work on-site are required to be registered as registered general worker (i.e. holder of a valid “green card”).

Key contract terms with our suppliers

Our Group generally does not enter into any long-term supply agreement with our suppliers and is not committed to any minimum purchase amount with our suppliers. We usually enter into standardized agreements with our subcontractors but we usually only place purchase orders with our building material suppliers.

Building material suppliers

The terms of each purchase with our building material suppliers may vary. The principal terms of a typical purchase are summarised as below:

Contract sum:	A lump sum fixed price will be agreed in the contract for carrying out the whole building works as specified.
Material specifications:	An order with detailed description of building materials including type, size, technical specifications, price and quantity.

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Payment terms:	The contract sum is often payable to our suppliers as progress payments. For interim or progress payment, the component suppliers generally provide us with a written statement of the details of completed works, the estimated fee of works done along with any variation orders and the costs of the works done on a monthly basis.
Deposit or pre-payment:	Some of the building material suppliers demand up to 50% of the purchase amount to be placed as deposit or pre-payment while others do not require any deposit.
Retention money:	We may have the right to withhold a certain percentage of progress payment as retention money up to 5% of the contract sum.
Delivery:	Some of the building material suppliers deliver the building materials directly to the construction sites or other designated locations such as precast façade yard.
Warranty:	For glass and aluminum, a warranty from 5 to 15 years will usually be provided by the building material suppliers.

Subcontractors

We enter into standardized agreements with our subcontractors who are responsible for on-site installation works. The principal terms of a typical subcontracting agreement are summarised as below:

Scope of works:	The scope generally includes the name of the project and the type of works.
Contract sum:	A lump sum fixed price will be agreed in the contract for carrying out the whole of the works as specified.
Payment terms:	We make progress payments to our subcontractors with reference to our construction schedule.
Retention money:	Our Group usually has the rights to withhold 5% of each progress payment payable to our subcontractors as retention money.

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Labour laws:	Subcontractors shall ensure that all site workers comply with the applicable Hong Kong labour laws and regulations and shall be responsible for all losses and penalties arising from the contravention of any Hong Kong labour laws and regulations.
Work safety:	Subcontractors shall ensure that all site workers comply with Hong Kong work safety laws and regulations as stipulated by the Labour Department from time to time and shall be liable for all damages and penalties arising from the contravention of any Hong Kong work safety laws and regulations including penalties imposed by us. We shall be entitled to deduct such penalties from the contract sum.

Reasons for subcontracting arrangement

According to the Ipsos Report, subcontracting of works is a common practice in the Hong Kong construction industry. Usually, main contractors would outsource parts of the construction works to subcontractors or property developers would nominate subcontractors for main contractors to outsource certain part of the construction works according to the expertise and specialist knowledge of the nominee. Given that each project comprises different components and each customer has different requirements, our Directors consider a subcontracting business model to be effective, as it enables our Group to keep fixed cost under control and to outsource the site work to subcontractors with different skills and expertise as and when required.

Control over suppliers

We are responsible to our customers for the workmanship quality and timely delivery of the entirety of the works for which we are engaged to manage and oversee. We endeavour to ensure our works and our subcontractors' works meet the required standards. Our project management teams closely monitor each step of the project to whom they have been assigned including, among others, the monitoring of the quality of building materials and installation works performed by our subcontractors. Please refer to the sub-section headed "Quality Control" of this section for more details.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulty in sourcing raw materials or subcontractors or any dispute with our suppliers or any disruption or delay in relation to the delivery of their services which may materially or adversely affect our operations and financial conditions.

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MARKET AND COMPETITION

According to the Ipsos Report, the façade works industry has a number of participants which is highly competitive. It is considered to be mature and consolidated with approximately 30 to 40 major companies performing façade works in the industry in 2018. The top five players, accounted for 50.9% of the market share in the façade works industry in 2018. Our revenue is approximately HK\$233.0 million for the year ended 31 March 2019, accounting for 4.1% market share of the façade works industry in Hong Kong in 2018.

According to the Ipsos Report, the growth in the façade works industry in Hong Kong was driven by the increasing construction projects, and government initiated development plans are expected to drive the growth of the façade and curtain wall works industry in Hong Kong. The key threats to the façade works industry on the other hand is increasing construction costs. The increase in construction costs is attributed to the increasing wage trend of construction workers due to the labour shortage. The average wage of direct labours in façade works industry in Hong Kong increased from approximately HK\$1,298.5 per day in 2014 to approximately HK\$1,444.2 per day in 2018, at a CAGR of approximately 2.7%. Another threat is the aging workforce. According to the Hong Kong Construction Industry Council, the percentage of registered workers who were aged over 60 increased from 15.6% in January 2017 to 18.3% in March 2019. Moreover, the young people are less willing to enter the construction industry which has worsened the labour shortage issue.

According to the Ipsos Report, companies compete in terms of their expertise, track record, reputation and specialty. Our Directors believe that we have competitive advantages over our peers as mentioned in the sub-section headed “Competitive strengths” above.

For further information regarding the competitive landscape of the industry in which our Group operates, please refer to the section headed “Industry overview” of this prospectus.

QUALITY CONTROL

We recognise the importance of quality control and has established an adequate quality management system. The quality management system of Wah Wo for the design, supply and installation of aluminum works is accredited by Hong Kong Quality Assurance Agency with ISO9001:2015 on 28 November 2013 and the certificate will be valid until 27 November 2022. We have in-house quality assurance requirements specifying, inter alia, specific work procedures for performing various types of works and responsibilities of personnel of different levels. Our staff is required to comply with these quality assurance requirements.

Our project management team is responsible for monitoring the quality of their respective projects that they have been assigned.

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We have implemented the following procedures to ensure the quality of our services:

1. Suppliers selection criteria — Unless otherwise specified by our customers, we engage suppliers who are on our list of approved suppliers and who are able to present the requisite licences or certificates. For details, please refer to the sub-section headed “Suppliers — Suppliers selection criteria” of this section;
2. Inspection of building materials — We (in some cases, with representatives of our main contractors) inspect the production facilities of our suppliers from time to time and conduct sample inspections on building materials supplied based on the technical specifications of the relevant projects;
3. Testing — All curtain wall systems installed in our projects will undergo a series of tests conducted by independent laboratories, in accordance with the requirements of the Buildings Department; and
4. On-site supervision — Our project management team is responsible for the daily workmanship and quality supervision of our on-site subcontractors. Our project management team holds regular meetings to review the actual site progress and possible delay of the project implementation for the purpose of monitoring the progress of the project and the quality of the project implementation. The project management team seeks to resolve any problem identified by the working group promptly, and conducts on-site quality inspection and takes pictures of the work site from time to time to keep track of the progress and status of a project.

During the Track Record Period and up to the Latest Practicable Date, our Group had not received any material complaint or demand for any kind of compensation from our customers or subject to any deductions, withholding, counter-claim or set-off due to the quality issues in relation to the work performed by us or by our subcontractors.

INTERNAL CONTROL AND RISK MANAGEMENT

In preparation for the Listing, we have appointed an independent internal control adviser to perform a detailed assessment of our internal control system including the areas of financial, operation, compliance and risk management with an aim to, amongst other matters, improve our internal control system including our risk management and corporate governance. The internal control adviser has provided recommendations in relation to strengthening our internal controls, and we have taken measures to implement the relevant internal control measures.

The internal control adviser has performed a follow-up review by focusing on the remedial actions undertaken by our management on the control deficiencies identified in the first round review. Based on the result of the follow-up review, our Directors confirmed that we have adopted all of the major internal measures and policies suggested by the internal control adviser and are satisfied that our internal controls are adequate and effective for our

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operations. Please refer to the paragraph headed “Legal Proceedings and Compliance — Internal Control Measures” of this section for details of major internal control measures we have adopted upon the recommendation of our internal control adviser.

We have established a set of internal control and risk management policies and procedures to identify, assess and control the risks arising from our business operations, including but not limited to policies in relation to tender preparation, financial reporting and disclosure controls, project management, cash and treasury management, human resource and payroll management, information security management, disaster recovery and business continuity plans. The Board is responsible for overseeing overall risk management. We will also have in place an audit committee, which consists of all our independent non-executive Directors, to oversee the implementation of our internal control procedures.

OCCUPATIONAL HEALTH AND SAFETY MATTERS

Health and safety procedures

Our Group is subject to Hong Kong laws and regulations relating to labour, health and safety.

Under the Buildings Ordinance and the Technical Memorandum for Supervision Plans 2009, certain requirements are imposed on the applicants for the consent to the commencement of building works which include, among others, the Site Safety Supervision Plan (SSSP). Please refer to section headed “Regulatory Overview” of this prospectus for further information.

Out of our project management team members, four of them were qualified to act as safety supervisors and had completed the construction industry safety supervisor course held by the Construction Industry Council or the safety & health supervisor (construction) course held by the Occupational Health & Safety Council as at the Latest Practicable Date. The key responsibilities of safety supervisors are as follows:

1. to ensure that all site workers observe the occupational health and safety measures and policy of the main contractor put up at conspicuous places at the relevant construction site;
2. to ensure that all site workers who are required to obtain a Construction Industry Safety Training Certificate (also generally known as “**green card**”) before he is allowed to enter a construction site, receive the appropriate safety training and undergo the induction course provided by the main contractor;
3. to ensure that all site workers wear protective helmet and/or use appropriate safety equipment at the construction site, evaluate the construction site for any unsafe conditions before the start of work every day and take proper steps to eliminate exposure to hazardous conditions at the construction site;

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4. to hold regular meetings with main contractors and to discuss safety issues and review the safety measures;
5. to review our current construction site safety policy and procedures and to give suggestions for improvement.

According to the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and the typical agreements with our customers and the insurance companies, accidents and injuries involving employees of our Group and its subcontractors during their course of employment are required to be reported to the Labour Department of the Government, our customer and/or the insurance company in accordance with the procedures required by law or the relevant insurance policies. Our Group also maintains an internal accident reporting policy and internal record of accidents. All accidents are required to be reported to the project management team immediately after the occurrence of accidents.

We endeavour to ensure that our Group and our installation subcontractors has complied with all relevant Hong Kong laws and regulations on labour, health and safety.

Work injuries

Our Group takes workplace safety seriously and is committed to provide a safe and healthy working environment. Notwithstanding the precaution taken by our Group to reduce the risk of work injuries, our Directors are of the view that the construction industry is prone to accidents and personal injury claims and employees' compensation claims therefore arise from time to time.

During the Track Record Period, there were no material violations of any applicable labour, health or safety regulations in the relevant jurisdictions by our Group but there were a number of claims and litigations in relation to labour, health and safety issues. Please refer to the sub-section headed "Legal Proceedings and Compliance" in this section for more details on ongoing claims and certain non-compliance incidents which occurred during the Track Record Period and up to the Latest Practicable Date. Save for the aforesaid, there were no other ongoing claims against our Group relating to labour, health and safety issues as at the Latest Practicable Date.

Insurance has been taken in compliance with applicable laws and regulations with a view to providing adequate coverage for such work-related injuries for our employees and we have not incurred any material liabilities as a result thereof. Please refer to the sub-section headed "Insurance" of this section for more details. As such, our Directors consider that these accidents do not have a material impact on our operations.

During the Track Record Period and up to the Latest Practicable Date, we recorded work accidents which involved five workers who were all workers of our subcontractors resulting in possible employee compensation and/or personal injuries claims filed against us, two of which

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have reached settlement as at the Latest Practicable Date. The claims were covered by insurance policies. As for the remaining three unsettled claims, please refer to the sub-section headed “Legal Proceedings and Compliance – Claims pending or threatened against our Group” of this section for more details. None of the work injuries which occurred during the Track Record Period and up to the Latest Practicable Date were fatal.

The following table sets forth a comparison between the average accident rate and fatality rate per 1,000 workers of the Hong Kong construction industry and that of our Group:

	In the Hong Kong construction industry <i>(Note 1)</i>	In our construction sites <i>(Note 2)</i>
Year ended	31 December 2016/31 March 2017	
Accident rate per 1,000 workers	34.5	0.64
Fatality rate per 1,000 workers	0.093	–
Year ended	31 December 2017/31 March 2018	
Accident rate per 1,000 workers	32.9	1.12
Fatality rate per 1,000 workers	0.185	–
Year ended	31 December 2018/31 March 2019	
Accident rate per 1,000 workers	31.7	0.43
Fatality rate per 1,000 workers	0.125	–

Notes:

1. The figures are based on Occupational Safety and Health Statistics Bulletin Issue No. 19 (August 2019) published by the Occupational Safety and Health Branch of the Labour Department.
2. Our accident rate is calculated as the occurrence of industrial accidents during the year divided by the daily average construction site worker (including both employees of our Group and our subcontractors) in our construction sites during the year and multiplied by 1,000.

The following table sets forth our lost time injuries frequency rates (“LTIFR(s)”):

For the year ended 31 March 2017	6.21
For the year ended 31 March 2018	7.44
For the year ended 31 March 2019	2.76
For the four months ended 31 July 2019	2.01

Notes:

1. LTIFR is a frequency rate that shows the amount of lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by using the total labour hours worked per year to divide the number of reportable cases and multiply by 1,000,000, assuming that the working hour of each worker is nine hours per day.
2. Our Directors confirm that there is no public information in relation to the average LTIFRs of the construction industry in Hong Kong.

BUSINESS

Our Group experienced an increase in the accident rate from 0.64 for the year ended 31 March 2017 to 1.12 for the year ended 31 March 2018 and decrease to 0.43 for the year ended 31 March 2019. In real terms, the number of industrial accidents which occurred for each of the three years ended 31 March 2019 was two, two and one respectively. Our Group did not experience any occurrence of fatality in our construction sites. Our Directors consider that our accident rates and fatality rates during the Track Record Period were comparatively lower than the industry average, and that satisfactory safety measures have been undertaken by us and our subcontractors in our construction sites. We will continue to make effort to maintain and enhance our safety management to mitigate our safety risks.

Having considered (i) the safety measures and preventive measures which our Group has put in place; (ii) the average accident rates per 1,000 workers of our Group at our construction sites for the year ended 31 March 2019, which are lower than the industry average; and (iii) none of the accident has resulted in fatal injury, the Sole Sponsor is of the view that our Group has adequate internal control procedures and policies in place to prevent any occurrence of repeated non-compliances in the future.

ENVIRONMENTAL PROTECTION

The installation works performed has less impact on the environment relative to many other construction works, but may still have an inevitable impact on the environment and are subject to certain laws and regulations related to environmental protection. Our Group may also be liable if our subcontractors commit any violations to certain laws and regulations related to environmental protection. Please refer to the section headed “Regulatory Overview” of this prospectus for more details.

Our Directors believe it is important for our Group to operate with good environmental responsibility. We require our subcontractors to comply with all applicable laws and regulations related to environmental protection during the whole term of our engagements with them. Our Directors further confirm that we did not receive notice of any environmental non-compliance in Hong Kong, either by our subcontractors or our Group, during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

Our Group maintains employees’ compensation insurance for all our staff members in accordance with applicable laws and regulations. Subject to the terms of a contract, contractors’ all-risks insurance and third party insurance may be taken out by our customers or us.

Our Directors believe that our current insurance policies are adequate for the operation of our business and are consistent with the prevailing industry practice. However, our insurance coverage may not sufficiently indemnify all the risks we are exposed to. For associated risks, please refer to the section headed “Risk Factors — Our insurance may not fully cover all the potential losses and liabilities arising from our business” in this prospectus.

BUSINESS

Employees' compensation insurance

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 both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). In light of this requirement, our Group has taken out the necessary insurance policies for our employees. Under section 40(1B) of the Employees' Compensation Ordinance, where a main contractor has undertaken to perform any construction works, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover its liability and that of its subcontractor(s) under the Employees' Compensation Ordinance and at common law. As in some projects we were engaged as a subcontractor, our liability in respect of the claims from our employees and our subcontractors arising out of and in the course of working at construction sites are covered by the insurance policy taken out by our customer or the main contractor. Subject to the terms of the contract entered into between our Group and our customers, we may be required to take out additional employees' compensation insurance for covering our liabilities for each individual project.

Contractors' all risk insurance

During the Track Record Period, in respect of the contract works that are subject to contractors' all risk insurance, the employer and/or the respective main contractors have taken out contractors' all risk insurance policies covering our liabilities arising from potential damage to the buildings or structures under our contract works as well as potential bodily injury to third parties or damage to third parties' properties as a result of the performance of our contract works by us or by our subcontractors.

Our Directors confirmed that all our projects during the Track Record Period were covered and protected by the employees' compensation insurance and contractors' all risks insurance taken out by the main contractor or the employer for the entire construction project. Such insurance policies covered and protected all employees of main contractors and subcontractors of all tiers working in the relevant construction site, and in connection with the works performed by them in the relevant construction site.

EMPLOYEES

Number of employees by function

As at the Latest Practicable Date, our Group had 67 full-time employees (exclusive of Directors), respectively. As at the Latest Practicable Date, all our employees were stationed in Hong Kong.

BUSINESS

Set out below is the functional distribution of our full-time employees as at the Latest Practicable Date:

Functions	Number of employees
Project management	43
Design	10
Quantity surveying and purchasing	7
Administration, accounting and finance	7
Total	<u>67</u>

Relationships with staff

Our Directors consider that we have maintained good relationships with our employees, and confirm that we have complied with all applicable labour laws and regulations in Hong Kong.

Our Directors confirm that we have not experienced any significant problem with our employees or disruption to our operations due to labour disputes, nor have we experienced any difficulty in the recruitment and retention of experienced staff or skilled personnel during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, there had been no labour union established by our employees.

Recruitment policy

Our Group generally recruits our employees from the open market mainly through placing recruitment advertisements. Our Group intends to use our best effort to attract and retain appropriate and suitable personnel to serve us. Our Group assesses available human resources on a continuous basis and will determine whether additional personnel are required to cope with our business development from time to time.

Training and remuneration policy

Our Group has entered, and will continue to enter, into separate employment contracts with each of our employees in accordance with the applicable labour laws in Hong Kong, depending on the location of work of the employee.

The remuneration package offered to our employees generally included basic salaries, bonuses and other cash allowances or subsidies. Our Group determines the salary of our employees mainly based on each employee's qualifications, relevant experience, position and seniority. Our Group conducts annual review on salary increase and promotions based on the performance of each employee. Our Group arranges for our employees to attend trainings and sponsors certain employees to attend training courses.

BUSINESS

Measures to prevent from having illegal workers

Pursuant to section 38A of the Immigration Ordinance, a construction site controller should take all practicable steps to prevent from having illegal workers working on site. For further information, please refer to the paragraph headed “Regulatory Overview – Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)” in this prospectus.

We have not been convicted of any offences under the Immigration Ordinance in relation to the aforesaid requirements in the past. Our Directors confirm that we have not been involved in any employment of illegal workers (whether directly or indirectly via subcontracting) in the past in respect of work sites over which we had or have control or of which we are or were in charge.

To satisfy the aforesaid requirements under the Immigration Ordinance, we have put in place the following measures to prevent having illegal immigrants from being on site and to prevent illegal workers who are not lawfully employable from taking employment on site:

- before employing a person, our human resources and procurement manager shall inspect and take copy of the original of his/her Hong Kong identity card and/or other documentary evidence showing that he/she is lawfully employable in Hong Kong; and
- our site supervisors will refuse any person who does not possess any valid training certificate (commonly known as “green card”) from entering the site.

PROPERTIES

Owned properties

During the Track Record Period and as at the Latest Practicable Date, our Group did not own any properties.

Leased property

As at the Latest Practicable Date, our Group leased one property in Hong Kong and the details are set out below:

<u>Location</u>	<u>Gross floor area (approximately)</u>	<u>Period of Lease</u>	<u>Monthly rental and building management fee</u>	<u>Usage</u>
Unit 01–02, 20/F, Millennium Trade Centre, No. 56 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong	1,790 sq.ft.	From 20 November 2017 to 19 November 2019	HK\$40,705 per month	Office
		From 20 November 2019 to 19 November 2021	HK\$47,704 per month	

BUSINESS

During the Track Record Period, our Group had not experienced any difficulty in renewing the leases.

LICENSES AND REGISTRATIONS

Wah Kee is registered as a minor works contractor under the Buildings Ordinance. The types of works covered by Wah Kee's registration include:

Type A	Alteration and Addition Works	Classes II & III
Type B	Repair Works	Classes II & III
Type C	Works relating to Signboards	Classes II & III
Type D	Drainage Works	Classes II & III
Type E	Works relating to Structures for Amenities	Classes II & III
Type F	Finishes Works	Classes II & III
Type G	Demolition works	Classes II & III

The registration will expire on 16 November 2022. For more details of the laws and regulations governing minor works in Hong Kong, please refer to the section headed "Regulatory Overview" of this prospectus.

Renewal of the registered minor works registration is required every three years. Our Directors confirm that we had obtained all necessary licenses, approvals and permits from the relevant governmental authorities for our business operations in Hong Kong as at the Latest Practicable Date, and they are not aware of any circumstances that would significantly hinder or delay the renewal of such licences, permits, consents and approvals.

In particular, in order for Wah Kee to maintain its registration as a registered minor works contractor, it must have at least one authorised signatory to act for it for the purposes of the Buildings Ordinance and one technical director to carry out certain duties including, among others, providing technical support for the execution of works and ensuring that the works are carried out in accordance with the Buildings Ordinance. Currently, Mr. YW Chen acts as both authorised signatory and technical director. In the case of retirement or resignation of any of the authorised signatory and technical director, according to the practice note issued by the Buildings Department, when there is no technical director acting for the contractor, the contractor should apply for appointment of replacement of technical director within a reasonable period of time. In the event Mr. YW Chen retires or resigns, Wah Kee intends to appoint Mr. Chan Fai as the technical director and authorised signatory. Our Directors consider that Mr. Chan Fai possesses sufficient academic qualifications and industry experience to satisfy the relevant requirements specified by the Buildings Department.

BUSINESS

As such, our Directors consider that they are not aware of any circumstances that would significantly hinder or delay our business operations in respect of which registration as a registered minor works contractor is required.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group has registered the domain “*www.wahwoalum.com*”. For details of our intellectual property rights, please refer to the section headed “B. Further information about the business – 2. Intellectual property rights” in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not aware of any infringement (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned or being applied by us.

LEGAL PROCEEDINGS AND COMPLIANCE

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

Claims pending or threatened against our Group

As at the Latest Practicable Date, there was one ongoing legal proceeding against our Group, the details of which are set out in the table below:

BUSINESS

Ongoing civil proceedings

<u>Nature of the claim</u>	<u>Date of incident</u>	<u>Applicant(s)</u>	<u>Amount/estimated quantum of damages claimed</u>	<u>Status as at the Latest Practicable Date</u>
Employees' compensations claim initiated by a worker who sprained his back when he maneuvered a piece of glass panel in relation to a project at Kwong Yip Street.	10 March 2017	Employee of our subcontractor	The conduct of the case has been taken over by the insurance company and the amount of claim will be subject to the assessment made by the Court. Our Directors consider that the exposure of and the financial impact to our Group are insignificant.	Ongoing. The conduct of the case has been taken over by the insurance company. Further, we received a legal letter on 11 July 2019 from the applicant's legal representative that besides the aforesaid employees' compensation application to the District Court, they threatened to commence a common law personal injury action against Wah Wo.

Further, as at the Latest Practicable Date, there was another threatened civil claim which we have received legal letter from the injured person's legal representative, and two potential civil claims arising out of two work accidents involving two employees of our subcontractors, the details of which are set out in the table below:

<u>Nature of claim</u>	<u>Date of accident</u>	<u>Identity of injured person</u>	<u>Status as at the Latest Practicable Date</u>
<i>Threatened claim:</i>			
Work injury	26 September 2014 (prior to the Track Record Period)	Employee of our subcontractor	Legal letter was received on 8 December 2015 but the applicant had remained inaction up to the Latest Practicable Date. The statutory time limit to bring an action has already passed. The related employee compensation claim has already been settled.
<i>Potential claim:</i>			
Work injury	11 October 2018	Employee of our subcontractor	The insurance company has taken over the case.

BUSINESS

Nature of claim	Date of accident	Identity of injured person	Status as at the Latest Practicable Date
Work injury	24 May 2019	Employee of our subcontractor	The notice by employer of the death of an employee or of an accident to an employee resulting in death or incapacity (“ Form 2 ”) has been filed by the main contractor to the Labour Department. The case is currently being processed by the Labour Department.

Since no court proceedings have been initiated, we are not in a position to assess the likely quantum of such claims should they be initiated against us. Our Directors are of the view that any threatened or potential claims arising from the work injury accidents will be covered by our relevant insurance policies, accordingly the aforementioned threatened or potential claims would not have material financial and operational impact on our Group.

Save as disclosed in this subsection headed “Legal proceedings and compliance”, our Directors confirm that no member of our Group was engaged in any claim, litigation or arbitration of material importance and no claim, litigation or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

Regulatory compliance

Our Directors confirm that save as disclosed below under this paragraph, we have complied with all applicable laws and regulations in all material respects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

The following table sets forth certain non-compliances of our Group during the Track Record and up to the Latest Practicable Date:

Relevant laws or regulations	Particulars of the non-compliance	Reasons for the non-compliance	Remedial action taken by our Group	Maximum penalty per offence if prosecution is to be initiated
Section 139 (1) of the Mandatory Provident Fund Schemes (General) Regulations (Chapter 485A of the Laws of Hong Kong)	During the Track record period, the Group did not provide monthly pay-record to the employees within 7 working days	The breach was not wilful and was due to the inadvertent oversight of our supporting staff and absence of timely and professional advice at the material time	Since June 2018, our Group has duly provided monthly pay-records to all employees	For the first non-compliance the maximum financial penalty is HK\$10,000, for the second non-compliance, the maximum penalty is HK\$20,000; and for the third or subsequent non-compliance, the maximum penalty is HK\$50,000.

BUSINESS

Other than the abovementioned non-compliance incident which there has been no prosecution as at the Latest Practicable Date, the Legal Counsel is of the view that the chance of prosecution is remote, during the Track Record Period we have certain non-compliances with (i) the Predecessor Companies Ordinance and the Companies Ordinance in respect of matters including late filing of statutory forms to the Registrar of Companies in Hong Kong and failing to lay the audited financial statements before its general meetings; and (ii) the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) in respect of failure to file Form 56E (notification by an employer of an employee who commences to be employed) to the Commissioner of Inland Revenue.

With the support of the Legal Counsel, given that the aforesaid non-compliance incidents are either time-barred or of which the chance of prosecution is remote, we consider the above non-compliance incidents not disclosed in details are immaterial in nature. Taking into account the above and the fact that any loss, fee, expense and penalty of our Group in relation to non-compliance matters will be fully indemnified by our Controlling Shareholders, our Directors consider that the impact of them would be immaterial upon our Group's operation and financial positions.

Views of our Directors

As set out in the paragraphs headed "Occupational health and safety matters", "Environmental protection", "Internal control and risk management" and "Legal proceedings and compliance" in this section, our Group has laid down and implemented detailed internal control and corporate governance measures to monitor ongoing compliance with the relevant laws and regulations to prevent the occurrence of any non-compliance in the future. Our Directors believe that the corporate governance and internal control measures could effectively ensure a proper internal control system and maintain good corporate governance practices of our Group. In view of the measures in place, our Directors are of the view that these systems are sufficient and effective to ensure ongoing compliance with the relevant laws and regulations by our Group.

Our Directors consider, that the abovementioned non-compliance incidents would not affect the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability of listing of our Group, having taken into account the fact that (i) we have taken various internal measures to avoid recurrence of non-compliance incidents; and (ii) the above non-compliance incidents were unintentional and inadvertent and did not involve any fraudulent act on the part of our Directors and the non-compliance incidents did not undermine the integrity of our Directors.

BUSINESS

Internal Control Measures

As recommended by our internal control adviser, we either have adopted the following internal control measures in view of claims and non-compliance incidents in relation to labour, health and safety issues:

1. Safety opinion — The safety opinion of a new project should be obtained from the safety supervisor and/or safety officer from main contractors and discuss with them during regular meetings if additional work safety measures are adequate and effective in reducing the risks of accidents at construction sites;
2. Timely submission of Form 2 — The senior human resources and account officer, the project coordinator and the project supervisor should report the occurrence of an accident promptly. The project coordinator or the project supervisor should complete Form 2 and pass it to the senior human resources and account officer within seven days after the occurrence of an accident. The senior human resources and account officer should review and submit the form within ten days after the occurrence of an accident. Copies of the form should be sent to the finance team;
3. Regular training — Regular training should be provided to the workers, project coordinators and project supervisors at least annually on work-related accident reporting procedure;
4. Submission of IRD Form 56E and Form 56F — Commencing from the year ended 31 March 2019, the senior human resources and account officer has been responsible for the submission of the IRD Form 56E and Form 56F for ex-employees and prepare a checklist to ensure the Company fulfil the relevant compliance requirements set by the Inland Revenue Department;
5. The annual performance appraisal, exit interview questionnaire and audit check by using clearance checklist should be conducted and recorded in writing. Salary adjustment and promotion notice should also be issued to a departing employee for reference;
6. Mandatory provident fund (MPF) contributions — The human resources and account officer should calculate and review the MPF contributions carefully and cross check the calculations against underlying payroll records before submitting the contributed amounts to the MPF trustee; and
7. We should provide a payroll record to each of our employees every month.

Our Directors are of the view that the various internal control measures adopted by our Group are adequate and effective and the non-compliance incidents did not have material adverse impact on our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), the following persons will individually and/or collectively be entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company:

Name	Number of Shares immediately following completion of the Capitalisation Issue and the Share Offer	Shareholding percentage in our Company immediately following completion of the Capitalisation Issue and the Share Offer
Mr. YW Chen	750,000,000	75%
Ornate Bright <i>(Note)</i>	750,000,000	75%

Note: Ornate Bright is an investment holding company, principally engaged in holding our Shares and is wholly-owned by Mr. YW Chen.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders comprise Mr. YW Chen and Ornate Bright.

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders immediately following the Listing.

Save the below, to the best knowledge of our Directors, there will not be any continuing connected transactions upon Listing.

Employment with relatives

During the Track Record Period, we have hired six employees who are the relatives of Mr. YW Chen and the remuneration paid to these employees for each of the three years ended 31 March 2019 amounted to approximately HK\$1.3 million, HK\$1.5 million and HK\$1.6 million, respectively. Such arrangement will continue after Listing. As at Latest Practicable Date, five out of our 67 employees were the relatives of Mr. Chen and the remuneration for the four months ended 31 July 2019 was approximately HK\$0.5 million.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Directors confirm that the employment with relatives was made on normal commercial terms with reasons below:

- (i) the employment contract template used for the employment with relatives was same as the one used for employment with third parties; and
- (ii) there was no significant difference between the salaries for the relatives and the third party employees of our Group on similar job positions.

The discontinued connected transaction(s) between our Group and Controlling Shareholders and/or his/its associates are set out below:

Office Tenancy Agreement

Wah Kee (as tenant) entered into a tenancy agreement (the “**Office Tenancy Agreement**”) dated 28 December 2011 with Ms. Wong Chun Siu (the spouse of Mr. YW Chen, as landlord), pursuant to which Ms. Wong Chun Siu agreed to lease Unit B, 14/F., Phase I, Kwai Shing Industrial Building, 36–40 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong to Wah Kee for a term of five years from 1 January 2012 to 31 December 2016 (both days inclusive) at the monthly rent of HK\$15,000 (exclusive of property tax, management fee, government rent, rates and water, gas and electricity charges).

The Office Tenancy Agreement was subsequently renewed on 10 December 2016 with the term extended for five years up to 31 December 2021, while other terms remained unchanged.

Wah Kee and Ms. Wong Chun Siu mutually agreed to terminate the Office Tenancy Agreement with effect on 28 February 2018.

The rent (together with the property tax, management fee, government rent and rates) paid by us under the Office Tenancy Agreement for each of the three years ended 31 March 2019 amounted to approximately HK\$0.2 million, HK\$0.2 million and nil, respectively.

The monthly rent paid to Ms. Wong Chun Siu under the Office Tenancy Agreement was lower than the monthly rent of our existing office at Units 01 - 02, 20/F, Millennium Trade Centre, No. 56 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong. It is because the type of building for the Office Tenancy Agreement is different from our existing office that the Office Tenancy Agreement was for an industrial building premises where our existing office is located in a furnished commercial building in a prime location in Kwai Chung.

Disposal of Wah Kee Decoration

Please refer to the paragraph headed “History, Reorganisation and Group Structure — Our disposed companies — Wah Kee Decoration (Hong Kong)” in this prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Having taken into consideration the following factors, our Directors are of the view that we are capable of carrying on our business independently from, and do not place undue reliance on our Controlling Shareholders and his/its respective close associates after the Listing:

Management independence

Board

Our Board consists of five Directors, among which two are executive Directors and three are independent non-executive Directors. Mr. YW Chen, an executive Director of our Company, is also the sole director of Ornate Bright, our Controlling Shareholder.

Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and not to allow any conflict between the interests of our Company and his personal interests. In the event that a potential conflict of interests arises out of any transaction to be entered into between us and our Directors or their respective close associates, the interested Director(s) is/are to abstain from voting at the relevant Board meetings in respect of such transactions and not to be counted in the quorum.

Committees

We have established an audit committee, a remuneration committee and a nomination committee. Each committee consists of a majority of independent non-executive Directors.

The audit committee is responsible for reviewing and supervising our financial reporting process and internal control system whereas the remuneration committee's role is to ensure that our Directors are properly remunerated without being influenced by our Controlling Shareholders. The nomination committee is mainly responsible for making recommendations to our Board on appointment of Directors and succession planning for our Directors.

Our Directors are of the view that we are capable of managing our business independently of our Controlling Shareholders after the Listing.

Operational independence

Our operations are independent from and not connected with our Controlling Shareholders.

Our Group does not rely on our Controlling Shareholders for our operating licences, and has sufficient capital, equipment and employees we require to operate the business independently from our Controlling Shareholders. Our Board is responsible for determining the strategic development and management of our Group. Reporting to our Board is a team of department heads employed by us who is responsible for all essential operational functions,

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

including project management, design, quantity surveying and purchasing, administration, and accounting and finance and who makes operational decisions within the authorisation and parameters set by our Board only. Our Company has also established a set of internal controls to facilitate the effective operation of our business.

Financial independence

Our Company will be financially independent from our Controlling Shareholders upon the Listing. All outstanding loans and non-trade payables owed to and from our Controlling Shareholders and their respective close associates, if any, will be settled before the Listing.

As at 31 March 2017, 2018 and 2019 and 31 July 2019, our Group's banking facilities were secured by two pledged properties owned by Mr. YW Chen and his spouse, respectively and the personal guarantees of Mr. YW Chen and Mr. ZC Chen. The corresponding banks with banking facilities granted to our Group as at the date of the prospectus have agreed in principle that the above personal guarantees will be released and replaced by corporate guarantees to be issued by our Company and the pledged property will also be released.

Our Directors are of the view that our Group will be able to obtain further financing such as bank loans, if necessary, upon market terms and conditions without relying on financial assistance from our Controlling Shareholders and their respective close associates after the Listing.

UNDERTAKINGS

Our Controlling Shareholders have jointly and severally given certain undertakings in respect of our Shares (including those as set out in Rule 10.07 of the Listing Rules) to our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), details of which are set out in the paragraph headed "Underwriting — Undertakings by our Controlling Shareholders" in this prospectus.

DISCLOSURE PURSUANT TO RULE 8.10 OF THE LISTING RULES

None of our Controlling Shareholders and his/its respective close associates nor our Directors is interested in any business which competes or is likely to compete directly or indirectly with the business of our Group which must be disclosed in this prospectus pursuant to Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKING AND CORPORATE GOVERNANCE MEASURES TO MANAGE CONFLICT OF INTERESTS

Undertakings

Mr. YW Chen and Ornate Bright (each the "Covenantor" and collectively the "Covenantors") entered into a deed of non-competition dated 12 December 2019 in favour of

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

our Company and our subsidiaries (the “**Deed of Non-Competition**”). Pursuant to the Deed of Non-Competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and for the benefit of our subsidiaries), among others, that, during the period which (i) the Shares remain listed on the Stock Exchange and (ii) the Covenantors and their close associates (other than members of our Group) individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meeting of the Company or the Covenantors or the relevant close associates remain as a director of any member of the Group, he/it shall not, and shall procure that his/its close associates (other than any member of our Group) not to carry on or be engaged, concerned or interested, or otherwise be involved, directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity i.e. the provision of design and build services and renovation services in Hong Kong of any member of our Group or any business activity to be conducted by any member of our Group from time to time (the “**Restricted Business**”).

Each of the Covenantors further undertakes that if any business, investment or other commercial opportunity which may compete with the business of our Group (the “**Business Opportunity**”) is identified by or offered to him/it, he/ it shall procure his/its close associates to promptly notify our Group in writing and our Group shall have a right of first refusal to take up such opportunity. Our Group shall, within 30 days after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal.

Our Group shall only exercise the right of first refusal upon the approval of all independent non-executive Directors (who do not have a material interest in such opportunity)(“**Independent Board**”). The Independent Board shall consider (i) the financial impact of pursuing the Business Opportunity offered, (ii) whether the nature of the Business Opportunity is consistent with our Group’s strategies and development plans, (iii) the general market conditions in the industry of the Restricted Business and (iv) any advice from independent financial advisers, should the appointment of which be deemed necessary by the Independent Board. The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The undertakings contained in the Deed of Non-Competition are conditional upon the Share Offer becoming unconditional. If any such condition is not fulfilled on or before the date falling 30 days after the date of this prospectus, the Deed of Non-Competition shall become null and void without prejudice to any right of the party in respect of antecedent breaches.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Governance to manage conflict of interests

We will adopt the following corporate governance measures to manage any potential conflict of interests arising from any future potential competing business and to safeguard the interests of our Shareholders:

- (i) our independent non-executive Directors will review, at least on an annual basis, the compliance with and enforcement of the terms of the Deed of Non-Competition by our Covenantors;
- (ii) our Company will disclose decisions with basis on matters reviewed by the independent non-executive Directors relating to non-compliance and enforcement of the Deed of Non-Competition (including why business opportunities referred to it by our Controlling Shareholders were not taken up) either through annual report, or by way of announcement and/or other documents issued or published by our Company as required under the Listing Rules;
- (iii) our Controlling Shareholders have undertaken to provide all information necessary to our Company for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (iv) we will disclose in the corporate governance report of our annual report whether the terms of the Deed of Non-Competition have been complied with and enforced;
- (v) in addition to each Director being aware of his fiduciary duties as a Director, which require, among other things, that he acts for the benefit of our Company and the Shareholders as a whole and does not allow any conflict of interests between his duties as a Director and his personal interests, our Articles of Association require each Director to declare to our Board any potential conflict of interests with our Group at Board meetings. Our Articles of Association provide that a Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested except in certain circumstances as set out in the Articles. Our Board (including our independent non-executive Directors) will monitor the potential conflict of interests of Directors and our Directors have to submit confirmations to the Board disclosing details of any interests in competing businesses in any interim or annual reports to be issued by our Company. If potential conflict of interests arises, the interested Director(s) will bring the matter to our independent non-executive Directors and shall not be present during the discussion of the relevant resolution in which the conflict of interests may arise and shall abstain from voting on such proposed resolution;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (vi) our Company has engaged First Shanghai Capital Limited as our compliance adviser who shall ensure that our Company is properly guided and advised as to compliance with the Listing Rules and any other applicable laws and regulations; and
- (vii) our independent non-executive Directors may engage independent professional advisers in appropriate circumstances at our Company's cost.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Covenantors and our Group and to protect the interests of our Shareholders, in particular, our minority Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board consists of five Directors, including two executive Directors and three independent non-executive Directors. The table below sets forth the information regarding our Board:

Name	Age	Position	Responsibilities in our Group	Date of joining our Group	Date of appointment as Director	Relationship with other Directors, members of our senior management and Substantial Shareholders
Mr. Chen Yuet Wa (陳越華)	41	Executive Director, Chairman and chief executive officer	Overall business strategy, annual budget proposals and major business decision of our Group	May 2007	18 May 2018	Nil
Mr. Chan Fai (陳輝)	43	Executive Director	Project management and supervision of our subcontractors' work	April 2010	18 May 2018	Nil
Mr. Chow Chi Fai (周志輝)	48	Independent non-executive Director	Supervising and providing independent judgment to our Board, our audit committee and remuneration committee	12 December 2019	12 December 2019	Nil
Mr. Chan Hon Ki (陳漢淇)	41	Independent non-executive Director	Supervising and providing independent judgment to our Board, our audit committee, remuneration committee and nomination committee	12 December 2019	12 December 2019	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Responsibilities in our Group	Date of joining our Group	Date of appointment as Director	Relationship with other Directors, members of our senior management and Substantial Shareholders
Mr. Yu Chi Wing (于志榮)	36	Independent non-executive Director	Supervising and providing independent judgment to our Board, our audit committee and nomination committee	12 December 2019	12 December 2019	Nil

Executive Directors

Mr. Chen Yuet Wa (陳越華), aged 41, is the founder of our Group, our Chairman, our executive Director, our chief executive officer and one of our Controlling Shareholders. He is also the chairperson of our nomination committee and a member of our remuneration committee. He is primarily responsible for overall business strategy, annual budget proposals and major business decision of our Group. He is also a director of each of our Group's subsidiaries.

Mr. YW Chen found our Group in May 2007 and has more than 12 years of experience in the façade works industry. After completing secondary five education in July 1998 at SKH Holy Carpenter Secondary School (formerly known as Holy Carpenter Prevocational School), Mr. YW Chen started to accumulate experience in aluminum window works through joining the workforce of construction industry in Hong Kong and primarily engaging in aluminum window works. In April 2002, he established Wa Kee Company, a sole proprietorship in Hong Kong which principally engaged in the provision of aluminum window works in Hong Kong. Wa Kee Company subsequently ceased business in March 2011 after the establishment of Wah Kee in May 2007.

Mr. Chan Fai (陳輝), aged 43, is one of our executive Directors. He is primarily responsible for project management and supervision of our subcontractors' work.

Mr. Chan has more than 16 years of experience in the construction industry in Hong Kong. From January 2002 to April 2005, he worked for Architectural Metal & Coating Limited a company specialised in aluminium window, curtain wall system and metal works, and was a site supervisor at the time of leaving the company. From April 2005 to August 2006, he worked for Far East Aluminium Works Co., Ltd. a company engaged in installation of aluminium window and curtain walls, as site supervisor. From September 2006 to April 2009, he worked for PMB-Cyberwall Limited a company engaged in curtain wall and external metal cladding installation, as site supervisor. His main duties during his previous employments were to, amongst others, monitor project and site progress as well as the quality of

DIRECTORS AND SENIOR MANAGEMENT

sub-contractor's work, coordinate supplier's delivery of materials and subcontractors, and check as built conditions. Since April 2010, he has been working for our Group and is currently the general manager of Wah Kee.

Mr. Chan obtained a certificate of completion of apprenticeship issued by the director of apprenticeship in December 2002 and a higher diploma in building studies from the Vocational Training Council in July 2006.

Independent non-executive Directors

Mr. Chow Chi Fai (周志輝), aged 48, is one of our independent non-executive Directors. He is also the chairperson of our audit committee and a member of our remuneration committee. He is primarily responsible for supervising and providing independent judgment to our Board, our audit committee and remuneration committee.

Mr. Chow has over 20 years of experience in the accounting and finance industry. From August 1995 to October 1998, he worked for PricewaterhouseCoopers Hong Kong Limited and his last position was a senior accountant. From November 1998 to April 2001, he worked under Suncorp Technologies Limited (Stock Code: 1063) and his last position was account and finance manager. From April 2001 to September 2006, he worked for TOM Group International Limited and his last position was finance manager. From September 2006 to July 2008, he worked as the accounting manager (projects) for Meiya Power Company Limited. From July 2008 to January 2009, he worked for CPMC Holdings Limited (Stock Code: 906) and his last position was financial controller. From September 2013 to October 2016, he was the independent non-executive director of Wealth Glory Holdings Limited (Stock Code: 8269). Since December 2008, he has been the financial controller and company secretary of Elife Holdings Limited (Stock Code: 223).

Mr. Chow obtained a bachelor's degree in accountancy from the University of South Australia in Australia in June 1995. Mr. Chow was admitted as a member of Hong Kong Institute of Certified Public Accountants since March 1999.

Mr. Chan Hon Ki (陳漢淇), aged 41, is one of our independent non-executive Directors. He is also the chairperson of our remuneration committee and a member of our audit committee and nomination committee. He is primarily responsible for supervising and providing independent judgement to our Board, our audit committee, remuneration committee and nomination committee.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan has more than 14 years of accounting and auditing experience. From August 2000 to August 2003, he worked as an audit and accounts clerk for Louis Y.C. Fung & Company. From June 2004 to July 2010, he worked for KPMG and his last position was a manager. From October 2010 to April 2012, he worked for Fully Foundation Limited and his last position was the deputy financial controller. From April 2012 to May 2012, he worked for Aux Real Estate Groups Limited as the chief financial controller and company secretary.

Mr. Chan is currently the executive director, financial director, chief executive officer and joint company secretary of Aux International Holdings Limited (stock code: 2080) and the independent non-executive director of Chen Lin Education Group Holdings Limited (stock code: 1593).

Mr. Chan obtained a bachelor of commerce degree in accountancy, finance and information systems, and business administration from the University of Canterbury in New Zealand in April 2000. He was admitted as a member of The Association of Chartered Certified Accountants in April 2004 and a member of the Hong Kong Institute of Certified Public Accountants in July 2012.

Mr. Yu Chi Wing (于志榮), aged 36, is one of our independent non-executive Directors. He is also a member of our audit committee and nomination committee. He is primarily responsible for supervising and providing independent judgement to our Board, our audit committee and nomination committee.

Mr. Yu has more than 14 years of advisory, accounting, taxation and auditing experience. From June 2005 to June 2014, Mr. Yu worked at RSM Nelson Wheeler and his last position was a manager. From June 2014 to May 2015, Mr. Yu worked as the financial controller at Niche-Tech (Hong Kong) Limited.

Since June 2015, Mr. Yu has been the financial controller of Tactful Building Company Limited. In September 2016, Mr. Yu founded JR & Co., Certified Public Accountants. He is currently an independent non-executive director of Fameglow Holdings Limited (Stock Code: 8603).

Mr. Yu obtained a bachelor of arts degree with a major in accountancy and a minor in corporate finance from the Hong Kong Polytechnic University in June 2005. He was admitted as a member in January 2012 and is currently a practising member of the Hong Kong Institute of Certified Public Accountants.

DIRECTORS AND SENIOR MANAGEMENT

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors confirmed with respect to himself or herself that: (i) he is independent from and had no other relationships with any Directors, members of our senior management, Substantial Shareholders or Controlling Shareholders as at the Latest Practicable Date; (ii) apart from our Company, in the last three years leading up to and as at the Latest Practicable Date, he is not holding, nor had he held directorships in any other public company the securities of which are listed on any securities market in Hong Kong and/or overseas; (iii) he did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (iv) he does not have any interests in our Shares within the meaning of Part XV of the SFO, save as disclosed in the paragraph headed “C. Further information about Substantial Shareholders, Directors and experts — 1. Disclosure of interests — (a) Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and the associated corporations” in Appendix IV to this prospectus; (v) he does not have any interests in any business which competes or may compete, directly or indirectly, with us, which is disclosable under the Listing Rules, save as disclosed in the section headed “Relationship with our Controlling Shareholders” of this prospectus; and (vi) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there is no additional information relating to our Directors or senior management that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and no other matters with respect to their appointments that need to be brought to the attention of our Shareholders as at the Latest Practicable Date.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted a board diversity policy which sets out the objectives and approaches to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, the nomination committee reviews and assesses the Board composition on behalf of the Board and recommends the appointment of new Directors, taking into account a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, industry and regional experience, and length of service. The ultimate decision of the appointment will be based on merits and the contribution which the selected candidates will bring to our Board.

The nomination committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of the board diversity policy. The nomination committee will review the board diversity policy and assess its effectiveness, and where necessary, make any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

DIRECTORS AND SENIOR MANAGEMENT

Our Board comprises five male members, with two executive Directors and three independent non-executive Directors. We consider that our Board has a balanced mix of experiences and industry background, including experiences in construction and façade works industry, accounting and auditing and finance. Our independent non-executive Directors have a diverse education background including accounting, auditing, business administration, finance and information system, and they all come from different industry backgrounds and have obtained professional qualification. Nevertheless, in recognising the particular importance of gender diversity, our Company confirms that our nomination committee will, within two years from the Listing, identify and recommend one female candidate for our Board's consideration for her appointment as a Director.

Taking into account our Company's business model and the backgrounds and abilities of our Directors, the composition of the Board satisfies the board diversity policy. Our Company will continue to take steps to promote gender diversity at all levels of our Group, including at the senior management levels. Nevertheless, our Company will continue to apply the principle of appointments based on merits with reference to the board diversity policy as a whole.

SENIOR MANAGEMENT

The table below sets forth information regarding our senior management:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Responsibility in our Group</u>	<u>Date of joining our Group</u>	<u>Relationship with other Directors, members of our senior management and Substantial Shareholders</u>
Mr. Lee Kai Ming (李啟明)	30	Financial controller and company secretary	Overseeing our financial reporting, financial planning, treasury, financial control and company secretarial matters	February 2018	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Responsibility in our Group	Date of joining our Group	Relationship with other Directors, members of our senior management and Substantial Shareholders
Mr. Lam Mau Yuen (林茂源)	47	Senior design manager	Overseeing general technical and engineering works, tender preparation and compliance matters	March 2017	Nil
Mr. Lee Ka Keung (李嘉強)	35	Senior quality control manager	Overseeing the execution of projects and supervising workers at construction sites	June 2011	Nil

Mr. Lee Kai Ming (李啟明), aged 30, is our financial controller and company secretary. He is responsible for overseeing our financial reporting, financial planning, treasury, financial control and company secretarial matters.

Mr. Lee has over five years of experience in the accounting industry. Prior to joining our Group, from October 2012 to October 2014, he worked for ShineWing (HK) CPA Limited, at which his last position was staff accountant II. From October 2014 to February 2018, he worked for KPMG at which his last position was manager. His main duties during his previous employments were to, amongst other, perform statutory audits and prepare accounts for both listed and private companies. Since February 2018, he has been working for our Group and is currently the financial controller and the company secretary of our Group.

Mr. Lee obtained a bachelor of business administration in accountancy from The Hong Kong Polytechnic University in October 2012. He was admitted as a certified public accountant of Hong Kong Institute of Certified Public Accountants in September 2016.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lam Mau Yuen (林茂源), aged 47, is the senior design manager of our Group. He is responsible for overseeing general technical and engineering works, tender preparation and compliance matters.

Prior to joining our Group, Mr. Lam worked for various construction and engineering related companies and he has more than 20 years of experience in the construction industry. From April 1994 to June 1996, he worked for Mott Connell Limited at which his last position was junior draughtsman. From June 1996 to October 2002, he worked for United Reliance Corporation Limited as draftsman. From November 2002 to June 2004, he worked for Chevalier (Aluminium Engineering) Limited as assistant design engineer. From November 2004 to February 2006, he worked for Techwell Engineering Limited as draftsman. From February 2006 to March 2007, he worked for Eastwell Engineering Limited as draftsman. From April 2007 to June 2012, he worked for Yau Lee Curtain Wall and Steel Works Limited as designer (team leader). From February 2016 to March 2017, he worked for Harvest Time Façade Limited as design manager. His main duties during his previous employments were to, amongst others, provide or assist in the provision of construction drawings. Since March 2017, he has been working for our Group and is currently the senior design manager of our Group.

Mr. Lam obtained a higher certificate in building studies from the Vocational Training Council in July 2002.

Mr. Lee Ka Keung (李嘉強), aged 35, is a senior quality control manager of our Group. He is primarily responsible for overseeing the execution of projects and supervising workers at construction sites.

Prior to joining our Group, Mr. Lee worked for several construction companies and he has more than 10 years of experience in the construction industry in Hong Kong. From August 2006 to June 2009, he worked for Canton Curtain Wall Engineering Limited as a site foreman. From August 2009 to December 2009, he worked for Sze Cheong Engineering Company Limited as a project assistant. From March 2010 to May 2010, he worked for T.L. Force Contracting Company Limited as a project coordinator. His main duties during his previous employments were to, amongst others, supervise the workers and the projects execution at construction sites, and coordinate material procurement and deliveries. Since June 2011, he has been working for our Group and is currently a senior quality control manager of our Group.

Mr. Lee obtained a diploma and a higher diploma in building services engineering from the Vocational Training Council in July 2005 and February 2011, respectively. Mr. Lee completed a construction safety supervisor course organised by the Construction Industry Training Authority in November 2007.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, each of the members of our senior management confirmed with respect to himself or herself that: (i) as at the Latest Practicable Date, he had no interests in our Shares within the meaning of Part XV of the SFO; (ii) he did not have any relationships with any Directors, members of our senior management, Substantial Shareholders or Controlling Shareholders as at the Latest Practicable Date; and (iii) he did not hold any directorships in any public company the securities of which were listed on any securities market in Hong Kong and/or overseas in the last three years prior to the Latest Practicable Date.

COMPANY SECRETARY

Mr. Lee Kai Ming (李啟明), aged 30, is our company secretary. Details of his qualifications and experience are set out in the paragraph headed “Directors and Senior Management — Senior Management” in this prospectus.

AUTHORISED REPRESENTATIVES

Mr. YW Chen and Mr. Lee Kai Ming (李啟明) are our authorised representatives under Rule 3.05 of the Listing Rules.

COMPLIANCE ADVISER

We have appointed First Shanghai Capital Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we will consult with and seek advice from our compliance adviser in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results of operations deviate from any information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares or any other matters under Rule 13.10 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

The term of the engagement will commence on the Listing Date and end on the date on which we distribute our annual report as required under Rule 13.46 of the Listing Rules for the first full financial year commencing after the Listing Date, or when the appointment of First Shanghai Capital Limited is terminated, whichever is earlier. Such appointment may be subject to extension by mutual agreement.

BOARD PRACTICES

In the absence of extraordinary events, it is the practice of our Board to meet at least four times a year. At such meetings, our Directors conduct, among other things, an operational review of our business.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the Articles and the Listing Rules, we have formed three board committees, namely the audit committee, the nomination committee, and the remuneration committee.

Audit Committee

Our Company established an audit committee in compliance with Rule 3.21 of the Listing Rules and with the written terms of reference in compliance with the Corporate Governance Code. The primary duties of our audit committee are (i) to make recommendations to our Board on the appointment and removal of external auditors, (ii) to review the financial statements, (iii) to review the effectiveness of our Company's internal audit activities, internal controls and risk management systems, and (iv) to develop and implement policy on engaging external auditor to supply non-audit services. Our audit committee currently consists of all three of our independent non-executive Directors, namely Mr. Chow Chi Fai, Mr. Chan Hon Ki and Mr. Yu Chi Wing. Mr. Chow Chi Fai is the chairperson of the audit committee.

Nomination Committee

Our Company established a nomination committee with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The primary duties of our nomination committee are (i) to review the structure, size, composition and diversity of our Board on a regular basis; (ii) to identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for directors; and (v) to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management. Our nomination committee currently consists of an executive Director, namely Mr. YW Chen, and two of our independent non-executive Directors, namely Mr. Chan Hon Ki and Mr. Yu Chi Wing. Mr. YW Chen is the chairperson of the nomination committee.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration committee

Our Company established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and with the written terms of reference in compliance with the Corporate Governance Code. The primary duties of our remuneration committee are (i) to review and make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; (ii) to review and make recommendations to our Board on other remuneration-related matters, including benefits-in-kind and other compensation payable to our Directors and senior management; and (iii) to review performance based remunerations and to establish a formal and transparent procedure for developing policy in relation to remuneration. Our remuneration committee currently consists of an executive Director, namely Mr. YW Chen, and two of our independent non-executive Directors, namely Mr. Chan Hon Ki and Chow Chi Fai. Mr. Chan Hon Ki is the chairperson of our remuneration committee.

CORPORATE GOVERNANCE

Except for the deviation from provision A.2.1 of the Corporate Governance Code, our Company's corporate governance practices have complied with the Corporate Governance Code. Provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. YW Chen is the chairman of our Board and the chief executive officer of our Company. In view that Mr. YW Chen has been assuming day-to-day responsibilities in operating and managing our Group since 2007 and the rapid development of our Group, our Board believes that with the support of Mr. YW Chen's extensive experience and knowledge in the business of our Group, vesting the roles of both chairman of our Board and chief executive officer of our Company in Mr. YW Chen strengthens the solid and consistent leadership and thereby allows for efficient business planning and decision which is in the best interest to our Group.

Our Directors consider that the deviation from provision A.2.1 of the Corporate Governance Code is appropriate in such circumstances. Notwithstanding the above, our Board is of the view that this management structure is effective for our Group's operations, and sufficient checks and balances are in place.

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole. Our Directors are aware that upon Listing, we are expected to comply with such code provisions. Any such deviation shall however be carefully considered, and the reasons for such deviation shall be given in our interim report and annual report in respect of the relevant period. Save as disclosed in the above, we will comply with the code provisions set out in the Corporate Governance Code after Listing.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Service contract/Letter of appointment with Directors

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from 17 January 2020 (subject to termination in certain circumstances as stipulated in the relevant service contract). Each of our executive Directors is entitled to their respective basic salaries set out below and may be entitled to a discretionary bonus. The current basic annual salaries of our executive Directors to their respective executive and management roles in our Group are as follows:

Name	Approximate annual salary
Mr. YW Chen	<i>HK\$</i> 636,000
Mr. Chan Fai	636,000

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a period of three years commencing from 17 January 2020 (subject to termination in certain circumstances as stipulated in the relevant letter of appointment). The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors and removal and retirement by rotation of Directors. Each of our independent non-executive Directors is entitled to a directors' fee of HK\$120,000 per annum. Save for the directors' fee, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director and a member of any board committees of our Company.

Save as disclosed above, no Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

Emoluments paid during the Track Record Period

For each of the three years ended 31 March 2019 and the four months ended 31 July 2019, the aggregate amount of emoluments (including fees, salaries and bonuses and pension scheme contribution) paid by our Group to our Directors amounted to approximately HK\$1.3 million, HK\$1.3 million, HK\$1.5 million and HK\$0.4 million, respectively. It is estimated that an aggregate sum of approximately HK\$1.4 million is payable by our Group to our Directors as emoluments for the year ending 31 March 2020.

For each of the three years ended 31 March 2019 and the four months ended 31 July 2019, the aggregate amount of emoluments (including salaries and bonuses and pension scheme contribution) paid by our Group to the five highest paid individuals, excluding our Directors, were approximately HK\$1.7 million, HK\$2.0 million, HK\$3.2 million and HK\$1.2 million, respectively. For details of the emoluments of our Directors and the five highest paid individuals of our Group during the Track Record Period, please refer to note 9 of Appendix I to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, no emoluments were paid by our Group to any of the Directors or any of the aforementioned five highest paid individuals as an inducement to join or upon joining our Group as a compensation for loss of office. There was no arrangement under which any of our Directors waived or agreed to waive any remuneration during the Track Record Period. Save as disclosed in note 8 of Appendix I to this prospectus, no other emoluments have been paid, or are payable, by us to our Directors in respect of each of the three years ended 31 March 2019 and the four months ended 31 July 2019.

Subject to the review by and the recommendations of our remuneration committee, the remuneration policy we intend to adopt after the Listing for our Directors and senior management members will be based on comparable market levels and their performance and qualifications.

EMPLOYEES

As at the Latest Practicable Date, our Group had 67 full-time employees who were directly employed by us in Hong Kong. For details about our employees and staff policy, please refer to the paragraph headed “Business — Employees” in this prospectus.

Our employee benefit expenses (including directors’ remuneration, salaries and bonuses and pension scheme contribution) for each of the three years ended 31 March 2019 and the four months ended 31 July 2019 amounted to approximately HK\$15.5 million, HK\$15.7 million, HK\$24.9 million and HK\$7.7 million respectively.

In Hong Kong, we operate a defined contribution retirement benefits scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Scheme Ordinance (Chapter 485) of the Laws of Hong Kong for all of our employees in Hong Kong who joined us after the commencement of this ordinance. Contributions are made based on a percentage of the employees’ basic salaries. We contribute the lower of HK\$1,500 or 5% of the relevant monthly salary to the MPF Scheme, a contribution to be matched by our employees.

Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme on 12 December 2019 under which certain selected classes of participants (including, among others, full-time employees and Directors) may be granted options to subscribe for our Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

Our Substantial Shareholders and Significant Shareholders for the purposes of the Listing Rules (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) are set forth below:

Interests in our Company

<u>Name</u>	<u>Number of Shares as at the date of this document</u>	<u>Shareholding percentage as at the date of this document</u>	<u>Number of Shares immediately following completion of the Capitalisation Issue and the Share Offer</u>	<u>Shareholding percentage in our Company immediately following completion of the Capitalisation Issue and the Share Offer</u>
Mr. YW Chen	3	100%	750,000,000	75%
Ornate Bright (<i>Note 1</i>)	3	100%	750,000,000	75%

Note: Ornate Bright is an investment holding company, principally engaged in holding our Shares and is wholly-owned by Mr. YW Chen.

SHARE CAPITAL

SHARE CAPITAL

Without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, our issued share capital immediately following completion of the Capitalisation Issue and the Share Offer will be as follows:

Authorised share capital:

	<u>HK\$</u>
<u>10,000,000,000</u> Shares of par value of HK\$0.01 each	<u>100,000,000</u>

Shares issued and to be issued, fully paid or credited as fully paid, upon completion of the Capitalisation Issue and the Share Offer:

	<u>HK\$</u>
3 Shares in issue as at the date of this prospectus	0.03
749,999,997 Shares to be issued pursuant to the Capitalisation Issue	7,499,999.97
<u>250,000,000</u> Shares to be issued pursuant to the Share Offer	<u>2,500,000.00</u>
<u>1,000,000,000</u> Shares in total	<u>10,000,000.00</u>

RANKING

The Offer Shares will rank *pari passu* in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing.

CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 12 December 2019, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to allot and issue a total of 749,999,997 Shares credited as fully paid at par to our sole Shareholder on the register of members of our Company at the close of business on the date the resolution was passed by way of capitalisation of the sum of HK\$7,499,999.97 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to the resolutions shall rank *para passu* in all respects with the then existing issued Shares.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions stated in the section headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the total number of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a right issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the total number of our Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (but excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and
- (b) the total number of our Shares repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed “General mandate to repurchase shares” in this section below.

This mandate does not cover Shares to be allotted, issued or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Company — 3. Written resolutions of our sole Shareholder passed on 12 December 2019” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions stated in the section headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is

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recognised by the SFC and the Stock Exchange for this purpose) with a total number of not more than 10% of the total number of our Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “A. Further information about our Company — 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varies by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Company — 3. Written resolutions of the sole Shareholder passed on 12 December 2019” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed “Statutory and general information — D. Share Option Scheme” in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES WHERE MEETINGS ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed “Summary of the Consultation of the Company and Cayman Islands Company Law” in Appendix III to this prospectus.

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You should read this section in conjunction with our Group's historical financial information including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this document. The Accountants' Report has been prepared in accordance with the Hong Kong Financial Reporting Standards (the "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 Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections will depend on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the section "Risk factors" in this prospectus.

OVERVIEW

We are an established contractor engaged in façade works with a focus on window in Hong Kong. Façade works can be classified into window, window wall system, curtain wall system and other façade members. According to the Ipsos Report, our revenue for the year ended 31 March 2019 accounted for 4.1% market share of the façade works industry in Hong Kong in 2018. We principally provide design and build services for new buildings and renovation services for built premises. Our services, covering design and project management services, are customised to meet the technical specifications and performance requirements of our customers. They generally include developing designs, conducting structural calculations and preparing shop drawings, as well as management and coordination of various aspects of a project which involve procurement of building materials from material suppliers and/or subcontracting of installation works to subcontractors, on-site project management and post-project completion and maintenance services.

Our design and build services are typically conducted on new buildings and involve the installation of windows and other façade components such as metal doors, louvres, balustrades, grilles and canopy (referred to as "**design and build projects**"). Our renovation services on the other hand are typically conducted on built premises and usually involve the repair, replacement, upgrade or maintenance of windows, metal doors and other facade components (referred to as "**renovation projects**"). During the Track Record Period, all of our Group's revenue was derived from our works performed in Hong Kong. For design and build projects, our Group's customer types primarily include main contractors of the projects whereas we are mainly engaged by the owners and tenants of properties, and their contractors for renovation projects.

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For each of the three years ended 31 March 2019 and the four months ended 31 July 2019, our Group's total revenue amounted to approximately HK\$153.8 million, HK\$216.3 million, HK\$233.0 million and HK\$90.7 million, respectively; gross profit amounted to approximately HK\$37.6 million, HK\$40.8 million, HK\$55.9 million and HK\$21.7 million, respectively; and net profit amounted to approximately HK\$26.4 million, HK\$27.2 million, HK\$33.2 million and HK\$14.2 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 18 May 2018. Prior to the Share Offer, our Group had undergone the Reorganisation after which our Company has become the holding company of our Group. Please refer to the section headed "History, Reorganisation and Group Structure — Reorganisation" of this prospectus for details.

The financial information set out in the Accountants' Report in Appendix I to this prospectus has been prepared using the merger basis of accounting as if the current group structure had been under the common control of Mr. YW Chen, the Controlling Shareholder, throughout the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of our Group for each of the three years ended 31 March 2019 and the four months ended 31 July 2019 include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when all companies now comprising our Group first came under the common control of the Controlling Shareholder, where this is a shorter period. The consolidated statements of financial position of our Group as at 31 March 2017, 2018 and 2019 and 31 July 2019 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholder's perspective. For further details, please refer to note 2.1 in the Accountants' Report set out in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

The major factors affecting our business, financial condition and results of operations are set out below.

Demand for design and build services for façade works in Hong Kong

Our Group's revenue is principally derived from our design and build projects in Hong Kong during the Track Record Period, which represented approximately 95.3%, 96.0%, 91.9% and 76.8% of our total revenue, respectively. Our business and financial performance is directly correlated to the number and availability of design and build projects for façade works in Hong Kong, which in turn are affected by various factors, including but not limited to, the

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general economic conditions in Hong Kong, the amount of investment in the construction of new commercial and residential buildings and improvement of existing commercial and residential buildings. The future growth and level of profitability of construction industry in Hong Kong are likely to depend upon the continued availability of the major construction projects. A downturn in the Hong Kong construction industry is likely to result in the possibility of availability, postponement, delay or cancellation of construction projects and delay in recovery of receivables, which would have an adverse impact on our business and profitability.

Furthermore, since Hong Kong is our Group's major market, the Hong Kong government's plan on land and housing development could delay property and infrastructure development and cause a corresponding reduction in the demand for façade works, which would have a direct impact on our Group's business operations and financial performance.

Non-recurring and project-based in nature of the projects

The design and build projects and renovation projects undertaken by our Group are usually operated on a non-recurring and project-by-project basis. There is no guarantee that our existing customers will continue to engage us for new projects, and our Group generally has to go through a competitive tendering or quotation process to secure new projects. The result of such process is beyond our control and there is no assurance that our Group may secure new projects from future tender submissions. Our revenue and financial performance may be adversely affected if our Group is unable to be awarded new projects.

As at the Latest Practicable Date, our Group had 14 ongoing projects, each with an awarded contract sum (exclusive of variation orders) of over HK\$5 million and the last expected completion time of such projects is April 2022. Our Group cannot guarantee that we can continuously secure new projects after the completion of all our projects on hand.

Accuracy in the estimation of time and costs involved in projects before submitting tender or providing fee quotations

We primarily obtain our projects through a competitive tendering or quotation process during the Track Record Period. We generally determine the price of such tender or quotation based on the estimated project costs plus a mark-up margin. Our Group's pricing on projects is generally determined by our senior management on a project-by-project basis after considering various factors including but not limited to, (i) the scale and type of building; (ii) scope and complexity of the project; (iii) customer's historical pattern in certifying work and payment; (iv) the availability of our resources; (v) the expected costs of building materials and subcontracting costs; (vi) the completion time requested by customers; and (vii) the prevailing market conditions.

There is no guarantee that the actual amount of time and costs involved in a project must be similar to the estimation and they can be adversely affected by various factors, such as weather conditions, accidents, delay in obtaining approval and other unforeseen site

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conditions, departure of key project management and supervision personnel involved, substandard performance by our subcontractors, and other unforeseen problems and circumstances. Any material inaccurate estimation in the time and costs involved in a project may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect our Group's financial performance and liquidity.

Subcontracting costs and building material costs

Our Group's subcontracting costs and building material costs represent a significant portion of our total cost of sales during the Track Record Period. In line with the industry practice, our Group generally engages subcontractors to carry out the on-site installation works. Our subcontracting costs amounted to approximately HK\$43.3 million, HK\$44.3 million, HK\$63.2 million and HK\$32.3 million respectively, representing approximately 37.3%, 25.2%, 35.7% and 46.8% of our total cost of sales for each of the three years ended 31 March 2019 and the four months ended 31 July 2019, respectively. Our Group is liable for the works performed by the subcontractors. Our Group maintains a list of approved subcontractors and selects our subcontractors carefully based on their (i) quality of work; (ii) timely delivery of services; (iii) communication skills; and (iv) promptness in follow up or corrective actions. For further details, please refer to the section headed "Business — Suppliers — Suppliers selection criteria" of this prospectus. However, there is no guarantee in the availability of subcontractors or the work quality of the subcontractors. In the event that our Group is not able to secure suitable subcontractors at an acceptable fee or the works performed by our subcontractors are not up to standard, we may incur extra costs and hence our financial performance and reputation may be affected adversely.

During the Track Record Period, our building material costs amounted to approximately HK\$55.2 million, HK\$111.4 million, HK\$84.8 million and HK\$26.5 million, respectively, representing approximately 47.5%, 63.5%, 47.9% and 38.4% of our total cost of sales for the corresponding years/periods, respectively. The supply and cost of building materials are affected by macroeconomic conditions, production quantity and cost of such materials. Fluctuation in foreign exchange rates may also affect our Group's cost of building materials since some of our Group's suppliers are located in the PRC. There is no assurance that the supply and cost of building materials will remain stable. In the event that the cost of building materials increase due to external factors, which are out of our control, our Group's operations and profitability may be adversely affected.

CRITICAL ACCOUNTING POLICIES, JUDGEMENT AND ESTIMATES

The discussion and analysis of our Group's financial position and results of operations as included in this prospectus is based on the consolidated financial statements prepared in accordance with accounting policies which conform with HKFRSs. The significant accounting policies adopted by our Group are set forth in detail in note 2.4 of the Accountants' Report set out in Appendix I to this prospectus.

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Application of HKFRS 16 “Lease”

Our Group has elected to early adopted and applied HKFRS 16 on a consistent basis throughout the Track Record Period as stated in note 2.2 to the Accountants’ Report in Appendix I to this prospectus. As such, we recognized the right-of-use assets and lease liabilities in our Group’s consolidated statement of financial positions as at 31 March 2017, 2018 and 2019. As at 31 March 2017, 2018 and 2019 and 31 July 2019, our Group recorded right-of-use assets of approximately HK\$0.8 million, HK\$0.6 million, HK\$0.2 million and HK\$95,000, respectively; and lease liabilities of approximately HK\$0.8 million, HK\$0.6 million, HK\$0.2 million and HK\$0.1 million, respectively. Our Directors considered that the adoption of HKFRS 16 had no significant impact on our Group’s financial ratios, including gearing ratio, current ratio and quick ratio, nor on our Group’s financial position, including net assets, and performance, such as net profit as compared to that of HKAS 17.

Applications of HKFRS 15 “Revenue from Contracts with Customers” and HKFRS 9 “Financial Instruments”

Our Group has adopted HKFRS 15 on a consistent basis throughout the Track Record Period. Under HKFRS 15, revenue from construction contracts has been recognised over time when the entity creates or enhances an asset that the customer controls over time in accordance with the direct measurements of the value transferred by the entity to the customer with reference to the certified value of work performed to date. The costs that relate to satisfied performance obligations in a contract will be recognised to profit or loss immediately. A contract asset is recognised when the entity performs by transferring goods or services to customers and the entity’s right to consideration is conditional.

Under the previous relevant revenue standard HKAS 11 “Construction Contracts”, revenue from construction contracts would have been recognised using the percentage of completion method, measured by reference to the percentage of certified value of work performed to date to the total contract sum of the relevant contract. Profit is only recognised when the work is sufficiently advanced such that the costs to complete and the revenue can be reliably estimated. Contract costs are recognised by reference to the stage of completion of the contract, which is measured by reference to the percentage of the estimated total contract revenue that has been performed to date. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as gross amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as gross amount due to contract customers. HKFRS 15 requires presentation of contract liabilities when the advance payments are received from contract customers.

The retention receivables arising from construction contracts, that are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, are presented as contract assets under HKFRS 15 while they would have been included in trade and retention receivables under HKAS 11.

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Our Group has performed an assessment on the impact of the adoption of HKFRS 15 and is of the view that the application of HKFRS 15 does not have any significant impact on timing and amount of revenue recognition. On the other hand, HKFRS 15 includes contract cost guidance that has resulted in a change in the measurement and recognition of contract costs as compared to the requirements of HKAS 11. Under HKAS 11, contract costs are recognised as expenses by reference to the stage of completion of the contract activity while costs incurred in satisfying a performance obligation are charged to expenses as incurred under HKFRS 15.

Based on our above assessment and estimation, except for the year ended 31 March 2019 which the adoption of HKFRS 15 would increase in net profit of approximately HK\$3.8 million, our Directors considered that the adoption of HKFRS 15 did not have significant impact on our financial position and performance during the Track Record Period.

Our Group has adopted HKFRS 9 on a consistent basis throughout the Track Record Period. The adoption of HKFRS 9 had no significant impact on our Group's financial position and performance as compared to that of HKAS 39.

In the application of our Group's accounting policies, our Directors are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Below is a summary of certain critical accounting judgements and key sources of estimation uncertainty that our Directors believe are important to the preparation of our Group's financial results and positions.

Critical judgments in applying accounting policies

Revenue from contracts with customers

Our Group has primary responsibility for fulfilment of the contract, quality and warranty of the overall work and has discretion in selecting subcontractors and determining the pricing for subcontractors. Thus, our Group is acting as the principal and recognizes revenue on a gross basis. The determination of the progress of the construction service involves judgements. Our Group recognizes revenue based on progress confirmation from customers. The confirmation reflects the progress towards complete satisfaction of the performance obligation, which is measured based on direct measurements of the value of units delivered or surveys of work performed. Our customers will provide final statement when the whole project is completed and may have adjustments on accumulated confirmation according to the actual engineering quantity till the day of completion. In addition, when determining the transaction price, our Group considers factors such as whether there is any financing

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component. Our Group considers whether the payment schedule is commensurate with our performance and whether the delayed payment is for finance purposes. Our Group has, therefore, recognized revenue on progress confirmation over the period during which our service is rendered and transferred to customers.

Key sources of estimation uncertainty

Provision for expected credit losses on trade receivables and contract assets

Our management uses a provision matrix to calculate the expected credit losses for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on our historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information (for example, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the construction industry, the historical default rates are adjusted). At the end of each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation among historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and forecast economic conditions. Our Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As at 31 March 2017, 2018 and 2019 and 31 July 2019, the carrying amounts of (i) trade receivables were approximately HK\$5.8 million, HK\$33.9 million, HK\$20.1 million and HK\$30.6 million, respectively; and (ii) contract assets which comprise of unbilled revenue and retention receivables, were approximately HK\$42.9 million, HK\$33.6 million, HK\$70.7 million and HK\$72.2 million, respectively.

Provision for rectification works

Significant estimates are involved in the determination of provisions related to rectification works. Accordingly, management exercises considerable judgement in determining whether there is a present obligation as a result of a past event at the reporting date, whether it is more likely than not that such warranty services and rectification works will result an outflow of resources and whether the amount of the obligation can be reliably estimated with reference to the relevant correspondences and contracts with customers. We estimate the cost for rectification works with regard to our experience in addressing such matters. As at 31 March 2017, 2018 and 2019 and 31 July 2019, we recognized provisions related to warranty costs and rectification work amounting to approximately HK\$4.4 million, HK\$5.2 million, HK\$7.8 million and HK\$8.8 million, respectively.

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RESULTS OF OPERATIONS

The table below sets out our Group's consolidated statements of profit or loss during the Track Record Period. This information is derived and should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus.

	Year ended 31 March			Four months ended 31 July	
	2017	2018	2019	2018	2019
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Revenue	153,779	216,261	232,957	84,167	90,699
Cost of sales	(116,204)	(175,432)	(177,070)	(64,925)	(68,974)
Gross profit	37,575	40,829	55,887	19,242	21,725
Other income and gains	2	253	460	1	181
Administrative expenses	(5,218)	(5,857)	(15,762)	(7,476)	(4,934)
Other expenses, net	(713)	(2,580)	608	409	299
Finance costs	(74)	(190)	(163)	(57)	(49)
Profit before tax	31,572	32,455	41,030	12,119	17,222
Income tax expense	(5,174)	(5,281)	(7,820)	(2,625)	(3,023)
Profit for the year/period	<u>26,398</u>	<u>27,174</u>	<u>33,210</u>	<u>9,494</u>	<u>14,199</u>

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

Our Group is an established contractor engaged in façade works in Hong Kong, with a focus on window. We provide façade works solution which include both design and project management services, i.e. developing design, conducting structural calculation, preparing shop drawings, procuring building materials, arranging for installation works, on-site project management and post-project completion and maintenance services, for various types of buildings which can be broadly classified as (i) residential building and (ii) non-residential building.

Our design and build projects typically refers to works conducted on new buildings that involved the installation of window and other façade components, whereas our renovation projects typically refers to works carried out on built premises that involved repair, replacement, upgrade or maintenance of components of window, metal doors and other façade components.

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The following table below sets forth a breakdown of our revenue by types of projects during the Track Record Period:

	Year ended 31 March						Four months ended 31 July			
	2017		2018		2019		2018		2019	
	<i>HKS'000</i>	%	<i>HKS'000</i>	%	<i>HKS'000</i>	%	<i>HKS'000</i>	%	<i>HKS'000</i>	%
Design and build projects	146,507	95.3	207,543	96.0	213,980	91.9	82,343	97.8	69,689	76.8
Renovation projects	7,272	4.7	8,718	4.0	18,977	8.1	1,824	2.2	21,010	23.2
Total	153,779	100.0	216,261	100.0	232,957	100.0	84,167	100.0	90,699	100.0

The following table below sets forth the a breakdown of our revenue by types of building during the Track Record Period:

	Year ended 31 March						Four months ended 31 July			
	2017		2018		2019		2018		2019	
	<i>HKS'000</i>	%	<i>HKS'000</i>	%	<i>HKS'000</i>	%	<i>HKS'000</i>	%	<i>HKS'000</i>	%
Residential	126,935	82.5	171,132	79.1	196,990	84.6	64,079	76.1	69,531	76.7
Non-residential	26,844	17.5	45,129	20.9	35,967	15.4	20,088	23.9	21,168	23.3
Total	153,779	100.0	216,261	100.0	232,957	100.0	84,167	100.0	90,699	100.0

During the Track Record Period, all of our revenue were derived from our contract works performed in Hong Kong. For each of the three years ended 31 March 2019 and the four months ended 31 July 2019, our revenue was mainly derived from our design and build projects which accounted for approximately 95.3%, 96.0%, 91.9% and 76.8%, respectively, of the total revenue while the remaining was derived from our renovation projects, which accounted for approximately 4.7%, 4.0%, 8.1% and 23.2%, respectively, of the total revenue.

The significant increase in revenue contribution from renovation projects from approximately 2.2% for the four months ended 31 July 2018 to approximately 23.2% for the four months ended 31 July 2019 was primarily due to the fact that after the substantial completion of three renovation projects in relation to cleaning up of shattered glass, the replacement of windows and the supply and installation of temporary glass panels of a hotel in Tak Fung Street, Hung Hom which were awarded to us after the damage caused by Super Typhoon Mangkhut in September 2019, our Group were awarded with another renovation project of the same customer and location in relation to the supply and installation of permanent glass panels with contract sum of approximately HK\$17.4 million in February 2019. Revenue contributed from these projects of approximately HK\$15.8 million, represented approximately 75.2% of our revenue from renovation projects for the four months ended 31 July 2019; while during the same period, we recorded a decrease in revenue from design and build projects as we has substantially completed the projects at Victoria Road and Muk Ning Street in mid-2018 and the newly awarded projects in late 2018 and 2019, in particular, projects at So Kwun Wat Road and Muk Tai Street, were in pre-execution stage and yet to contribute significant revenue for the four months ended 31 July 2019.

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The table below sets forth a breakdown of our design and build projects based on their respective range of revenue recognized during the Track Record Period:

	Year ended 31 March						Four months ended 31 July			
	2017		2018		2019		2018		2019	
	<i>Number of projects</i>	<i>HK\$'000</i>	<i>Number of projects</i>	<i>HK\$'000</i>	<i>Number of projects</i>	<i>HK\$'000</i>	<i>Number of projects</i>	<i>HK\$'000</i>	<i>Number of projects</i>	<i>HK\$'000</i>
Revenue recognized										
Above HK\$50 million	1	70,960	1	130,915	-	-	-	-	-	-
Above HK\$10 million to HK\$50 million	2	21,230	2	40,947	7	183,998	4	60,569	1	24,920
Above HK\$1 million to HK\$10 million	11	49,043	7	32,198	6	26,561	5	20,556	7	43,436
HK\$1 million and below	21	5,274	21	3,483	9	3,421	4	1,218	6	1,333
Total	35	146,507	31	207,543	22	213,980	13	82,343	14	69,689
Average revenue recognized per design and build project		4,186		6,695		9,726		6,334		4,978

During the Track Record Period, our Group undertook 35, 31, 22 and 14 design and build projects which contributed revenue to the corresponding years/periods, respectively.

Average revenue recognized per design and build project increased from approximately HK\$4.2 million for the year ended 31 March 2017 to approximately HK\$6.7 million for the year ended 31 March 2018 and further increased to approximately HK\$9.7 million for the year ended 31 March 2019. Such increment illustrated that we had undertaken projects with larger scale and larger awarded contract sum during the Track Record Period.

The decrease in average revenue recognized per design and build project from approximately HK\$6.3 million for the four months ended 31 July 2018 to approximately HK\$5.0 million for the four months ended 31 July 2019 was mainly attributable to the completion of three sizeable projects at Victoria Road and Muk Ning Street in mid-2018 with aggregate awarded contract sum (exclusive of variation orders) of approximately HK\$199.8 million while our newly awarded projects, in particular, projects at So Kwun Wat Road and Muk Tai Street with awarded contract sum (exclusive of variation orders) of approximately HK\$144.6 million and HK\$261.4 million, respectively, were still in pre-execution stage. As a result, average revenue recognized per design and build project for the four months ended 31 July 2019 was lower than that of 2018.

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The table below sets forth a breakdown of our renovation projects based on their respective range of revenue recognized during the Track Record Period:

	Year ended 31 March						Four months ended 31 July			
	2017		2018		2019		2018		2019	
	<i>Number of project</i>	<i>HK\$'000</i>	<i>Number of project</i>	<i>HK\$'000</i>	<i>Number of project</i>	<i>HK\$'000</i>	<i>Number of projects</i>	<i>HK\$'000</i>	<i>Number of projects</i>	<i>HK\$'000</i>
Revenue recognized										
Above HK\$5 million	-	-	1	5,003	1	7,537	-	-	1	13,859
Above HK\$1 million to HK\$5 million	2	4,071	1	2,726	3	7,953	-	-	2	5,974
HK\$1 million and below	36	3,201	15	989	30	3,487	9	1,824	9	1,177
Total	38	7,272	17	8,718	34	18,977	9	1,824	12	21,010
Average revenue recognized per renovation project		191		513		558		203		1,751

During the Track Record Period, our Group undertook 38, 17, 34 and 12 renovation projects which contributed revenue to the corresponding years/periods, respectively.

Average revenue recognized per renovation project increased from approximately HK\$0.2 million for the year ended 31 March 2017 to approximately HK\$0.5 million for the year ended 31 March 2018 and further increased to approximately HK\$0.6 million for the year ended 31 March 2019. Such increase was mainly attributable to the relatively larger scale of renovation projects awarded to our Group during the Track Record Period, such as, immediately after a number of windows of an office building and a hotel in Hung Hom were damaged by Super Typhoon Mangkhut on 16 September 2018, our Group was awarded with three renovation projects in relation to the cleaning up of shattered glass, the replacement of windows and the supply and installation of temporary glass panels with revenue contribution of approximately HK\$14.4 million to the year ended 31 March 2019.

The increase in average revenue recognized per renovation project from approximately HK\$0.2 million for the four months ended 31 July 2018 to approximately HK\$1.8 million for the four months ended 31 July 2019 was mainly due to the fact that followed by the substantial completion of three renovation projects mentioned above in early 2019, we were awarded with another renovation project in February 2019, of the same customer and location in relation to the supply and installation of permanent glass panels with contract sum of approximately HK\$17.4 million and revenue of approximately HK\$13.9 million was recognized for the four months ended 31 July 2019.

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The following table sets forth the details of our major projects contributing to our Group's revenue during the Track Record Period:

No.	Location	Type of building	Type of work	Time of commencement	Time of completion	Awarded contract sum	Year ended 31 March				Four months ended 31 July								
							2017	2018	2019	2018	2019	2018	2019						
							HKS'000	%	HKS'000	%	HKS'000	%	HKS'000	%	HKS'000	%			
				(Note 1)	(Note 2)	(Note 3)													
1.	Muk Ning Street	Residential	Design and build	June 2016	August 2018	174,960	10,175	6.6	130,915	60.5	26,480	11.4	19,005	22.6	7,390	8.1			
2.	Kwong Yip Street	Residential	Design and build	December 2014	October 2017	101,581	70,960	46.1	16,964	7.8	8,270	3.6	110	0.1	-	-			
3.	Kai Cheung Road	Non-residential	Design and build	September 2014	April 2017	27,222	7,353	4.8	247	0.1	-	-	-	-	-	-			
4.	Austin Road	Non-residential	Design and build	April 2015	March 2018	17,701	5,931	3.9	8,325	3.8	-	-	-	-	-	-			
5.	Chi Shim Street	Residential	Design and build	September 2015	September 2017	11,439	11,055	7.2	-	-	384	0.2	-	-	-	-			
6.	Victoria Road	Non-residential	Design and build	July 2017	July 2018	6,941	-	-	416	0.2	6,219	2.7	5,464	6.5	306	0.3			
7.	Lohas Park Road	Residential	Design and build	September 2016	April 2018	9,384	2,287	1.5	7,097	3.3	-	-	-	-	-	-			
8.	Castle Peak Road	Residential	Design and build	October 2013	August 2016	16,029	6,130	4.0	-	-	-	-	-	-	-	-			
9.	Victoria Road	Non-residential	Design and build	November 2016	July 2018	38,752	-	-	23,983	11.1	14,470	6.2	13,870	16.5	299	0.3			
10.	Kwu Tung, Sheung Shui (Note 4)	Non-residential	Design and build	December 2015	Project on hold	9,236	6,866	4.5	-	-	-	-	-	-	-	-			
11.	Chi Shim Street	Residential	Design and build	April 2016	September 2017	7,346	6,799	4.4	547	0.3	-	-	-	-	-	-			

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No.	Location	Type of building	Type of work	Time of commencement	Awarded contract sum	Year ended 31 March				Four months ended 31 July									
						2017		2018		2019		2018		2019					
						HKS'000	%	HKS'000	%	HKS'000	%	HKS'000	%	HKS'000	%				
				(Note 1)	(Note 3)														
12.	Tak Fung Street	Non-residential	Renovation	October 2018	9,511														
				January 2019															
13.	Canton Road	Non-residential	Renovation	August 2017	5,003														
				December 2017															
14.	Castle Peak Road	Residential	Design and build	May 2018	63,631														
				In progress															
				(Note 5)															
15.	Castle Peak Road	Residential	Design and build	January 2018	51,866														
				In progress															
				(Note 5)															
16.	Sze Shan Street	Residential	Design and build	February 2018	85,128														
				In progress															
				(Note 5)															
17.	Sze Shan Street	Residential	Design and build	February 2018	34,872														
				In progress															
				(Note 5)															
18.	South Lantau Road	Residential	Design and build	June 2018	26,495														
				In progress															
				(Note 5)															
19.	So Kwun Wat Road	Residential	Design and build	December 2018	144,600														
				In progress															
				(Note 5)															
20.	Tak Fung Street	Non-residential	Renovation	February 2019	17,410														
				In progress															
				(Note 5)															

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No.	Location	Type of building	Type of work	Time of commencement	Time of completion	Awarded contract sum	Year ended 31 March			Four months ended 31 July				
							2017	2018	2019	2018	2019	2019		
				(Note 1)	(Note 2)	(Note 3)	HKS'000	%	HKS'000	%	HKS'000	%		
21.	Peking Road	Non-residential	Renovation	May 2019	In progress	8,000	-	-	-	-	-	4,000	4.4	
	Others				(Note 5)		26,223	17.0	18,922	8.8	20,742	8.8	6,974	7.4
	Total						153,779	100.0	216,261	100.0	232,957	100.0	84,167	100.0

Notes:

- The time of commencement refers to the date on which the project was awarded to us.
- The time of completion refers to the date of completion based on the date of the certificate of practical completion. In the case where a certificate of practical completion is unavailable, the completion date of a project refers to the date of the last payment certificate issued by the architect or other representative of our customers or the last date of the period covered by such last payment certificate.
- Awarded contract sum is inclusive of variation orders and contract sum adjustments up to 31 July 2019.
- This project is considered as completed from our management prospective as we have delivered our performance, but we were informed of project owners' decision to put the project on hold.
- Please refer to section headed "Business — Our Services and Projects — Details of our ongoing projects as at the Latest Practicable Date" for their respective expected time of completion.
- Revenue recognised after the time of completion of a project represented variation works endorsed by our customers and certified subsequent to the time of completion.

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Cost of sales

Our cost of sales comprises (i) building material costs; (ii) subcontracting costs; (iii) direct staff costs; (iv) provision for rectification works and (v) other costs. Subcontracting costs and building material costs represent a significant portion of our cost of sales, which in aggregate accounted for approximately 84.8%, 88.7%, 83.6% and 85.2% of our total cost of sales for each of the three years ended 31 March 2019 and the four months ended 31 July 2019, respectively.

The costs recognized during the year/period may vary among different projects and fluctuate substantially from time to time, depending on the progress and stage of the projects which can be broadly divided into three chronological stages: tendering stage, planning and execution stage, and post-completion stage. Please refer to the section headed “Business — Operating procedure” to this prospectus for further information about our operating procedure. Generally, more subcontracting costs and building material costs will be incurred in the execution stage of a project as most of the installation works are carried out and building materials are used in this stage whereas much less installation works are carried out and building materials are used in the planning stage and post-execution stage of a project.

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

	Year ended 31 March						Four months ended 31 July					
	2017		2018		2019		2018		2019			
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%		
Building material costs	55,244	47.5	111,421	63.5	84,808	47.9	27,573	42.5	26,461	38.4		
Subcontracting costs	43,334	37.3	44,282	25.2	63,179	35.7	29,027	44.7	32,252	46.8		
Direct staff costs	13,787	11.9	13,656	7.8	21,341	12.1	6,071	9.4	6,684	9.7		
Other costs	3,839	3.3	6,073	3.5	7,742	4.3	2,254	3.4	3,577	5.1		
Total	116,204	100.0	175,432	100.0	177,070	100.0	64,925	100.0	68,974	100.0		

(i) Building material costs

Building material costs mainly represent the purchase costs of (i) fabricated products; (ii) aluminium and steel; (iii) glass; and (iv) sealant. During the Track Record Period, our building material costs is our major cost of sales, accounting for approximately 47.5%, 63.5%, 47.9% and 38.4% of our total cost of sales for each of the three years ended 31 March 2019 and the four months ended 31 July 2019, respectively. We generally liaise with our building material suppliers according to the respective work plans and schedules to better manage the timeliness of their delivery with our actual installation schedules. As such, the building materials are typically installed on-site shortly after their delivery and accordingly, we do not maintain inventory for our business operations.

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The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the building material costs on our profits before tax during the Track Record Period. The hypothetical fluctuation rates are set at 1.2% and 7.7% with reference to the historical price trend of aluminium, steel and glass in Hong Kong during 2014 to 2018 as shown in the Ipsos Report (see the section headed “Industry Overview — Key Materials Used in the Façade Works Industry in Hong Kong” of this prospectus) which are considered to be reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations	Changes in building material costs	
	+/-1.2%	+/-7.7%
	<i>HK\$'000</i>	<i>HK\$'000</i>
Decrease/increase in profit before tax for:		
the year ended 31 March 2017	-/+663	-/+4,254
the year ended 31 March 2018	-/+1,337	-/+8,579
the year ended 31 March 2019	-/+1,018	-/+6,530
the four months ended 31 July 2019	-/+318	-/+2,037

Note: The sensitivity analysis above assumes that only one variable changes while other variables remain unchanged. This sensitivity analysis is intended for reference only, and any variation may differ from the amounts indicated. Investors should note in particular that this sensitivity analysis is not intended to be exhaustive and is limited to the impact of changes in building material costs and does not reflect changes in our revenue.

(ii) Subcontracting costs

Subcontracting costs mainly represent the charges paid and payable to our subcontractors who provide installation works for our projects. Generally more subcontracting costs will be incurred in the execution stage of a project as most of the installation works are carried out in this stage. For each of the three years ended 31 March 2019 and the four months ended 31 July 2019, subcontracting costs amounted to approximately HK\$43.3 million, HK\$44.3 million, HK\$63.2 million and HK\$32.3 million, respectively, representing approximately 37.3%, 25.2%, 35.7% and 46.8% of our total cost of sales for the corresponding years/periods, respectively.

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The following sensitivity analysis illustrates the impact of hypothetical fluctuations in subcontracting costs on our profits before tax during the Track Record Period, assuming the fluctuation of our subcontracting costs to be 5%, 10% and 15% during each of the three years ended 31 March 2019 and the four months ended 31 July 2019:

Hypothetical fluctuations:	Changes in subcontracting costs		
	+/-5%	+/-10%	+/-15%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Decrease/increase in profit before tax for:			
the year ended 31 March 2017	-/+2,167	-/+4,333	-/+6,500
the year ended 31 March 2018	-/+2,214	-/+4,428	-/+6,642
the year ended 31 March 2019	-/+3,159	-/+6,318	-/+9,477
the four months ended 31 July 2019	-/+1,613	-/+3,226	-/+4,838

Note: The sensitivity analysis above assumes that only one variable changes while other variables remain unchanged. This sensitivity analysis is intended for reference only, and any variation may differ from the amounts indicated. Investors should note in particular that this sensitivity analysis is not intended to be exhaustive and is limited to the impact of changes in subcontracting costs and does not reflect changes in our revenue.

(iii) Direct staff costs

Direct staff costs represent our staff costs incurred that is directly attributable to our projects which mainly include the staff costs for our design team and project management team. During the Track Record Period, the direct staff costs amounted to approximately HK\$13.8 million, HK\$13.7 million, HK\$21.3 million and HK\$6.7 million for each of the three years ended 31 March 2019 and the four months ended 31 July 2019, respectively.

(iv) Other costs

Other costs mainly comprise consultancy fees, cleaning fee, testing fee, levy charges, surety bond charges, rental of machineries, transportation costs and provision for rectification works. Provision for rectification work relates to the estimated cost of work to be carried out for rectification of façade works supplied to our customers during the defects liability period. Other costs amounted to approximately HK\$3.8 million, HK\$6.1 million, HK\$7.7 million and HK\$3.6 million for each of the three years ended 31 March 2019 and the four months ended 31 July 2019, respectively.

Gross profit and gross profit margin

It is common in the industry that most of the works will be carried out during the execution stage and thus most of the revenue will then be recognized, resulting most of the gross profit to be achieved accordingly during this period. Normally, the gross profit will be much lower during the planning and pre-execution stages as typically, relatively less works are being performed in these stages; also, it is required to pay certain upfront costs, such as insurance expenses, surety bond charges and design fee which have to be recognized as cost of

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sales at that time, in advance of the payment from our customers based on which the revenue will then be recognized. Furthermore, it is common that gross profit will also be lower in the post-execution stage and post-completion stage. In this regard, the gross profit margin fluctuation is generally a result of (i) a mix of the different gross profit margin in different execution stage of a project; and (ii) the profit mix (i.e. a mix of different overall gross profit margin for the project portfolio) during the Track Record Period.

For each of the three years ended 31 March 2019 and the four months ended 31 July 2019, gross profit amounted to approximately HK\$37.6 million, HK\$40.8 million, HK\$55.9 million and HK\$21.7 million, respectively; and overall gross profit margins were approximately 24.4%, 18.9%, 24.0% and 24.0%, respectively.

The following table sets forth our gross profits and gross profit margins by types of project during the Track Record Period:

	Year ended 31 March						Four months ended 31 July			
	2017		2018		2019		2018		2019	
	Gross profit	Gross profit margin	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	%	HK\$'000	%
Design and build projects	35,653	24.3	38,751	18.7	47,017	22.0	18,009	21.9	13,735	19.7
Renovation projects	1,922	26.4	2,078	23.8	8,870	46.7	1,233	67.6	7,990	38.0
	<u>37,575</u>	24.4	<u>40,829</u>	18.9	<u>55,887</u>	24.0	<u>19,242</u>	22.9	<u>21,725</u>	24.0

The following table sets forth our gross profits and gross profit margins by types of building during the Track Record Period:

	Year ended 31 March						Four months ended 31 July			
	2017		2018		2019		2018		2019	
	Gross profit	Gross profit margin	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	%	HK\$'000	%
Residential	32,184	25.4	30,648	17.9	47,670	24.2	16,283	25.4	13,247	19.1
Non-residential	5,391	20.1	10,181	22.6	8,217	22.8	2,959	14.7	8,478	40.1
	<u>37,575</u>	24.4	<u>40,829</u>	18.9	<u>55,887</u>	24.0	<u>19,242</u>	22.9	<u>21,725</u>	24.0

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Other income and gains

The following table sets forth a breakdown of other income and gains during the Track Record Period:

	Year ended 31 March			Four months ended 31 July	
	2017	2018	2019	2018	2019
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Bank interest income	2	75	154	1	181
Gain on disposal of items of property, plant and equipment	–	150	15	–	–
Gain on disposal of a subsidiary	–	16	–	–	–
Gain on lease termination	–	12	–	–	–
Others	–	–	291	–	–
	2	253	460	1	181

Other income and gains remained at low amounts during the Track Record Period and mainly represents bank interest income and gain on disposal of property, plant and equipment.

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Administrative expenses

Administrative expenses mainly comprise staff costs (including directors' remuneration), meeting expenses, office rental and utilities, entertainment and travelling expenses, depreciation, listing expenses and others. The following table sets forth a breakdown of our administrative expenses during the Track Record Period:

	Year ended 31 March						Four months ended 31 July			
	2017		2018		2019		2018		2019	
	HKS'000	%	HKS'000	%	HKS'000	%	HKS'000	%	HKS'000	%
Auditor's remuneration	80	1.5	100	1.7	183	1.2	33	0.4	33	0.7
Depreciation of property, plant and equipment	238	4.6	314	5.4	349	2.2	93	1.2	109	2.2
Depreciation of right-of-use assets (Note)	175	3.4	310	5.3	379	2.4	127	1.7	126	2.6
Entertainment and travelling expenses	390	7.5	573	9.8	725	4.6	189	2.5	223	4.5
Insurance	104	2.0	119	2.0	431	2.7	4	–	174	3.5
Listing expenses	–	–	–	–	7,472	47.4	5,021	67.2	2,441	49.5
Legal and professional fee	33	0.6	43	0.7	121	0.8	50	0.7	10	0.2
Meeting expenses	1,690	32.4	1,259	21.5	1,002	6.4	500	6.7	341	6.9
Motor vehicles expenses	316	6.1	339	5.8	230	1.5	75	1.0	111	2.2
Office expenses and utilities	172	3.3	313	5.3	408	2.6	173	2.3	133	2.7
Staff costs (including directors' remuneration)	1,744	33.4	2,061	35.2	3,594	22.8	1,031	13.8	1,039	21.1
Others	276	5.2	426	7.3	868	5.4	180	2.5	194	3.9
Total	5,218	100.0	5,857	100.0	15,762	100.0	7,476	100.0	4,934	100.0

Note: Our Group has early adopted and applied HKFRS 16 throughout the Track Record Period, which are effective for the accounting period beginning on 1 April 2019.

Other expenses, net

Other expenses mainly represent the impairment provision made on our trade receivables and contract assets. Pursuant to the adoption of HKFRS 9, impairment assessments for trade receivables and contract assets are performed at each reporting date using a provision matrix to measure the expected credit losses. Please refer to sub-section headed “Analysis on certain items of consolidated statements of financial position — Contract assets and contract liability — Impairment assessment on contract assets” and “Analysis on certain items of consolidated statements of financial position — Trade receivables — Impairment assessment on trade receivables” for details.

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During the year ended 31 March 2018, impairment loss on trade receivables and contract assets of approximately HK\$2.6 million was made in respect of receivables from our customer of project at Kwu Tung, Sheung Shui. Our Directors considered such amounts to be irrecoverable as the amounts remained unsettled despite our request for settlement. Furthermore, our Directors was informed of project owner's decision to put the project on hold.

Finance costs

The following table sets forth a breakdown of our Group's finance costs during the Track Record Period:

	Year ended 31 March			Four months ended 31 July	
	2017	2018	2019	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	66	159	150	51	47
Interest on lease liabilities	8	31	13	6	2
Total	<u>74</u>	<u>190</u>	<u>163</u>	<u>57</u>	<u>49</u>

Income tax expenses

Our Group's taxation mainly represents Hong Kong profits tax provided during the Track Record Period which was calculated at 16.5% of the estimated assessable profits.

Commencing from the year ended 31 March 2019, the assessable profits of a Hong Kong-incorporated subsidiary (as elected by directors) are subject to the two-tier profit tax rate regime, which was effective on 28 March 2019 that the first HK\$2 million will be taxed at 8.25% and the assessable profits above HK\$2 million will remain taxed at 16.5%.

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Our income tax expenses for the year/period can be reconciled to the profits before tax in the consolidated statements of profit or loss as follows:

	Year ended 31 March			Four months ended 31 July	
	2017	2018	2019	2018	2019
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Profit before tax	31,572	32,455	41,030	12,119	17,222
Tax at statutory tax rate of 16.5%	5,209	5,355	6,770	2,000	2,842
Tax effect of the two-tiered profits tax rates regime	–	–	(165)	(165)	(165)
Different tax rates for a subsidiary in the PRC	(2)	–	–	–	–
Income not subject to tax	–	(15)	(21)	–	(17)
Expenses not deductible for tax	4	2	1,285	834	403
Tax losses not recognised	5	–	–	–	–
Tax losses utilised	–	(1)	–	–	–
Others	(42)	(60)	(49)	(44)	(40)
Income tax expense	5,174	5,281	7,820	2,625	3,023
Effective tax rate	16.4%	16.3%	19.1%	21.7%	17.5%

COMPARISON OF RESULTS OF OPERATIONS

Four months ended 31 July 2019 compared to four months ended 31 July 2018

Revenue

Our revenue increased by approximately 7.7% from approximately HK\$84.2 million for the four months ended 31 July 2018 to approximately HK\$90.7 million for the four months ended 31 July 2019. This increase was primarily attributable to the increase in revenue derived from renovation projects from approximately HK\$1.8 million for the four months ended 31 July 2018 to approximately HK\$21.0 million for the four months ended 31 July 2019; and partially offset by the decrease in revenue derived from design and build projects from approximately HK\$82.3 million to approximately HK\$69.7 million for the same period. The increase in revenue derived from renovation projects was mainly attributable to (i) a renovation project in relation to the supply and installation of temporary glass panels of a hotel in Tak Fung Street, Hung Hom which was awarded to us after the damage of Super Typhoon Mangkhut in September 2018 with revenue of approximately HK\$2.0 million for the four months ended 31 July 2019 and (ii) a renovation project awarded in February 2019 of the same customer and location of above project in relation to the supply and installation of permanent glass panels, with contract sum of approximately HK\$17.4 million and revenue of approximately HK\$13.9 million; while the decrease in revenue derived from design and build projects was primarily due to (i) the decrease in revenue generated from three projects at

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Victoria Road and Muk Ning Street by approximately HK\$30.3 million as these projects were substantially completed in mid-2018; and (ii) partially offset by the increase in revenue from projects at South Lantau Road and So Kwun Wat Road, which were awarded to us in the second half of 2018 and were in pre-execution stage in 2018. The contract works of these two projects substantially commenced in 2019 and contributed revenue of approximately HK\$12.3 million for the four months ended 31 July 2019.

Cost of sales

Our cost of sales increased from approximately HK\$64.9 million for the four months ended 31 July 2018 to approximately HK\$69.0 million for the four months ended 31 July 2019, representing an increase of approximately 6.3%, which was generally in line with the increase in our revenue. Our cost of sales may fluctuate from project to project and some of them are, to a certain extent, inter-related to each other. Depending on our contract terms with different customers, the costs of building materials may be agreed to be borne by us on our own account or provided by our subcontractors to us at the cost of our subcontractors, resulting in fluctuations in the proportions of these costs from project to project. Our increase was due to the combined effect of (i) the decrease in building material costs of approximately HK\$1.1 million or 4.0%; and (ii) increase in subcontracting costs of approximately HK\$3.3 million or 11.4%. The decrease in our building material costs was mainly due to the different stage of our projects as well as the increase in the use of subcontractors who purchased materials on their own costs. The increase in our subcontracting costs was mainly due to the increase in amount of works outsourced to our subcontractors as a result of our growth in business during the period as illustrated by the increase in our revenue as discussed above.

Gross profit and gross profit margin

Our total gross profit increased by approximately HK\$2.5 million or 13.0% from approximately HK\$19.2 million for the four months ended 31 July 2018 to approximately HK\$21.7 million for the four months ended 31 July 2019 which was generally in line with the increase in our overall revenue. The gross profit margins were approximately 22.9% and 24.0%, respectively, for the four months ended 31 July 2018 and 2019, which was considered relatively stable.

Gross profit of our design and build projects decreased by approximately HK\$4.3 million or 23.9% from approximately HK\$18.0 million for the four months ended 31 July 2018 to approximately HK\$13.7 million for the four months ended 31 July 2019 and the gross profit margins remained fairly comparable at approximately 21.9% and 19.7% for the four months ended 31 July 2018 and 2019, respectively. Such decrease in gross profit was in line with our decrease in revenue from design and build projects while the slight decrease in gross profit margin was mainly due to the fact that our newly awarded projects in 2019, in particular, project at Muk Tai Street was still in pre-execution stage which incurred design fee and upfront costs being recognised as cost of sales during the period in advance to the recognition of revenue.

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The gross profit of our renovation projects increased significantly by approximately HK\$6.8 million from approximately HK\$1.2 million for the four months ended 31 July 2018 to approximately HK\$8.0 million for the four months ended 31 July 2019. Such growth was in line with the significant increase in our revenue from renovation projects for the four months ended 31 July 2019. The corresponding gross profit margin decreased from approximately 67.6% for the four months ended 31 July 2018 to approximately 38.0% for the four months ended 31 July 2019, which was primarily due to the fact that we had certain small renovation projects with relatively higher gross profit margin recorded for the four months ended 31 July 2018. In February 2019, we were awarded with a renovation project at Tak Fung Street, Hung Hom in relation to the supply and installation of permanent glass panels with its gross profit margin of approximately 39.0%, which was the largest renovation project of our Group, for the four months ended 31 July 2019. This project's revenue and gross profit accounted for approximately 66.2% and 67.5%, respectively of our total revenue and gross profit of renovation projects for the four months ended 31 July 2019.

Administrative expenses

The decrease in our administrative expenses from approximately HK\$7.5 million for the four months ended 31 July 2018 to approximately and HK\$4.9 million for the four months ended 31 July 2019 was primarily attributable to the decrease in one-off listing expenses incurred from approximately HK\$5.0 million to HK\$2.4 million for the same period.

Finance costs

Our finance costs remained at low amounts of approximately HK\$57,000 and HK\$49,000 for the four months ended 31 July 2018 and 2019, respectively.

Income tax expense

Our income tax expense increased by approximately HK\$0.4 million or 15.4% from approximately HK\$2.6 million for the four months ended 31 July 2018 to approximately HK\$3.0 million for the four months ended 31 July 2019. This increase was primarily attributable to the increase in our profit before income tax for the four months ended 31 July 2019 and partially offset by the decrease in non-deductible listing expenses for the same period.

Our effective tax rate decreased from approximately 21.7% for the four months ended 31 July 2018 to approximately 17.5% for the four months ended 31 July 2019 which was higher than the Hong Kong profits tax rate of 16.5%, primarily due to the effect of non-deductible listing expenses incurred during the period.

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Profit for the period

Our net profit increased by approximately HK\$4.7 million or 49.5% from HK\$9.5 million for the four months ended 31 July 2018 to approximately HK\$14.2 million for the four months ended 31 July 2019. Such increase was mainly attributable to the increase in our revenue and gross profit amounts with an improved gross profit margin and partially offset with the increase in income tax expense arising from the increase in profit before tax.

Year ended 31 March 2019 compared to year ended 31 March 2018

Revenue

Revenue of our Group increased by approximately HK\$16.7 million or 7.7% from approximately HK\$216.3 million for the year ended 31 March 2018 to approximately HK\$233.0 million for the year ended 31 March 2019, which was mainly attributable to the increase of approximately HK\$6.4 million or 3.1% in revenue generated from our design and build projects and approximately HK\$10.3 million or 117.7% in revenue generated from renovation projects. Such increase was mainly attributable to a combined effect of (i) the commencement of several new projects at Castle Peak Road, Sze Shan Street and South Lantau Road which contributed revenue of approximately HK\$143.0 million during the year ended 31 March 2019; (ii) the increase in the number of renovation projects undertaken and also the increase in average revenue recognized for each renovation project for the year ended 31 March 2019. Immediately after a number of windows of an office building and a hotel in Hung Hom were damaged by Super Typhoon Mangkhut on 16 September 2018, our Group was awarded with three renovation projects in relation to the cleaning up of shattered glass, the replacement of windows and the supply and installation of temporary glass panels which together contributed approximately HK\$14.4 million of revenue to the year ended 31 March 2019; and offset by (iii) the decrease in revenue derived from a project at Muk Ning Street by approximately HK\$104.4 million as the project was roughly in the post execution-peak stage and the majority of the works had been carried out in the previous year and (iv) the decrease in revenue from two projects in Lohas Park Road and Austin Road which were completed in early 2018, with aggregate revenue amount of approximately HK\$15.4 million during the year ended 31 March 2018. As a result, the average revenue recognized for each design and build project increased to approximately HK\$9.7 million for the year ended 31 March 2019 from approximately HK\$6.7 million for the year ended 31 March 2018. The average revenue recognized for each renovation project increased from approximately HK\$0.5 million for the year ended 31 March 2018 to approximately HK\$0.6 million for the year ended 31 March 2019.

Cost of sales

Cost of sales of our Group increased by approximately HK\$1.7 million or 1.0% from approximately HK\$175.4 million for the year ended 31 March 2018 to approximately HK\$177.1 million for the year ended 31 March 2019. The increase in cost of sales of approximately 1.0% despite the increase in revenue of approximately 7.7% was a combined

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effect of (i) decrease in building material costs by approximately 23.9% from approximately HK\$111.4 million for the year ended 31 March 2018 to approximately HK\$84.8 million for the year ended 31 March 2019 due to significant construction costs incurred for the project at Muk Ning Street with its execution stage situated in the year ended 31 March 2018 and in turn completed in August 2018. A large portion of building material costs was recorded in the year ended 31 March 2018 for purchasing certain building materials at the early execution stage according to the material specifications of the customers; and (ii) the increase of subcontracting costs and direct staff costs by approximately 45.9% in aggregate. The increase in subcontracting costs was attributable to the increase in our subcontracting works in relation to variation orders performed around the time of completion of projects at Muk Ning Street and Victoria Road. These two projects were substantially completed in August and July 2018, respectively and the total amount of variation orders was approximately HK\$19.5 million. The increase in our direct staff costs was mainly due to the increase in average headcount, in particular, for our project management team and design team, as we have been awarded with four sizeable projects (namely, projects at Castle Peak Road, South Lantau Road, Lok Chui Street and So Kwun Wat Road) during the year ended 31 March 2019 with aggregate contract sum of approximately HK\$248.5 million; and the increase in performance bonus paid and the salary increment for certain experienced staff during the same year.

Gross profit and gross profit margin

For the year ended 31 March 2019, gross profit increased by approximately HK\$15.1 million or 37.0% to approximately HK\$55.9 million from approximately HK\$40.8 million for the year ended 31 March 2018. The gross profit margin increased from approximately 18.9% for the year ended 31 March 2018 to approximately 24.0% for the year ended 31 March 2019.

Our gross profit for design and build projects increased by approximately HK\$8.2 million or 21.1% from approximately HK\$38.8 million for the year ended 31 March 2018 to approximately HK\$47.0 million for the year ended 31 March 2019. The corresponding gross profit margin increased from approximately 18.7% for the year ended 31 March 2018 to approximately 22.0% for the year ended 31 March 2019. The increase in gross profit amounts and gross profit margin for design and build projects for the year ended 31 March 2019 was (i) generally in line with the increase in revenue from design and build projects; (ii) the mix of the difference in the execution stages of our design and build projects in the two years, in particular, we recorded gross profit margin of over 28% for three projects at Castle Peak Road and Sze Shan Street for the year ended 31 March 2019 and gross profit from these projects has accounted for approximately 55.7% of our gross profit for design and build projects for the year ended 31 March 2019, as these projects were in execution-peak stage during the year (for the year ended 31 March 2018: approximately 0.5%); and (iii) due to the completion of our project at Muk Ning Street by August 2018, with majority of its construction cost recognized in the year ended 31 March 2018, as a result of substantial work of this project being carried out during the year ended 31 March 2018.

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Our gross profit for renovation projects increased from approximately HK\$2.1 million for the year ended 31 March 2018 to approximately HK\$8.9 million for the year ended 31 March 2019, representing an increase of approximately HK\$6.8 million or 323.8%, which was a result of the increase in our revenue from renovation projects by approximately HK\$10.3 million or 118.4% from approximately HK\$8.7 million for the year ended 31 March 2018 to approximately HK\$19.0 million for the year ended 31 March 2019. To this, our gross profit margin for renovation projects increased from approximately 23.8% for the year ended 31 March 2018 to approximately 46.7% for the year ended 31 March 2019. Such substantial improvement was mainly due to three renovation projects awarded to our Group immediately after a number of windows of an office building and a hotel in Hung Hom were damaged by Super Typhoon Mangkhut in September 2018, with aggregate revenue recognized of approximately HK\$14.4 million and other renovation projects with their gross profit margins over 40%. The working scope of three renovation projects included the replacement of windows and the supply and installation of temporary glass panels. Our Directors consider that our Group was able to earn a relatively higher gross profit margin for these projects due to the urgency, unfavorable site environment and that our customer had requested us to commence and complete the work within a short period of time.

As a result, our overall gross profit margin increased from approximately 18.9% for the year ended 31 March 2018 to approximately 24.0% for the year ended 31 March 2019, which was mainly due to higher gross profit contribution of the three renovation projects during the year ended 31 March 2019 as mentioned above.

Administrative expenses

For the year ended 31 March 2019, administrative expenses increased by approximately HK\$9.9 million or 167.8% to approximately HK\$15.8 million from approximately HK\$5.9 million for the year ended 31 March 2018. Such increase was mainly attributable to (i) the listing expenses of approximately HK\$7.5 million incurred during the year; (ii) the increase of staff costs by approximately HK\$1.5 million due to the employment of two additional administrative and supporting staff to cope with our business expansion, including the recruitment of financial controller in February 2018; and the increase in directors' remuneration by approximately HK\$0.3 million; staff costs included in administrative expenses mainly comprises of wages, salaries and bonuses and pension scheme contribution of our administrative and supporting staff and directors' remuneration; (iii) the increase in insurance expenses of approximately HK\$0.3 million; and (iv) the increase of other expenses of approximately HK\$0.4 million which was mainly attributable to the increase in license fee payable for computer software and motor vehicles purchased during the year. By excluding the listing expenses incurred, our adjusted administrative expenses would be approximately HK\$8.3 million, representing an increase of approximately HK\$2.4 million or 40.7% and the reasons for such increase was mentioned above.

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Finance costs

For the year ended 31 March 2019, finance costs decreased by approximately HK\$27,000 or 14.2% to approximately HK\$163,000 from approximately HK\$190,000 for the year ended 31 March 2018. Such decrease was mainly attributable to the decrease in interests on bank borrowings and lease liabilities as a result of relatively lower outstanding loans and lease liabilities balances in average during the year ended 31 March 2019.

Income tax expenses

Our income tax expenses increased from approximately HK\$5.3 million for the year ended 31 March 2018 to approximately HK\$7.8 million for the year ended 31 March 2019, representing an increase of approximately HK\$2.5 million or 47.2%. Such increase was primarily due to (i) the increase in our Group's profit before tax by approximately HK\$8.5 million or 26.2% from approximately HK\$32.5 million for the year ended 31 March 2018 to approximately HK\$41.0 million for the year ended 31 March 2019 and (ii) the increase in the tax effect of non-deductible expenses of approximately HK\$1.3 million for the year which mainly comprises listing expenses. Our effective tax rate of approximately 19.1% for the year ended 31 March 2019 was higher than that for the year ended 31 March 2018 of approximately 16.3% which was due to the tax effect of non-deductible expenses.

Profit for the year

Profit for the year of our Group increased by approximately HK\$6.0 million or 22.1% to approximately HK\$33.2 million for the year ended 31 March 2019 from approximately HK\$27.2 million for the year ended 31 March 2018. This is mainly due to a combined effect of (i) the increase in revenue and the corresponding gross profit amount with improved gross profit margin; and offset by (ii) the increase in administrative expenses mainly due to the increase in listing expenses and staff costs arising from the increase in the number of staff; and (iii) the increase in income tax expenses with higher effective tax rate. To this, our net profit margin increased from approximately 12.6% for the year ended 31 March 2018 to approximately 14.3% for the year ended 31 March 2019.

Year ended 31 March 2018 compared to year ended 31 March 2017

Revenue

Revenue of our Group increased from approximately HK\$153.8 million for the year ended 31 March 2017 to approximately HK\$216.3 million for the year ended 31 March 2018, representing an increase of approximately HK\$62.5 million or 40.6%. Such increase was resulted from the increase in revenue generated from our design and build projects of approximately HK\$61.0 million or 41.6% from approximately HK\$146.5 million for the year ended 31 March 2017 to approximately HK\$207.5 million for the year ended 31 March 2018 and which was mainly attributable to (i) revenue recognized for project at Muk Ning Street of approximately HK\$130.9 million for the year ended 31 March 2018, which was in the

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execution stage during the year; (ii) the revenue generated from our projects at Victoria Road, Canton Road and Castle Peak Road during the year ended 31 March 2018, which contributed revenue of approximately HK\$33.2 million (2017: Nil). However, such increase was offset by (i) the decrease in revenue recognized from a design and build project at Kwong Yip Street of approximately HK\$54.0 million from approximately HK\$71.0 million for the year ended 31 March 2017 to approximately HK\$17.0 million for the year ended 31 March 2018 as the majority of the works had been carried out in the previous years; and (ii) the decrease in revenue contribution from five projects which were substantially completed during the year ended 31 March 2017 with aggregate revenue recognized of approximately HK\$38.2 million while the revenue derived from these five projects for the year ended 31 March 2018 were approximately HK\$0.8 million. To this, the average revenue recognized for each design and build project increased to approximately HK\$6.7 million for the year ended 31 March 2018 from approximately HK\$4.2 million for the year ended 31 March 2017.

Cost of sales

Cost of sales of our Group increased by approximately HK\$59.2 million or 50.9% from approximately HK\$116.2 million for the year ended 31 March 2017 to approximately HK\$175.4 million for the year ended 31 March 2018. The increase in cost of sales of approximately 50.9% exceeded the increase in our revenue of approximately 40.6% for the same year was mainly attributable to the increase in building material costs by approximately 101.8% from approximately HK\$55.2 million for the year ended 31 March 2017 to approximately HK\$111.4 million for the year ended 31 March 2018. Such fluctuation was primarily due to significant construction costs incurred for the project at Muk Ning Street with its execution stage situated in the year ended 31 March 2018 and in turn completed in August 2018. A large portion of building material costs was recorded in the year ended 31 March 2018 for purchase of certain building materials at the early execution stage according to the material specifications of the customer.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$3.2 million or 8.5% from approximately HK\$37.6 million for the year ended 31 March 2017 to approximately HK\$40.8 million for the year ended 31 March 2018.

Our gross profit for design and build projects increased by approximately HK\$3.1 million or 8.7% from approximately HK\$35.7 million for the year ended 31 March 2017 to approximately HK\$38.8 million for the year ended 31 March 2018 while the gross profit margin decreased from approximately 24.3% for the year ended 31 March 2017 to approximately 18.7% for the year ended 31 March 2018. Such fluctuation in gross profit and gross profit margin was mainly due to (i) the mix of the difference in the execution stage of our projects in the two years. During the year ended 31 March 2017, our Group has substantially completed the projects at Kwong Yip Street and Castle Peak Road which recorded gross profit margins of over 35.0%. Aggregate gross profit contributed by these two projects for the year ended 31 March 2017 accounted for approximately 80.1% of our gross

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profit for design and build projects. Following the completion of projects at Kwong Yip Street in October 2017 and Castle Peak Road in August 2016, their contribution to our gross profit for the year ended 31 March 2018 lowered significantly; and our Group recorded a relatively lower gross profit margin of approximately 16.5% for the project at Muk Ning Street for the year ended 31 March 2018 and its gross profit has accounted for approximately 55.7% of our total gross profit for design and build projects for the same year. The project at Muk Ning Street was awarded in June 2016 with awarded contract sum (exclusive of variation orders) of approximately HK\$159.8 million. We incurred upfront costs during the planning and pre-execution stage which were recognised as cost of sales during the year, in advance to the recognition of revenue. Based on the foregoing reasons, our Group's gross profit margin of design and build projects for the year ended 31 March 2018 was lower than that of 2017.

The gross profit for renovation projects increased slightly from approximately HK\$1.9 million for the year ended 31 March 2017 to approximately HK\$2.1 million for the year ended 31 March 2018, whereas the corresponding gross profit margin was maintained at a comparable level of approximately 26.4% and 23.8% for each of the two years ended 31 March 2018, respectively.

Administrative expenses

Our administrative expenses increased from approximately HK\$5.2 million for the year ended 31 March 2017 to approximately HK\$5.9 million for the year ended 31 March 2018. This was mainly attributable to the increase in staff costs from approximately HK\$1.7 million for the year ended 31 March 2017 to approximately HK\$2.1 million for the year ended 31 March 2018, primarily due to salary increment and the increase in headcount of our administrative and supporting staff to cope with the expansion of our Group.

Finance costs

Our finance costs increased from approximately HK\$74,000 for the year ended 31 March 2017 to approximately HK\$190,000 for the year ended 31 March 2018. Such increase was primarily due to the increase of bank borrowings balance in average as a result of new borrowings raised in February 2017.

Income tax expenses

Our income tax expenses remained stable at approximately HK\$5.2 million and HK\$5.3 million and the effective tax rates of our Group were approximately 16.4% and 16.3%, respectively, for each of the two years ended 31 March 2018.

Profit for the year

Profit for the year of our Group increased by approximately HK\$0.8 million or 3.0% from approximately HK\$26.4 million for the year ended 31 March 2017 to approximately HK\$27.2 million for the year ended 31 March 2018, which was primarily due to increase in

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revenue and the corresponding gross profit amount during the year ended 31 March 2018. Our net profit margin decreased from approximately 17.2% for the year ended 31 March 2017 to approximately 12.6% for the year ended 31 March 2018, which was mainly attributable to the decrease in gross profit margin from approximately 24.4% for the year ended 31 March 2017 to approximately 18.9% for the year ended 31 March 2018 and the increase in impairment loss provided on our trade receivables and contract assets of approximately HK\$2.6 million during the year ended 31 March 2018.

LIQUIDITY AND CAPITAL RESOURCES

Our primary use of cash are for the payment of costs and expenses in relation to our ordinary course of business, operating and administrative expenses and other capital expenditure such as the purchase of property, plant and equipment. Our use of cash has been funded principally through cash generated from our operations. Upon the completion of the Share Offer, we currently expect that there will not be any material change in the sources and uses of cash of our Group, except that we would have additional funds from the Share Offer for implementing our future plans as set out under section headed “Future Plans and Use of Proceeds”.

Cash flow

The following table summaries, for the years indicated, our consolidated statements of cash flows:

	Year ended 31 March			Four months ended 31 July	
	2017	2018	2019	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating cash flows before changes in working capital	37,442	36,755	44,633	13,326	18,285
Net cash from/(used in) operating activities	20,110	(310)	21,539	9,597	13,424
Net cash (used in)/from investing activities	(8,915)	580	(10,531)	67	296
Net cash used in financing activities	(568)	(1,084)	(1,195)	(399)	(399)
Net increase/(decrease) in cash and cash equivalents	10,627	(814)	9,813	9,265	13,321
Cash and cash equivalents at the beginning of the year/period	5,529	16,156	15,342	15,342	25,155
Cash and cash equivalents at the end of the year/period	16,156	15,342	25,155	24,607	38,476

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Cash flows from operating activities

During the Track Record Period, our Group derived cash inflows from operating activities primarily from the receipt of payments for our contract works, whereas our cash outflows from operating activities primarily include payments for purchase of building materials, subcontracting costs and all other expenses incurred in our daily operations.

For the year ended 31 March 2017, our Group recorded profit before tax of approximately HK\$31.6 million and net cash from operating activities of approximately HK\$20.1 million. The difference was mainly attributable to (i) adjustment for net provision for rectification works of approximately HK\$4.7 million made during the year; (ii) a net cash outflow for movement in working capital of approximately HK\$16.5 million; and (iii) Hong Kong profits tax paid of approximately HK\$0.7 million for the year ended 31 March 2017.

For the net cash outflow for movement in working capital of approximately HK\$16.5 million for the year ended 31 March 2017, it was mainly due to (i) net increase in contract assets (which consisted of unbilled revenue and retention receivables) and liabilities of approximately HK\$19.3 million which in turn was mainly related to the increase in the size and number of our projects that the relevant services were completed but were not certified and billed as at 31 March 2017 and the increase in retention money withheld by our customers; (ii) utilisation of provision for rectification works of approximately HK\$4.1 million; and at the same time mainly offset by (iii) decrease in trade receivables of approximately HK\$2.0 million; (iv) decrease in prepayments, deposits and other receivables of approximately HK\$0.8 million; and (v) increase in trade and retention payables of approximately HK\$4.0 million, which was mainly due to the increase in our costs incurred for building materials and the use of subcontractors during the year ended 31 March 2017.

For the year ended 31 March 2018, our Group recorded profit before tax of approximately HK\$32.5 million and net cash used in operating activities of approximately HK\$0.3 million. The difference was mainly attributable to (i) adjustment for net provision for rectification works of approximately HK\$1.2 million made during the year; (ii) impairment loss on trade receivables and contract assets of approximately HK\$2.6 million in aggregate; (iii) a net cash outflow for movement in working capital of approximately HK\$28.9 million; and (iv) Hong Kong profits tax paid of approximately HK\$8.3 million for the year ended 31 March 2018.

For the net cash outflow for movement in working capital of approximately HK\$28.9 million for the year ended 31 March 2018, it was mainly due to (i) increase in trade receivables of approximately HK\$29.8 million which was primarily due to our business growth as evidenced by the increase in our revenue. We also recorded an increase in number of ongoing design and build projects as at 31 March 2018 as compare to those as at 31 March 2017; (ii) increase in prepayments, deposits and other receivables of approximately HK\$2.6 million as a result of the increase in materials purchased from material suppliers who required trade deposits; (iii) decrease in trade and retention payables of approximately HK\$3.1 million; (iv) utilisation of provision for rectification works of approximately HK\$0.3 million; and at the

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same time mainly offset by (v) the net decrease in contract assets and liabilities of approximately HK\$6.7 million. Net decrease in contract assets/liabilities during the year ended 31 March 2018 was mainly attributed to (i) the decrease in unbilled revenue of approximately HK\$17.0 million as a relatively large amount was certified by our customer during the year ended 31 March 2018 and offset by (ii) the increase in retention receivables of approximately HK\$7.6 million resulted from the increase in the number of our ongoing design and build projects as at 31 March 2018 as compare to that of 2017.

For the year ended 31 March 2019, our Group recorded profit before tax of approximately HK\$41.0 million and net cash from operating activities of approximately HK\$21.5 million. The difference was mainly attributable to (i) adjustment for net provision for rectification works of approximately HK\$3.5 million made during the year; (ii) a net cash outflow for movement in working capital of approximately HK\$17.4 million; and (iii) Hong Kong profits tax paid of approximately HK\$5.7 million for the year ended 31 March 2019.

For the net cash outflow for movement in working capital of approximately HK\$17.4 million for the year ended 31 March 2019, it was mainly due to (i) the net increase in contract assets and liabilities of approximately HK\$35.7 million, resulted from works performed in execution stage but not yet certified and billed for projects at Castle Peak Road, Sze Shan Street and South Lantau Road as at 31 March 2019. All of these projects were awarded in the first half of 2018; and (ii) increase in prepayments, deposits and other receivables of approximately HK\$1.0 million; while at the same time mainly offset by (iii) decrease in trade receivables of approximately HK\$14.3 million after substantial settlement by our customer upon the completion of the project at Muk Ning Street in August 2018; and (iv) increase in trade and retention payables of approximately HK\$5.8 million which was due to the increase in our costs incurred for the use of subcontractors during the year ended 31 March 2019.

For the four months ended 31 July 2019, we had net cash flow from operating activities of approximately HK\$13.4 million, which was primarily attributable to our profit before tax of approximately HK\$17.2 million, positively adjusted mainly by (i) the depreciation on property, plant and equipment and right-of-use assets of approximately HK\$0.2 million; (ii) finance costs of approximately HK\$49,000; and (iii) net provision for rectification works of approximately HK\$1.3 million; and negatively adjusted by (i) impairment of contract assets and trade receivables of approximately HK\$0.3 million; and (ii) bank interest income of approximately HK\$0.2 million. For the four months ended 31 July 2019, our operating cash flows before movements in working capital was approximately HK\$18.3 million. Movements in working capital, which resulted in the net cash outflow, included (i) the increase in contract assets and trade receivables of approximately HK\$11.7 million which mainly resulted from the increase in work performed for ongoing projects after the commencement of execution stage for projects at So Kwun Wat Road and Tak Fung Street; (ii) the increase in prepayments, deposits and other receivables of approximately HK\$4.0 million due to the increase in prepaid listing expenses incurred for the preparation of the Listing, and partially offset by the increase in trade and retention payables of HK\$10.7 million resulting from more building materials purchased and more subcontracting costs incurred.

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Cash flows from investing activities

During the Track Record Period, our cash flows for investing activities primarily consisted of (i) purchase of property, plant and equipment; (ii) proceeds from disposal of property, plant and equipment or a subsidiary; (iii) increase in pledged deposits; (iv) repayment from or advance to our Directors and (v) interest received.

For the year ended 31 March 2017, our Group recorded net cash used in investing activities of approximately HK\$8.9 million which was mainly due to the advance to our Directors of approximately HK\$8.8 million and the purchases of property, plant and equipment of approximately HK\$0.1 million.

For the year ended 31 March 2018, our Group recorded net cash generated from investing activities of approximately HK\$0.6 million which was mainly due to (i) purchase of property, plant and equipment of approximately HK\$0.9 million; and offset by (ii) the repayment from our Directors of approximately HK\$1.3 million; (iii) proceed from disposal of property, plant and equipment of approximately HK\$0.2 million and (iv) interest received of approximately HK\$75,000.

For the year ended 31 March 2019, we recorded net cash used in investing activities of approximately HK\$10.5 million which was mainly attributable to (i) the increase in pledged deposits of approximately HK\$9.9 million; (ii) the purchase of property, plant and equipment of approximately HK\$0.6 million; (iii) advance to our Directors of approximately HK\$0.2 million; and offset by (iv) interest received of approximately HK\$0.2 million.

For the four months ended 31 July 2019, we had net cash generated from investing activities of approximately HK\$0.3 million, which was attributable to (i) interest received of approximately HK\$0.2 million; (ii) repayment from our Directors of approximately HK\$0.1 million, and partially offset by (iii) purchase of property, plant and equipment of approximately HK\$13,000.

Cash flows from financing activities

During the Track Record Period, our cash flows for financing activities mainly consisted of (i) repayments of bank loans and lease liabilities and (ii) interest paid.

For the year ended 31 March 2017, we recorded net cash used in financing activities of approximately HK\$0.6 million which was mainly attributable to the repayment of bank loans of approximately HK\$0.3 million and lease liabilities of approximately HK\$0.2 million and interest paid of approximately HK\$74,000.

For the year ended 31 March 2018, we recorded net cash used in financing activities of approximately HK\$1.1 million which was mainly due to the repayment of bank loans of approximately HK\$0.6 million and lease liabilities of approximately HK\$0.3 million and interest paid of approximately HK\$0.2 million.

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For the year ended 31 March 2019, we recorded net cash used in financing activities of approximately HK\$1.2 million which was mainly attributable to the repayment of bank loans of approximately HK\$0.6 million and lease liabilities of approximately HK\$0.4 million and interest paid of approximately HK\$0.2 million.

For the four months ended 31 July 2019, we had net cash used in financing activities of approximately HK\$0.4 million, which was attributable to (i) the repayment of bank borrowings of approximately HK\$0.2 million; and (ii) the payment of lease liabilities of approximately HK\$0.1 million; and (iii) interest paid of approximately HK\$49,000.

NET CURRENT ASSETS

The following table sets forth a breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 31 March			As at 31 July	As at 31 October
	2017	2018	2019	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets					
Contract assets	42,920	33,561	70,652	72,155	72,000
Trade receivables	5,835	33,938	20,118	30,568	29,577
Prepayments, deposits and other receivables	2,511	4,896	6,087	10,040	12,091
Due from a director	14,856	13,577	5,864	5,736	5,626
Pledged deposits	–	–	9,880	9,880	9,880
Cash and cash equivalents	16,156	15,342	25,155	38,476	43,437
	<u>82,278</u>	<u>101,314</u>	<u>137,756</u>	<u>166,855</u>	<u>172,611</u>
Current liabilities					
Contract liabilities	1,724	–	1,247	1,247	–
Trade and retention payables	10,545	7,487	13,255	23,948	22,115
Other payables and accruals	1,546	1,731	1,863	2,140	2,546
Interest-bearing bank borrowings	7,125	6,501	5,864	5,648	5,485
Lease liabilities	160	395	236	102	462
Tax payable	3,345	301	2,297	5,283	7,714
Provisions for rectification works	4,355	5,167	7,778	8,813	8,733
	<u>28,800</u>	<u>21,582</u>	<u>32,540</u>	<u>47,181</u>	<u>47,055</u>
Net current assets	<u>53,478</u>	<u>79,732</u>	<u>105,216</u>	<u>119,674</u>	<u>125,556</u>

We recorded net current assets positions as at 31 March 2017, 2018 and 2019 and 31 July 2019 and 31 October 2019 of approximately HK\$53.5 million, HK\$79.7 million, HK\$105.2 million, HK\$119.7 million and HK\$125.6 million, respectively.

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Our Group's net current assets increased by approximately HK\$26.2 million from approximately HK\$53.5 million as at 31 March 2017 to approximately HK\$79.7 million as at 31 March 2018. Such increase was mainly due to a combined effect of (i) increase in trade receivables of approximately HK\$28.1 million as a result of increase in progress billing certified by our customers but not yet settled as at 31 March 2018; (ii) the increase in prepayments, deposits and other receivables of approximately HK\$2.4 million mainly attributable to the increase in deposits paid to suppliers for purchase of building materials; (iii) decrease in trade and retention payables of approximately HK\$3.1 million; (iv) decrease in tax payable of approximately HK\$3.0 million; and offset by (v) the decrease in contract assets of approximately HK\$9.4 million.

As at 31 March 2019, our Group's net current assets increased by approximately HK\$25.5 million to approximately HK\$105.2 million. Such increase was mainly attributable to (i) the increase in contract assets of approximately HK\$37.1 million which was primary attributable to the increase in the number of our ongoing projects as at 31 March 2019 as compared to 31 March 2018; (ii) the increase in cash and cash equivalents of approximately HK\$9.8 million attributed to our cash generated from operating activities; and offset by (iii) the decrease in trade receivables of approximately HK\$13.8 million; and (iv) the decrease in the amount due from Mr. YW Chen of approximately HK\$7.7 million which was attributable to the declaration of interim dividends during the year ended 31 March 2019 of approximately HK\$7.9 million, being offset with the current account with Mr. YW Chen.

As at 31 July 2019, our Group had net current assets of approximately HK\$119.7 million, representing an increase of approximately HK\$14.5 million or 13.8% as compared to 31 March 2019, which was mainly due to our business growth for the four months ended 31 July 2019. Such growth has been reflected in (i) the increase in revenue for the four months ended 31 July 2019 as compared to the same period in 2018; (ii) the increase in aggregate balance of our contract assets and trade receivables of approximately HK\$12.0 million and (iii) the increase in trade and retention payables of approximately HK\$10.7 million. In addition, the increase in cash and cash equivalents generated from our operations was partially offset by the increase in tax payables of approximately HK\$3.0 million.

Our net current assets were approximately HK\$125.6 million as at 31 October 2019, representing an increase of approximately HK\$5.9 million or 4.9% as compared to that as at 31 July 2019, which was mainly due to the increase in our cash and cash equivalents generated from our operations attributable to our business growth.

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ANALYSIS ON CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Contract assets and contract liabilities

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets				
– Unbilled revenue	33,070	16,145	53,046	49,303
– Retention receivables	10,406	17,973	17,988	22,954
	43,476	34,118	71,034	72,257
Impairment	(556)	(557)	(382)	(102)
	<u>42,920</u>	<u>33,561</u>	<u>70,652</u>	<u>72,155</u>
Contract liabilities	<u>(1,724)</u>	–	<u>(1,247)</u>	<u>(1,247)</u>

Unbilled revenue

Our Group has enforceable rights to considerations from customers for our works completed. Unbilled revenue included in the contract assets arise when our Group has right to consideration for the works completed and not yet billed under the relevant contracts, and their right is conditioned on factors other than passage of time. It is assessed for impairment in accordance with HKFRS 9. Any amount previously recognized as a contract asset is reclassified to trade receivables when such right becomes unconditional other than the passage of time.

Retention receivables

The retention receivables are unsecured and interest-free and represent the monies withheld by customers of contract works fully recoverable within one to two years from the date of completion of respective projects in accordance with the terms specified in the relevant contracts.

Some of our Group's customers will usually withhold 10% of each interim payment as retention money until the accumulated retention money reaches 5% of the total contract sum. Upon satisfactory completion of the installation works of whole project as set out in the contract, the architect for the project will issue a practical completion certificate. Generally, upon the issuance of the certificate, half of the retention money of such project will be released to us, while the remaining half will be released to us upon the issuance of the certificate that the identified defects in respect of the entire project have been made good.

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During the Track Record Period, our Group is responsible, at its own costs, for remedial works that may arise from defective works or materials used. The retention money does not have any significant financing component for financing benefit.

Expected timing of recovery or settlement for contract assets is as follows:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	39,045	24,546	59,830	57,441
After one year	3,875	9,015	10,822	14,714
	42,920	33,561	70,652	72,155

The fluctuation of our contract assets as at the end of each of the period was the result of the increase/decrease in the provision of our services completed but not yet billed near the end of the year. Our contract assets increased significantly from approximately HK\$33.6 million as at 31 March 2018 to approximately HK\$70.7 million as at 31 March 2019, which was primarily attributable to the contract assets of projects at Castle Peak Road, Sze Shan Street and South Lantau Road that were not yet billed as at 31 March 2019 mainly because the costs incurred and the work performed were pending to be certified by our customers as at that date. All of these projects were awarded in the first half of 2018 and were in execution stage in 2019. As at 31 July 2019, our contract assets increased by approximately HK\$1.5 million to approximately HK\$72.2 million from approximately HK\$70.7 million as at 31 March 2019. The balance as at 31 July 2019 mainly represented contract assets of projects at Sze Shan Street, Muk Ning Street, So Kwun Wat Road and Tak Fung Street which were not yet billed as at 31 July 2019 mainly because the costs incurred and the work performed were pending to be certified by our customers as at that date and retention receivables of our projects at Castle Peak Road, Sze Shan Street and Muk Ning Street.

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The following table sets forth a breakdown by project for our contract assets as at 31 July 2019 and the subsequent billed/settled of it:

	<u>Unbilled revenue</u>	<u>Retention receivables</u>	<u>Total</u>
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Project locations (<i>Note</i>):			
Castle Peak Road	3.0	5.5	8.5
Sze Shan Street	14.6	5.8	20.4
South Lantau Road	–	1.3	1.3
Muk Ning Street	6.4	4.0	10.4
So Kwun Wat Road	5.8	0.6	6.4
Tak Fung Street	15.8	–	15.8
Others	3.7	5.8	9.5
<hr/>			
Total contract assets			
(gross amount)	49.3	23.0	72.3
Impairment loss	(0.1)	–	(0.1)
<hr/>			
Total contract assets as at 31 July			
2019 (net amount)	49.2	23.0	72.2
Subsequently billed and settled	(41.6)	(0.2)	(41.8)
<hr/>			
As at the Latest Practicable Date	<u>7.6</u>	<u>22.8</u>	<u>30.4</u>

Note: For the purpose of this table, contracts with same project location and customer were categorised under the same project. For detailed locations of the projects, please refer to the sub-section headed “Principal Components of Results of Operations — Revenue” in this section.

All the balance of unbilled revenue as at 31 July 2019 were subsequently certified and billed by our customers as at the Latest Practicable Date. Out of this billed amounts, approximately HK\$41.6 million had been settled by our customers as at the Latest Practicable Date. However, majority of our balance of retention money as at 31 July 2019 remained unsettled as at the Latest Practicable Date as the defects liability period of the respective projects had yet to expire.

Contract liabilities

If the progress payment from our customers exceeds the revenue recognized to date under the output method, then our Group recognizes a contract liability for the difference. As at 31 March 2017, 2018 and 2019 and 31 July 2019, we recorded contract liabilities of approximately HK\$1.7 million, nil, HK\$1.2 million and HK\$1.2 million, respectively.

Contract liability as at 31 March 2017 of approximately HK\$1.7 million was subsequently recognized as revenue in the consolidated profit or loss for the year ended 31 March 2018. Contract liability as at 31 March 2019 and 31 July 2019 of approximately HK\$1.2 million represented the receipt in advance from our customer.

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Impairment assessment on contract assets

In order to minimise credit risk, we make periodic collective assessment on the recoverability of contract assets and maintains our credit risk gradings to categorise exposures according to the degree of risk of default. Our exposure and the credit ratings of our counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

An impairment assessment is performed using a provision matrix to measure the expected credit losses. In determining the expected credit losses for contract assets, our management has taken into account the historical default experience and the future prospect of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, as well as any cash flows that are expected from the realisation of the collateral, in estimating the probability of default of each of the contract assets occurring within the respective loss assessment time horizon, as well as the loss upon default in each case.

Set out below is the information about the credit risk exposure on our Group's contract assets using a provision matrix:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
Expected credit loss rate	1.28%	1.63%	0.54%	0.14%
Gross carrying amount (<i>HK\$'000</i>)	43,476	34,118	71,034	72,257
Expected credit losses (<i>HK\$'000</i>)	556	557	382	102

Trade receivables

Trade receivables represented amounts receivables from our customers under design and build and renovation projects. The balances of our net trade receivables amounted to approximately HK\$5.8 million, HK\$33.9 million, HK\$20.1 million and HK\$30.6 million, respectively, as at 31 March 2017, 2018 and 2019 and 31 July 2019. Our trade receivables as at each of the period end, to a substantial extent, depend on the progress of each individual project around the financial period end which in turn affect the timing of payment certificates issued by our customers and thus, further affect the balance of trade receivables accordingly.

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The following table sets forth our trade receivables as at the dates indicated:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	6,407	34,536	20,273	30,704
Less: impairment	(572)	(598)	(155)	(136)
Trade receivables, net	<u>5,835</u>	<u>33,938</u>	<u>20,118</u>	<u>30,568</u>

Our net trade receivables increased from approximately HK\$5.8 million as at 31 March 2017 to approximately HK\$33.9 million as at 31 March 2018, which was mainly represented the progress billings of project at Muk Ning Street of approximately HK\$31.4 million certified by our customer in March 2018. Our trade receivables decreased to approximately HK\$20.1 million as at 31 March 2019, which was mainly attributable to the progress billings for projects at Castle Peak Road and Sze Shan Street of approximately HK\$14.2 million in total certified by our customers around the end of March 2019. The increase in our trade receivables from approximately HK\$20.1 million as at 31 March 2019 to approximately HK\$30.6 million as at 31 July 2019 was primarily attributable to the progress billings for our projects at Sze Shan Street and Castle Peak Road of approximately HK\$22.5 million in aggregate.

Our trading terms with customers are mostly on credit. We will typically receive progress payment from our customers within 30 days of presentation of a payment certificate. We seek to maintain strict control over outstanding receivables. Overdue balances are reviewed regularly by our management. We typically do not require any collateral as security. As at 31 March 2017, 2018 and 2019 and 31 July 2019, balance of impairment of trade receivables amounted to approximately HK\$0.6 million, HK\$0.6 million, HK\$0.2 million and HK\$0.1 million, respectively. For details of impairment of our trade receivables, please refer to the sub-section headed “Impairment assessment on trade receivables” below.

The following table sets forth an ageing analysis of our trade receivables, based on the progress payment certificate date and net of loss allowance, as at the dates indicated.

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	1,371	33,126	8,660	17,858
31 to 90 days	3,985	807	11,404	12,688
Over 90 days	479	5	54	22
	<u>5,835</u>	<u>33,938</u>	<u>20,118</u>	<u>30,568</u>

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Impairment assessment on trade receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses prescribed by HKFRS 9. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than 120 days and are not subject to enforcement activity.

The credit risk exposure on our trade receivables using a provision matrix are as follows:

As at 31 March 2017

	Current	Past due			Total
		Less than 30 days	31 to 90 days	Over 90 days	
Expected credit loss rate	1.28%	1.67%	5.56%	50.75%	8.93%
Gross carrying amount (HK\$'000)	1,389	2,303	1,908	807	6,407
Expected credit loss (HK\$'000)	18	38	106	410	572

As at 31 March 2018

	Current	Past due			Total
		Less than 30 days	31 to 90 days	Over 90 days	
Expected credit loss rate	1.63%	3.63%	–	77.22%	1.73%
Gross carrying amount (HK\$'000)	33,674	837	–	25	34,536
Expected credit loss (HK\$'000)	549	30	–	19	598

As at 31 March 2019

	Current	Past due			Total
		Less than 30 days	31 to 90 days	Over 90 days	
Expected credit loss rate	0.54%	0.58%	1.32%	–	0.76%
Gross carrying amount (HK\$'000)	8,707	6,053	5,513	–	20,273
Expected credit loss (HK\$'000)	47	35	73	–	155

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As at 31 July 2019

	Current	Past due			Total
		Less than 30 days	31 to 90 days	Over 90 days	
Expected credit loss rate	0.14%	0.51%	0.10%	100%	0.44%
Gross carrying amount (HK\$'000)	17,883	10,688	2,078	55	30,704
Expected credit loss (HK\$'000)	25	54	2	55	136

As at Latest Practicable Date, all of our trade receivables outstanding as at 31 July 2019 were settled.

The table below sets forth a summary of turnover days of our trade receivables during the Track Record Period:

	Year ended 31 March			Four months ended 31 July
	2017	2018	2019	2019
Turnover days of trade receivables (Note)	16.4	33.6	42.3	34.1

Note: The turnover days of trade receivables is calculated based on the average of the beginning and ending balances of trade receivables as at the year/period end divided by total revenue during the year/period and multiplied by the number of days of the year/period (i.e. 365 days for each of the three years ended 31 March 2019 and 122 days for the four months ended 31 July 2019).

For each of the three years ended 31 March 2019, our Group's trade receivables turnover days were approximately 16.4 days, 33.6 days and 42.3 days, respectively. Our trade receivables turnover days for each of the two years ended 31 March 2019 were longer than the credit period we granted to our customers which was mainly attributed to the progress billing for project at Muk Ning Street of approximately HK\$31.4 million in March 2018 and the progress billing for projects at Castle Peak Road and Sze Shan Street of approximately HK\$14.2 million in total certified by our customers around the end of March 2019, respectively. The increase in our trade receivables turnover days to approximately 34.1 days for the four months ended 31 July 2019 was mainly attributable to more works being completed for our projects, which was in line with the growth of our business.

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The table below sets forth a summary of turnover days of our trade receivables and contract assets during the Track Record Period:

	Year ended 31 March			Four months ended 31 July
	2017	2018	2019	2019
Turnover days of trade receivables and contract assets (<i>Note</i>)	93.9	98.1	124.0	130.1

Note: The turnover days of trade receivables and contract assets is calculated based on the average of the beginning and ending balances of trade receivables and contract assets, in aggregate, as at the year/period end divided by total revenue during the year/period and multiplied by the number of days of the year/period (i.e. 365 days for each of the three years ended 31 March 2019 and 122 days for the four months ended 31 July 2019).

Our trade receivables and contract assets turnover days were approximately 93.9 days, 98.1 days for the year ended 31 March 2017 and 2018 respectively, and increased to approximately 124.0 days and 130.1 days for the year ended 31 March 2019 and the four months ended 31 July 2019, respectively. Such increase was primarily due to the increasing trend of our average trade receivable and contract asset balances during the Track Record Period as a result of our business growth and the increase in the size of our projects. For the details and fluctuation of our contract assets, please refer to paragraph headed “Contract assets and contract liabilities” in this section.

Prepayments, deposits and other receivables

The following table sets out a summary of our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	372	631	2,022	2,570
Deposits and other receivables	2,139	4,457	4,065	7,470
	2,511	5,088	6,087	10,040
Less: Portion classified as non-current assets	–	(192)	–	–
Portion classified as current assets	2,511	4,896	6,087	10,040

Our prepayments mainly comprise prepaid expenses for surety bond charges and prepaid listing expenses. The balance remained at low amounts of approximately HK\$0.4 million and HK\$0.6 million as at 31 March 2017 and 2018, respectively. The increase in our prepayment from approximately HK\$0.6 million as at 31 March 2018 to approximately HK\$2.6 million as

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at 31 July 2019 was mainly due to the increase of prepaid listing expenses. Our Group recorded prepaid listing expenses of approximately HK\$1.6 million and HK\$2.3 million, as at 31 March 2019 and 31 July 2019 respectively.

Deposits and other receivables mainly comprise deposits made to our suppliers for the purchase of building materials and rental and utilities deposits. The increase in such balance by approximately HK\$2.4 million from approximately HK\$2.1 million as at 31 March 2017 to approximately HK\$4.5 million as at 31 March 2018 was mainly due to the increase in deposits paid to suppliers to cope with the increase in number of sizeable projects awarded during the year. Our deposits and other receivables remained relatively stable at approximately HK\$4.5 million and HK\$4.1 million as at 31 March 2018 and 2019, respectively. As at 31 July 2019, our deposits and other receivables increased by approximately HK\$3.4 million to approximately HK\$7.5 million, which was mainly attributed to the deposits paid to our suppliers, in particular, Supplier B for the purchase of building materials, with the balance of deposits of approximately HK\$4.8 million as at 31 July 2019.

Amount due from a director

As at 31 March 2017, 2018 and 2019 and 31 July 2019, we had an amount due from Mr. YW Chen of approximately HK\$14.9 million, HK\$13.6 million, HK\$5.9 million and HK\$5.7 million, respectively. These balances were non-trade in nature, unsecured, interest-free and repayable on demand. Amount due from a director as at 31 July 2019 will be settled upon Listing.

Trade and retention payables

The following table sets forth the trade and retention payables as of the dates indicated:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	8,438	6,422	13,255	23,948
Retention payables	2,107	1,065	–	–
	10,545	7,487	13,255	23,948

Trade payables

Our trade payables primarily represent amounts payable for building material costs and subcontracting charges. Settlement is generally made in accordance with the terms specified in the contracts governing the relevant transactions. The trade and retention payables are

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generally affected by, including but not limited to, the amounts of works performed by our subcontractors, building materials provided by our suppliers, timing of payment invoices received from our suppliers, and credit periods granted by them. The payment terms of our trade payables are stipulated in the relevant contracts with credit periods of 30 days in general.

Our trade payables decreased from approximately HK\$8.4 million as at 31 March 2017 to approximately HK\$6.4 million as at 31 March 2018, which was mainly attributable to our settlement to suppliers related to the project at Kwong Yip Street which had completed in October 2017. Our trade payables increased to approximately HK\$13.3 million as at 31 March 2019 due to the increase in building material purchase costs and subcontracting costs in relation to our projects at Castle Peak Road and Sze Shan Street which were awarded to us in the first half of 2018 and were in execution stage during the year ended 31 March 2019. Our trade payables further increased to approximately HK\$23.9 million as at 31 July 2019, which was mainly due to the increase in the use of subcontractors and purchase of building materials which was in line with the growth of our business.

The following table sets forth the ageing analysis of our trade payables as at the dates indicated:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	7,530	2,640	11,686	22,555
31 to 90 days	260	2,918	1,371	505
Over 90 days	648	864	198	888
	8,438	6,422	13,255	23,948

The following table sets forth the turnover days of trade payables for the years indicated:

	Year ended 31 March			Four months ended 31 July
	2017	2018	2019	2019
Turnover days of trade payables (Note)	22.6	15.5	20.3	32.9

Note: The turnover days of trade payables is calculated based on the average of the beginning and ending balances of trade payables as at the year/period end and divided by cost of sales during the year/period and multiplied by the number of days of the year/period (i.e. 365 days for each of the three years ended 31 March 2019 and 122 days for the four months ended 31 July 2019).

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Our turnover days of trade payables were approximately 22.6 days, 15.5 days, and 20.3 days for each of the three years ended 31 March 2019, respectively, which were in line with the credit periods of 30 days generally allowed by our suppliers and subcontractors. Our trade payables turnover days increased to approximately 32.9 days for the four months ended 31 July 2019, which was higher than that of previous years. Such increase was primarily affected by the timing of billings from our suppliers.

Up to the Latest Practicable Date, approximately HK\$23.3 million or 97.3% of our trade payables as at 31 July 2019 had been settled.

Retention payables

Retention payables mainly represent the amounts we withhold from progress payments to our subcontractors up to 5% of the respective payment amount. Such retention money is released to our subcontractors after the expiry of the defects liability period or the time period pre-agreed between our Group and our subcontractors in accordance with the terms and conditions of the relevant contract. As at 31 March 2017, 2018 and 2019 and 31 July 2019, our retention payables amounted to approximately HK\$2.1 million, HK\$1.1 million, nil and nil, respectively.

Other payables and accruals

Our other payables and accruals mainly comprise (i) accrued salaries, (ii) accrued audit fees and (iii) accrual for of MPF. The following table sets forth the other payables and accruals as at the dates indicated:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other payables	70	–	–	–
Accruals	1,476	1,731	1,863	2,140
	1,546	1,731	1,863	2,140

Our other payables and accruals remained relatively stable at approximately HK\$1.5 million, HK\$1.7 million, HK\$1.9 million and HK\$2.1 million, respectively as at 31 March 2017, 2018 and 2019 and 31 July 2019, respectively.

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Right-of-use assets and lease liabilities

Our Group has early adopted and applied HKFRS 16 throughout the Track Record Period as stated in note 2.2 to the Accountants' Report in Appendix I to this prospectus. As such, we recognized the right-of-use assets and lease liabilities in our consolidated statement of financial position as at 31 March 2017, 2018 and 2019 and 31 July 2019.

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Right-of-use assets				
Leased properties	791	600	221	95
Leased liabilities				
Current portion	160	395	236	102
Non-current portion	634	236	–	–
Balance at end of the year/period	794	631	236	102

During the Track Record Period, our Group leases its premises for offices from Ms. Wong Chun Siu, the spouse of Mr. YW Chen and a third party under operating lease arrangements. The leases are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from two to five years. Our lease agreement with Ms. Wong Chun Siu was early terminated on 28 February 2018.

Our right-of-use assets decrease from approximately HK\$0.8 million at 31 March 2017 to approximately HK\$0.6 million as at 31 March 2018 and further decreased to approximately HK\$0.2 million as at 31 March 2019 and approximately HK\$0.1 million as at 31 July 2019, which was primarily due to (i) depreciation of our right-of-use assets and (ii) the early termination of lease arrangement with Ms. Wong Chun Siu.

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INDEBTEDNESS

General

The following table sets forth our indebtedness as at the dates indicated:

	As at 31 March			As at 31 July	As at 31 October
	2017	2018	2019	2019	2019
	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>
Non-current					
Lease liabilities	634	236	–	–	475
Current					
Lease liabilities	160	395	236	102	462
Bank borrowings	7,125	6,501	5,864	5,648	5,485
Total	<u>7,919</u>	<u>7,132</u>	<u>6,100</u>	<u>5,750</u>	<u>6,422</u>

As at 31 October 2019, being the latest practicable date for the purpose of this indebtedness statement, our Group's indebtedness consisted of bank borrowings of approximately HK\$5.5 million and lease liabilities of approximately HK\$0.9 million in total.

Bank borrowings

The table below sets forth the breakdown of our bank borrowings as at the dates indicated:

	As at 31 March			As at 31 July	As at 31 October
	2017	2018	2019	2019	2019
	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>
<i>Carrying amount repayable (ignoring the effect of any repayment on demand clause and based on maturity terms of the loans)</i>					
Within one year	624	639	654	660	1,006
In the second to fifth years, inclusive	2,633	2,348	2,047	1,947	1,530
Beyond five years	3,868	3,514	3,163	3,041	2,949
 Bank loans with a repayment on demand clause and classified under current liabilities (<i>Note</i>)	 <u>7,125</u>	 <u>6,501</u>	 <u>5,864</u>	 <u>5,648</u>	 <u>5,485</u>

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Note: According to the relevant bank loan agreements, our outstanding bank borrowings as at 31 March 2017, 2018 and 2019, 31 July 2019 and 31 October 2019 were subject to a repayment on demand clause, and hence they were classified as current liabilities in accordance with the relevant accounting standard.

Our Group recorded bank borrowings of approximately HK\$7.1 million, HK\$6.5 million, HK\$5.9 million, HK\$5.6 million and HK\$5.5 million as at 31 March 2017, 2018 and 2019, 31 July 2019 and 31 October 2019, respectively. Our bank borrowings was primarily used in financing our operating activities and the decreases of balances during the Track Record Period were mainly due to repayment of bank borrowings. As at 31 October 2019, our Group did not have any unutilised banking facilities.

Our bank borrowings as at 31 March 2017, 2018 and 2019, 31 July 2019 and 31 October 2019 are secured and/or guaranteed by:

- (i) legal charge over an industrial property located in Hong Kong and owned by Ms. Wong Chun Siu ;
- (ii) legal charge over a residential property of Mr. YW Chen located in Hong Kong ;
- (iii) joint guarantees from Mr. YW Chen and Mr. ZC Chen of HK\$5.0 million ;
- (iv) unlimited guarantee from Mr. YW Chen and a subsidiary of our Company ;
- (v) a time deposit of Mr. YW Chen of HK\$7.0 million;
- (vi) a personal insurance policy of Mr. YW Chen; and
- (vii) a time deposit of our Group of approximately HK\$9.9 million as at 31 March 2019, 31 July 2019 and 31 October 2019.

The abovementioned legal charge over properties of Mr. YW Chen and Ms. Wong Chun Siu, time deposits, personal insurance policy and guarantees provided by Mr. YW Chen and Mr. ZC Chen will be fully released, discharged or replaced by corporate guarantees or other securities provided by our Group upon the Listing.

The details of interest rates of our Group's bank loans were disclosed in note 22 to the Accountants' Report to this prospectus.

Our Directors confirm that our Group has not experienced any difficulty in obtaining bank borrowings. Also, there was no material covenants relating to our banking facilities and there have been no material defaults in payments during the Track Record Period and up to the Latest Practicable Date.

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Lease liabilities

As at 31 March 2017, 2018 and 2019, 31 July 2019 and 31 October 2019, our lease liabilities amounted to approximately HK\$0.8 million, HK\$0.6 million, HK\$0.2 million, HK\$0.1 million and HK\$0.9 million, respectively in accordance with the adoption of HKFRS 16 throughout the Track Record Period. Our Group has confirmed the renewal of our existing office in September 2019 which resulted in an increase of our lease liabilities as at 31 October 2019 as compared to that as at 31 July 2019.

Contingent liabilities

As at 31 March 2017, 2018 and 2019, 31 July 2019 and 31 October 2019, the contingent liabilities of our Group not provided for in the financial information were as follows:

	As at 31 March			As at 31 July	As at 31 October
	2017	2018	2019	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to a bank for:					
Surety bonds	9,478	25,458	42,567	33,089	33,089

Our surety bonds as at 31 March 2017, 2018 and 2019, 31 July 2019 and 31 October 2019 are secured by:

- (i) legal charge over an industrial property located in Hong Kong and owned by Ms. Wong Chun Siu;
- (ii) legal charge over a residential property of Mr. YW Chen located in Hong Kong as at 31 March 2018 and 2019, 31 July 2019 and 31 October 2019;
- (iii) unlimited guarantee from Mr. YW Chen and a subsidiary of our Company ;
- (iv) a time deposit of Mr. YW Chen of HK\$7.0 million as at 31 March 2018 and 2019, 31 July 2019 and 31 October 2019;
- (v) a personal insurance policy of Mr. YW Chen ; and
- (vi) a time deposit of our Group of approximately HK\$9.9 million as at 31 March 2019, 31 July 2019 and 31 October 2019.

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The abovementioned legal charges over properties provided by our Controlling Shareholders and his spouse, a time deposit, a personal insurance policy and guarantee of our Controlling Shareholders will be released and replaced by corporate guarantee or other securities of our Company upon Listing.

Save as disclosed above, our Group did not have any material contingent liabilities as at 31 March 2017, 2018 and 2019, 31 July 2019 and 31 October 2019.

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, debentures, finance lease obligations or material contingent liabilities or guarantees outstanding as at 31 October 2019.

WORKING CAPITAL

After taking into account the financial resources available to us, including the available cash and cash equivalents, cash flows generated from our operations, and the estimated net proceeds from the Share Offer, our Directors are of the opinion that we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

CAPITAL EXPENDITURE AND COMMITMENTS

During the Track Record Period, we incurred capital expenditures for the purchase of office equipment. We principally funded our capital expenditures through internal resources. Our capital expenditures were approximately HK\$0.1 million, HK\$0.9 million, HK\$0.6 million and HK\$13,000 for each of the three years ended 31 March 2019 and the four months ended 31 July 2019, respectively.

Our Group has no material capital commitment as at 31 March 2017, 2018 and 2019 and 31 July 2019.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

Subsequent to the Track Record Period and up the Latest Practicable Date, saved as disclosed in this prospectus, our Group had not entered into any material off-balance sheet commitments or arrangement.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth a summary of our key financial ratios during the Track Record Period:

	As at/for the year ended 31 March			As at/for the four months ended 31 July
	2017	2018	2019	2019
Net profit margin (<i>Note 1</i>)	17.2%	12.6%	14.3%	15.7%
Return on total assets (<i>Note 2</i>)	31.6%	26.4%	23.9%	N/A (<i>Note 9</i>)
Return on equity (<i>Note 3</i>)	48.8%	33.5%	31.2%	N/A (<i>Note 9</i>)
Interest coverage (<i>Note 4</i>)	427.6 times	171.8 times	252.7 times	352.4 times
Current ratio (<i>Note 5</i>)	2.9 times	4.7 times	4.2 times	3.5 times
Quick ratio (<i>Note 6</i>)	2.9 times	4.7 times	4.2 times	3.5 times
Gearing ratio (<i>Note 7</i>)	14.6%	8.8%	5.7%	4.8%
Net debt to equity ratio (<i>Note 8</i>)	N/A	N/A	N/A	N/A

Notes:

1. Net profit margin is calculated by dividing profit for the year/period with revenue for the respective year/period multiplied by 100%.
2. Return on total assets is calculated by dividing profit for the respective year with total assets as at the end of the respective year multiplied by 100%.
3. Return on equity is calculated by dividing profit for the respective year with total equity as at the end of the respective year multiplied by 100%.
4. Interest coverage is calculated by dividing profit before finance costs and tax with finance costs for the respective year/period.
5. Current ratio is calculated by dividing total current assets with total current liabilities as at the end of the respective year/period.
6. Quick ratio is calculated by dividing total current assets less inventories with total current liabilities as at the end of the respective year/period.
7. Gearing ratio is calculated by dividing total debts (including bank borrowings and lease liabilities) with total equity as at the end of the respective year/period multiplied by 100%.
8. Net debt to equity ratio is calculated by dividing our indebtedness minus cash and cash equivalents with total equity as at the end of the respective year/period multiplied by 100%.
9. This four-month number is not meaningful as it is not comparable to the annual number.

Net profit margin

Our net profit margin decreased from approximately 17.2% for the year ended 31 March 2017 to approximately 12.6% for the year ended 31 March 2018, which was mainly attributable to the decrease in gross profit margin from approximately 24.4% for the year ended 31 March 2017 to approximately 18.9% for the year ended 31 March 2018 and the increase in impairment loss on trade receivables and contract assets of approximately HK\$2.6 million during the year ended 31 March 2018.

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Our net profit margin increased from approximately 12.6% for the year ended 31 March 2018 to approximately 14.3% for the year ended 31 March 2019. This is mainly due to a combined effect of (i) the increase in revenue and the corresponding gross profit amount with improved gross profit margin; and offset by (ii) the increase in administrative expenses mainly due to the increase in listing expenses and staff costs arising from the increase in the number of staff; and (iii) the increase in income tax expenses with higher effective tax rate.

Our net profit margin increased from approximately 14.3% for the year ended 31 March 2019 to approximately 15.7% for the four months ended 31 July 2019. Such increase was primarily due to the increase in our overall revenue and gross profit amounts with improved gross profit margin, and partially offset by the increase in income tax expenses mainly resulting from the increase in profit before tax for the four months ended 31 July 2019.

Return on total assets

Our return on total assets decreased from approximately 31.6% for the year ended 31 March 2017 to approximately 26.4% for the year ended 31 March 2018, mainly due to the increase in total assets by approximately 23.4% whereas our net profit increased by a smaller extend of approximately 3.0%. The substantial increase in total assets as at 31 March 2018 was mainly due to the increase of trade receivables by approximately HK\$28.1 million as compared to that as of 31 March 2018.

Our return on total assets decreased slightly from approximately 26.4% for the year ended 31 March 2018 to approximately 23.9% for the year ended 31 March 2019 despite the increase in our net profit by approximately 22.1% during the same year. Such fluctuation was due to the increase in our total assets by approximately 35.0% during the same period which was mainly attributable the increase in our contracts assets.

Return on equity

Our return on equity decreased from approximately 48.8% for the year ended 31 March 2017 to approximately 33.5% for the year ended 31 March 2018, mainly because of the increase of our retained profit by approximately 50.3% outweighed the increase in net profit by approximately 3.0% for the year ended 31 March 2018.

Our return on equity remained stable at approximately 33.5% and 31.2%, respectively for each of the two years ended 31 March 2019, respectively.

Interest coverage

Our interest coverage decreased from approximately 427.6 times for the year ended 31 March 2017 to approximately 171.8 times for the year ended 31 March 2018. Such decrease was mainly contributable to the significant increase in our finance costs of approximately 156.8%, and offset by the increase in our profit before finance costs and income tax of approximately 3.2%.

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Our interest coverage increased from approximately 171.8 times for the year ended 31 March 2018 to approximately 252.7 times for the year ended 31 March 2019. Such increase was mainly attributable to the increase in our profit before finance costs and income tax of approximately 26.2%.

For the four months ended 31 July 2019, interest coverage further increased to approximately 352.4 times from approximately 252.7 times for the year ended 31 March 2019. Such increase was mainly due to the increase in net profit as discussed before.

Current ratio

Our current ratio increased from approximately 2.9 times as at 31 March 2017 to approximately 4.7 times as at 31 March 2018, mainly due to the increase in trade receivables of approximately HK\$28.1 million which was mainly attributable to the works certified by our customer for project at Muk Ning Street in March 2018.

Our current ratio remained relatively stable at approximately 4.7 times and 4.2 times, respectively, as at 31 March 2018 and 2019.

As at 31 July 2019, our current ratio decreased to approximately 3.5 times, which was mainly due to a combined effect of (i) the increase of trade and retention payables due to more building materials and subcontracting costs incurred; (ii) the increase in tax payables arising from the increase in profit before tax and partially offset by (iii) the increase in cash and cash equivalents generated from our operations during the four months ended 31 July 2019.

Quick ratio

Quick ratio were the same as current ratio as our Group does not hold any inventories.

Gearing ratio

Our gearing ratio decreased from approximately 14.6% as at 31 March 2017 to approximately 8.8% as at 31 March 2018, mainly due to the decrease in interest-bearing bank borrowings and increase in total equity resulted from the increase in retained profit for the year ended 31 March 2018.

Our gearing ratio further decreased to approximately 5.7% as at 31 March 2019, primarily due to the further settlement of interest-bearing bank borrowings and increase in total equity resulted from the increase in retained profit for the year ended 31 March 2019.

As at 31 July 2019, our gearing ratio decreased to approximately 4.8%, primarily due to the settlement of interest-bearing bank borrowings and increase in total equity attributed from the net profit for the four months ended 31 July 2019.

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Net debt to equity ratio

As at 31 March 2017, 2018 and 2019 and 31 July 2019, we recorded net cash and therefore the net debt to equity ratio was not applicable.

FINANCIAL RISK MANAGEMENT

Our Group is exposed to interest rate risk, credit risk and liquidity risk in the ordinary course of business. Further details on our financial risk management policies and practices are set out in note 32 to the Accountants' Report set out in Appendix I to this prospectus.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group had certain related party transactions in relation to (i) rental expense and (ii) salaries expenses. Details of which are set out in note 29 to the Accountants' Report in Appendix I to this prospectus. These related party transactions were conducted in accordance with terms as agreed between our Group and the respective related parties. Our Directors have confirmed that (i) all related party transactions during the Track Record Period were conducted on arm's length basis and normal commercial terms which were no less favourable to our Group than available to or from independent third parties and thus, are in the interest of our Group as a whole; and (ii) these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our Group's future.

DIVIDENDS

No dividend was declared by our Company since its incorporation. During the year ended 31 March 2019, dividends of approximately HK\$7.9 million were declared by certain subsidiaries of our Group and fully settled against the current account with our Director.

Following completion of the Listing, our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and amount of dividends declared by our Board will depend upon our Group's (i) overall results of operation; (ii) financial position; (iii) capital requirements; (iv) shareholders' interests; (v) future prospects; and (vi) other factors which our Board deems relevant.

Prospective investors should note that historical dividend distributions are not indicative of our future dividend distribution and there is no guarantee that dividends will be paid in the future. The declaration and payment of future dividends will be subject to the decision of our Board having regard to various factors, including but not limited to our operations and financial performance, profitability, business development, prospects, capital requirements and economic outlook. It is also subject to the approval of our Shareholders as well as any applicable laws.

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DISTRIBUTABLE RESERVES

As at 31 July 2019, our Company has no distributable reserves available for distribution to our Shareholders.

LISTING EXPENSES

Assuming the Offer Price of HK\$0.52 per Share, being the mid-point of the indicative Offer Price range, the total amount of listing expenses and commissions in connection with the Share Offer is estimated to be approximately HK\$43.0 million.

Of the aggregate listing expenses of approximately HK\$43.0 million, approximately HK\$19.1 million directly attributable to the issue of new Shares is to be accounted for as a deduction from equity. Of the remaining HK\$23.9 million, approximately HK\$7.5 million and HK\$2.4 million were charged to the consolidated profit or loss for the year ended 31 March 2019 and the four months ended 31 July 2019, respectively; and the remaining amount of approximately HK\$14.0 million will be charged to the consolidated profit or loss for the eight months ending 31 March 2020. Expenses in relation to the Listing are non-recurring in nature.

Our Directors consider that our financial results will be affected by the listing expenses in relation to the Share Offer as we expect to recognise approximately HK\$16.4 million in the consolidated statement of profit or loss and other comprehensive income for the year ending 31 March 2020.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in the sub-section headed “Listing expenses” in this section, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 July 2019 (being the date to which the latest audited consolidated financial statements of our Group were prepared), and there is no event since 31 July 2019 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to 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 Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS GOALS AND FUTURE PLANS

We aim to expand our business in Hong Kong and to strengthen our financial position. Please refer to the section headed “Business — Business Strategies” of this prospectus and the sub-section headed “Future plans” of this section for more details on our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$0.52, being the mid-point of the indicative Offer Price range, and after deducting related underwriting fees and estimated expenses in connection with the Share Offer, our Group estimates that the aggregate net proceeds to our Company from the Share Offer will be approximately HK\$87.0 million. Our Directors presently intend to apply the net proceeds from the Share Offer as follows:

- approximately HK\$34.4 million (or approximately 39.6%) will be used for satisfying the surety bond requirement (being 10% of the estimated awarded contract sum of each project) in full of our awarded projects at Muk Tai Street and Sassoon Road, the details of which are set out in the paragraph headed “Future Plans — Strengthening of our financial position”;
- approximately HK\$34.7 million (or approximately 39.8%) for payment of the upfront costs of our awarded projects at Sin Fat Road and Sassoon Road and other potential new projects, the details of which are set out in the paragraph headed “Future Plans — Strengthening of our financial position”;
- approximately HK\$12.6 million (or approximately 14.5%) will be used for further expansion of our project management team, design team and supporting staff and also rent a new office with the corresponding purchase of computers, the details of which are set out in the paragraph headed “Future Plans — Expansion of our project management team, design team and supporting staff with corresponding expansion of our office”; and
- approximately HK\$5.3 million (or approximately 6.1%) will be used for general working capital purpose.

If the Offer Price is set at the high- or low-end of the indicative Offer Price range, being HK\$0.54 and HK\$0.50 per Offer Share, respectively, the net proceeds from the Share Offer will decrease or increase by approximately HK\$4.5 million, and our Directors intend to adjust the above allocation of the net proceeds on a pro-rata basis.

Should there be any material change in the intended use of the net proceeds from the Share Offer as described above, our Group will make appropriate announcement(s) in due course.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds from the Share Offer are not immediately applied for the above purposes, our Directors intend that such net proceeds will be placed on short-term deposits with financial institutions in Hong Kong.

FUTURE PLANS

Strengthening of our financial position

The majority of the proceeds will be used to strengthen our financial position in order to pay for upfront costs and obtain surety bonds, for our ongoing projects, awarded projects or potential new projects which we had submitted tenders or targeted to submit tender as at the Latest Practicable Date.

To commence a new project, we are generally required to incur significant upfront costs in the early stage before such costs can be recovered from our customers after a substantial period when such costs are transformed into work done and are certified and paid by our customers. The upfront costs of our projects generally include the salary of our direct labours, subcontracting costs and building material costs. Based on our estimation by reference to our historical costs, the upfront costs of our projects generally amounted to approximately 14.0% of the total contract sum during the Track Record Period.

In addition to the upfront costs, we may also be required to obtain surety bonds normally with the amount of 10% of the contract sum. When arranging with banks for the issuance of surety bonds in favour of our customers, we are normally required to place pledged deposits with the banks. During the Track Record Period, we were required by the banks to place pledged deposits of the same amount as the surety bond together with the personal guarantee and pledging of certain property provided by Mr. YW Chen, our Controlling Shareholder and other related party. Therefore, having considered that (i) as confirmed by the relevant banks, the corporate guarantee from our Company will only be able to replace the personal guarantees provided by Mr. YW Chen upon the successful Listing; and (ii) our Group does not have any property or other assets as alternative collateral as security for the surety bond, our Directors believe that we will continue to be required to place pledged deposits with the banks of the same amount as the surety bond for the potential new projects.

(i) Payment for surety bonds

- Approximately HK\$34.4 million or approximately 39.6% of the net proceeds, will be used for satisfying the surety bond requirement (being 10% of the estimated awarded contract sum of each project) of our awarded projects. In May 2019, our Group was awarded with one design and build project at Muk Tai Street with an awarded

FUTURE PLANS AND USE OF PROCEEDS

contract sum (exclusive of variation orders) of approximately HK\$261.4 million. As required by our customer, we need to provide the surety bonds of approximately HK\$26.1 million for this project. Based on the industry experience of our Directors and information available to us, it is estimated that we will be required to make available cash for surety bonds before February 2020. In addition, we intend to reserve approximately HK\$8.3 million to be utilized by the first quarter of 2020 for acquiring surety bond for our awarded project at Sassoon Road. The details are set out in the paragraph headed “Basis for estimation of surety bonds and payment for upfront costs” below. Details of our awarded projects at Muk Tai Street and Sassoon Road are set out in the section headed “Business – Our Service and Projects – Details of our ongoing projects as at the Latest Practicable Date”.

(ii) Payment for upfront costs

- Approximately HK\$34.7 million or approximately 39.8% of the net proceeds, will be used for upfront costs of our awarded projects at Sin Fat Road and Sassoon Road and other potential new projects that we had submitted tenders as at the Latest Practicable Date. Our Directors estimate that the corresponding upfront costs will be fully utilized in 2020. The details are set out in the paragraph headed “Basis for estimation of surety bonds and payment for upfront costs” below.

Basis for estimation of surety bonds and payment for upfront costs

After the Track Record Period and up to the Latest Practicable Date, we have submitted tenders for 16 projects, which we are still pending the results for these tendered projects, with an aggregate tender sum of approximately HK\$1,011.1 million. In addition, as at the Latest Practicable Date, our Directors had been contacted by three property developers who have sent us invitations to express interest in three design and build projects to be rolled out in due course. Our Directors have replied to such invitations with an initial positive feedback to be the nominated subcontractor. Among these three projects, our Group has submitted one tender with tender amount of approximately HK\$63.6 million in December 2019 for one of these projects with estimated project period from April 2020 to June 2021. As at the Latest Practicable Date, invitations to tender initiated by property developers for the other two projects with an aggregate estimated contract sum of another HK\$230 million have not yet commenced. To our Directors’ best knowledge and estimation, the tender period for these two projects are expected to begin around the first quarter of 2020.

FUTURE PLANS AND USE OF PROCEEDS

We plan to use part of the net proceeds to fund our upfront costs and satisfy our surety bonds requirement for the following projects:

Location	Counterparty	Year of business relationship (approximately)	Type of project	Initial contract sum/tender amount	Tender status	Expected date of release of tender result	Expected project period (approximately)	Estimate amount of surety bonds	Estimate amount of upfront costs
				<i>HK\$000</i>			<i>(Note 1)</i>	<i>(Note 2)</i> <i>HK\$000</i>	<i>(Note 3)</i> <i>HK\$000</i>
<i>Awarded projects</i>									
Muk Tai Street	Grand Tech	3 years	Design and build	261,387	Awarded	-	May 2019 – April 2021	26,139	-
Sin Fat Road	Customer A	6 years	Design and build	15,991	Awarded	-	November 2019 – April 2022	-	2,239
Sassoon Road	Paul Y.	8 years	Design and build	82,806	Awarded	-	November 2019 – April 2022	8,281	11,593
<i>Potential projects</i>									
Castle Peak Road	Paul Y.	8 years	Design and build	120,992	Pending tender result	December 2019	December 2019 – September 2021	12,099	16,939
Sai Shan Road	New customer	-	Design and build	39,522	Pending tender result	December 2019	December 2019 – September 2021	-	5,533
								46,519	36,304

Notes:

1. The expected project period is estimated by the management after having considered the relevant tender documents and/or discussions with the counterparties and is subject to changes by the counterparties and/or the final contracts with the relevant counterparties.
2. Estimated based on 10% of the initial contract sum/tender amount.
3. Estimated based on 14% of the initial contract sum/tender amount.

Our Directors believe we have a high chance of obtaining the projects at Castle Peak Road and Sai Shan Road.

For project at Castle Peak Road, we have first submitted our tender application in July 2019 with a tendered amount of approximately HK\$19.1 million. After a few rounds of tender queries and we were requested by the customer to revise the tender amount after material changes in its work scope in terms of quantity and design. The revised tender amount submitted in September 2019 was approximately HK\$121.0 million. Afterwards, we were in the process of addressing various tender queries and negotiating the particulars of our tender submission. Having considered our established business relationship with the customer, our Directors believe we have a high chance in winning this project.

For project at Sai Shan Road, our Group submitted the tender application in September 2019 and attended the tender interview in October 2019. Our Group was in the midst of addressing post-submission queries and to the best knowledge of our Directors, we were selected as one of the final tenders being considered by the relevant

FUTURE PLANS AND USE OF PROCEEDS

counterparty. Taking into account that (i) we were invited to attend the tender interview shortly after our tender submission, (ii) the latest tender status and (iii) our experience and proven track record in the façade works industry which demonstrated our ability to run projects of similar nature and scale, our Directors believe that our Group has a high chance of securing the tender for project at Sai Shan Road.

As at the Latest Practicable Date, in addition to the abovementioned potential projects, we had submitted 14 tenders with a total tender amount of approximately HK\$850.6 million, which were pending tender results. The following table sets out details of these 14 tendered projects as at the Latest Practicable Date:

Project	Counterparty	Year of business relationship with the counterparty (approximately)	Tender amount	Tender status	Expected date of release of tender result	Expected project commencement date (approximately)	Expected project completion date (approximately)
			<i>HK\$'000</i>			<i>(Note)</i>	<i>(Note)</i>
Project A	Paul Y.	8 years	12,090	Pending tender result	First quarter of 2020	First quarter of 2020	November 2021
Project B	Customer A	6 years	3,965	Pending tender result	February 2020	February 2020	May 2020
Project C	Customer A	6 years	7,921	Pending tender result	February 2020	February 2020	May 2020
Project D	Paul Y.	8 years	283	Pending tender result	First quarter of 2020	First quarter of 2020	March 2020
Project E	Non-five largest customer	3 years	24,674	Pending tender result	March 2020	March 2020	November 2021
Project F	Paul Y.	8 years	14,946	Pending tender result	March 2020	March 2020	August 2020
Project G	Customer C	4 years	20,447	Pending tender result	March 2020	March 2020	June 2020
Project H	New customer	–	223,960	Pending tender result	Second quarter of 2020	Second quarter of 2020	March 2022
Project I	Customer C	4 years	6,638	Pending tender result	Second quarter of 2020	Second quarter of 2020	July 2021
Project J	Customer A	6 years	5,692	Pending tender result	Second quarter of 2020	Second quarter of 2020	May 2022
Project K	Grand Tech	3 years	159,000	Addressing post-submission queries	December 2019	December 2019	September 2021
Project L	Paul Y.	8 years	302,669	Pending tender result	Second quarter of 2020	Second quarter of 2020	July 2022
Project M	New customer	–	4,790	Pending tender result	Second quarter of 2020	Second quarter of 2020	April 2020
Project N	New customer	–	63,560	Tender submitted in December 2019	First quarter of 2020	April 2020	June 2021
			<u>850,635</u>				

Note: The expected project commencement date and expected project completion date are estimated by the management after having considered the relevant tender documents and/or discussions with the counterparties and are subject to changes by the counterparties and/or the final contracts with the relevant counterparties.

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If these 14 tendered projects are all awarded to us, the total sum of upfront costs are estimated to be approximately HK\$119.1 million. Based on our historical average tender success rate of approximately 32.0% for the three years ended 31 March 2019, we estimate that we have a reasonable chance to secure projects with total tender amount of approximately HK\$272.2 million from these 14 tendered projects. As such, we estimate that the corresponding total sum of upfront costs will be approximately HK\$38.1 million. Our Directors are confident that we shall be able to secure the above earmarked projects based on the tendering status. However, if we are unable to secure these earmarked projects as estimated, we intend to apply the relevant unutilised net proceeds to fund the upfront costs for these 14 tendered projects. For any shortfall on the upfront costs required, our Directors intend to utilise our internal resources to cover such shortfall. There is no assurance that we will succeed in such projects. Should we be unable to secure such projects, we will continue to submit tender actively for alternative projects which may involve surety bond requirement and utilise the net proceeds to finance the upfront costs and surety bond requirement.

Uncertainty involved in predicting the cash flow requirements of our projects

There is inherent uncertainty involved in predicting which projects we are able to secure through the tender/quotation process and when exactly we are required to make available cash for upfront costs and/or surety bonds. The time required to complete a tender/quotation process and the subsequent award of contract varies depending on the customer and the project size. During the Track Record Period, the usual time required from invitation for tender to the award of tender ranged from approximately two to eight months. However, as the project timetable is determined by the customer, the tenders or quotations we submitted or to be submitted going forward may or may not fall within this time frame. We cannot assure you that our Directors can accurately estimate when the results for the tenders and quotations we submitted or to be submitted are released or when exactly we are required to bear the upfront costs or obtain surety bonds for our projects awarded. These timelines will depend on, among others, (i) the timetable of the potential project which may or may not be available to us before we submit a tender; (ii) the particular customer's internal arrangement which may be affected by market conditions and may or may not adhere to the original project timetable provided to us; (iii) the scope of work of the project which may in turn affect whether and when we are required to make payments to our suppliers; and (iv) our negotiation with our customers which may in turn affect the payment terms for our projects.

Based on the foregoing, the allocation of the net proceeds for upfront costs and surety bonds of our projects will be reviewed regularly depending on the projects in our pipeline from time to time. Nonetheless, in addition to our projects on hand as at the Latest Practicable Date, our Directors estimate that our business will continue to expand steadily according to our business strategy to strengthen our market position in the façade works industry in Hong Kong.

FUTURE PLANS AND USE OF PROCEEDS

Expansion of our project management team, design team and supporting staff with corresponding expansion of our office

- Approximately HK\$10.8 million or approximately 12.4% of the net proceeds, will be used for expansion of our project management team, design team and supporting staff in order to ensure that we have sufficient manpower for the ongoing projects and other tendered projects for the year ending 31 March 2020. As at the Latest Practicable Date, we had 67 employees, including 43 project management staff, ten design staff, seven administration, accounting and finance staff, and seven quantity surveying and purchasing staff. We typically assign one to two project managers, two to four project coordinators and two to eight project supervisors to a design and build project depending on the size of a project. Among our 14 ongoing projects (each with an aggregate contract sum (exclusive of variation orders) of HK\$5 million or above) as at the Latest Practicable Date with aggregate contract sum of approximately HK\$829.3 million, two sizeable projects with aggregate contract sum of approximately HK\$406 million were at execution stage and expected to be completed in April 2021 and two projects awarded to us in November 2019 with aggregate contract sum of approximately HK\$98.8 million are expected to commence works thereafter. Our Directors consider that our existing staff had been and would have been fully utilised by these projects and the ongoing and upcoming works and they can only be reallocated to other projects after the completion of these projects. As at the Latest Practicable Date, our ending value of project backlog (including variation orders) amounted to approximately HK\$500.3 million, representing an increase by approximately 72.9% from approximately HK\$289.4 million for the year ended 31 March 2019 and an increase by approximately 81.3% from approximately HK\$276.0 million for the year ended 31 March 2018. In view of (i) the abovementioned significant growth in project backlog; (ii) our strategy of expanding our scale of operations by leveraging on the net proceeds from the Share Offer to undertake more sizeable projects; (iii) 16 projects that we have submitted tenders as at the Latest Practicable Date with an aggregate initial tender amount of approximately HK\$1,011.1 million, among which we believe we have a high chance to win two of them with aggregate tender amounts of approximately HK\$160.5 million; and (iv) our intention to tender for two additional projects which we have already expressed our interests with an estimated aggregate contract sum of another HK\$230 million, our existing manpower is not sufficient to cater for the expected increase in number and size of projects. Thus, we have an imminent need to expand our project management team by recruiting seven additional staff and our design team by recruiting three additional staff. In particular for our design team, our Directors considered that if we do not have sufficient in-house design capability, we would have to subcontract the design work which would put ourselves in a disadvantageous position as we need to rely on external suppliers' design and spend considerable effort to cope with them along the tendering and execution process. Further, during the Track Record Period, our Directors assisted in certain administrative functions such as human resources and purchasing. In view of our expansion plan, our Directors intend to recruit three additional administrative staff and delegate their administrative duties to these new staff and focus on their respective management duties such as overseeing project management and business development of

FUTURE PLANS AND USE OF PROCEEDS

our Group. Although we generally submit tenders/ quotations for our potential projects having regard to our currently available manpower resources, there is no assurance that we will be able to solely rely on our existing manpower resources for the projects which we have tendered. It is because (i) our projects on hand may be subject to delay and may continue to take up our manpower resources; and (ii) we may be required to perform additional works for our projects on hand, thus rendering us unable to release certain manpower for projects which we have tendered. Our ability to capture the emerging business opportunities and expand our business could be impeded if the level of our existing workforce remains unchanged.

In addition, our projects are on non-recurring basis and our Group does not enter into any long-term agreements with our customers. The scale of projects and the amount of revenue to be generated from a project may vary significantly from period to period. Our Directors consider that it is not feasible to tender for and commit our Group to more sizeable projects than our workforce is able to cope with at any given time. Based on our Directors' industry experience, new customers take into account the resources, including manpower, of a bidder when deciding whether to award a project to such potential service provider when establishing an initial business relationship. Although we were historically able to secure projects from major customers during the Track Record Period with our then existing workforce due to our established business relationship with them, in light of our plan to expand our business and diversify our customer base (please refer to the section headed "Business — Customers— Customer concentration" of this prospectus), we expect to undertake more sizeable projects from both our recurring customers and new customers. It is therefore important for us to demonstrate to both our existing customers and potential new customers that our resources, including manpower, are capable of handling larger number of sizeable projects when our existing customers are performing their ongoing assessment and our potential new customers are performing their initial assessment on our ability to undertake their projects. In light of the above, our Directors consider that with an expanded workforce of additional project management staff, design staff and supporting staff, our Group can take up more sizeable projects, enhance the quality control and further improve our project management at work sites, thereby encouraging our recurring customers to continue to engage us for future projects and solidifying our reputation in the façade works industry in Hong Kong. As such, our Group's revenue and profitability can be improved.

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The following table sets out the movement of our employees by functions during the Track Record Period and up to the Latest Practicable Date.

	Project management	Design	Quantity surveying and purchasing	Administrative, accounting and finance	Total
As at 1 April 2016	17	1	1	4	23
Add: New employment	8	2	–	3	13
Less: Resignation/termination	(3)	–	–	(3)	(6)
As at 31 March 2017	22	3	1	4	30
Add: New employment	19	4	4	3	30
Less: Resignation/termination	(9)	(2)	–	(1)	(12)
As at 31 March 2018	32	5	5	6	48
Add: New employment	16	5	2	1	24
Less: Resignation/termination	(13)	(3)	(3)	–	(19)
As at 31 March 2019	35	7	4	7	53
Add: New employment	6	1	–	–	7
Less: Resignation/termination	(2)	–	–	(1)	(3)
As at 31 July 2019	39	8	4	6	57
Add: New employment	5	2	3	1	11
Less: Resignation/termination	(1)	–	–	–	(1)
As at the Latest Practicable Date	43	10	7	7	67
Assuming the execution of our expansion plan after Listing					
Add: New employment	7	3	–	3	13
By second quarter of 2020	<u>50</u>	<u>13</u>	<u>7</u>	<u>10</u>	<u>80</u>

The below allocation of net proceeds for expanding our workforce is expected to cover up to approximately 23 months' worth of salaries of additional staff, which is considered by our Directors to be commercially prudent and sensible after taking into account the estimated timing of additional income and cash inflows to be generated as a result of the expansion of workforce and the uncertainties associated thereof. Our Directors consider that our Group should secure funding to cover the salaries of such additional staff for a period at least from the expected time of hiring up to the time when the additional workforce is able to generate sufficient additional income and cash inflows that enables us to cover the increased staff costs.

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The following table sets out the particulars of staff by different position we intend to recruit within three months after Listing:

Position	Qualification	Year of experience	Approximately monthly salary <i>HK\$000</i>	No. of headcount	Total salary for 23 months <i>HK\$000</i>
Project manager	• Relevant experience in façade works industry	8 years or above	60	1	1,380
Project supervisor	• Relevant experience in façade works industry	3 years or above	42	3	2,898
Project coordinator	• Relevant experience in façade works industry	1 year or above	18.5	3	1,277
Design manager	• Degree holder • Relevant experience in façade works industry	8 years or above	60	2	2,760
Designer	• Degree holder • Relevant experience in façade works industry	5 years or above	38	1	874
IT officer	• Degree holder in information system	3 years or above	25	1	575
Human resources officer	• Degree holder in human resources or related disciplines	3 years or above	28	1	644
Accountant	• Degree in accounting	2 years or above	15	1	345
				Total	<u>10,753</u>

- Approximately HK\$1.8 million or approximately 2.1% of the net proceeds, will be used for leasing an additional office of around 1,800 sq.ft. and the corresponding renovation costs and purchasing of computers for our expansion. In view of our plan to recruit more staff, our Directors believe the number of staff who primarily works in our office will increase.

Our Directors intend to lease an additional office for the following reasons:

- our existing office is too crowded considering the number of staff who works primarily in the office and our office space available. Some of our existing staff members were being allocated to work directly at various work sites due to the lack of office seats and some were required to share their workspace with others. As at the Latest Practicable Date, each of our office staff occupied approximately 75 sq.ft office space on average. According to the Ipsos Report, the typical office space in Hong Kong generally ranges from 60 sq.ft. net per employee to 230 sq.ft. net per employee, subject to the business category, headcount, setting (e.g. open or enclosed) of the office and amenities. Each management staff generally requires

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approximately 150 sq.ft. to 400 sq.ft. office space, each of the other types of staff generally requires approximately 70 sq.ft. to 150 sq.ft. office space and 10 sq.ft. to 30 sq.ft. per employee is generally required for common area (e.g. pantry) and conference room. Thus, in order to improve our working environment and to meet our business needs, we also intend to have part of the additional office to be used for common area, conference room and storage space;

- (ii) although most of our staff members are part of a project management team who may carry out their duties at work sites, our Directors consider that it is necessary to reserve a fixed workspace for them in the office. According to the Ipsos Report, back office workspace and meeting rooms are essential for project managers and site supervisors to handle their paper and administration works and documentations for tender submission, project preparation and on-site supervision. A fixed workspace will maintain a sustainable working environment for the project management team to improve their work morale and efficiency, and cultivate their sense of belongings; and
- (iii) our Directors believe that a comfortable workspace can improve our employees' wellbeing thus enhancing productivity.

As at the Latest Practicable Date, due to the uncertainty as to the timing of the Listing and that rental of premises has high turnover in Hong Kong, we have not identified any targeted premises. For convenience purposes, our Group intends to lease an additional office preferably in the same building of our existing office or nearby within three months upon Listing.

It is expected that the rental and building management fee for the additional office would be approximately HK\$48,000 per month after considering (i) the prevailing market rental of premises of similar size in the same building of our existing office or nearby and (ii) our renewed rental agreement of our existing office. In this regard, we intend to allocate part of the net proceeds to the following items:

<u>Item</u>	<u>Approximate costs</u>
	<i>HK\$'000</i>
Rental and building management fee for 23 months	1,100
Renovation costs	500
Purchase of computers and others	240
Total	<u>1,840</u>

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BASES AND ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the above implementation plans:

- (i) the Share Offer will be completed in accordance with and as described in the section headed “Structure and conditions of the Share Offer” of this prospectus;
- (ii) our Group will be able to continue our operations in substantially the same manner as we have been operating during the Track Record Period, and we will be able to carry out the implementation plans without adversely affecting our operations;
- (iii) our Group will not be materially affected by any risk factor set out in the section headed “Risk Factors” of this prospectus;
- (iv) our Group is able to retain our customers and suppliers;
- (v) our Group will be able to retain key staff; and
- (vi) there will be no material changes in the existing political, legal, fiscal or economic conditions, and in the bases or rates of taxation in Hong Kong, and any other place in which any member of our Group carries on or will carry on its business.

REASONS FOR AND BENEFITS OF THE LISTING

Our Directors believe that the Listing would be crucial for our Group and could strengthen our business on the following grounds:

1. According to the Ipsos Report, the gross output value of the façade works industry in Hong Kong increased from HK\$4,840.6 million in 2014 to HK\$5,668.9 million in 2018 at a CAGR of approximately 4.0%, and is expected to grow from HK\$6,011.5 million in 2019 to HK\$7,049.3 million in 2023 at a CAGR of approximately 4.1%. In addition, the façade works industry in Hong Kong is anticipated to continue to grow in the near future in light of (i) the Government’s initiative to increase housing supply and commercial land supply; (ii) the conversion of government properties into commercial use; and (iii) increase in land supply for building under the development plan for North East New Territories and new development areas, according to Ipsos. Our Directors reasonably believe that our business is expected to continue to expand. By leveraging on our ongoing projects and the tenders that we have submitted subsequent to the Track Record Period and our strengthened capability in undertaking more sizeable projects subsequent to the Listing, our Directors believe that we are well positioned to capture new business opportunities, strengthen our market position and expand an market share in the façade works industry in Hong Kong.

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2. We have a genuine funding need to expand our business. Our capability to undertake more projects of different scale hinges on our financial ability to obtain surety bonds and settle upfront costs. We primarily rely on cash generated from our operations, borrowings and resources provided by our Controlling Shareholder as our principal source of funds. As at 31 October 2019, our cash and cash equivalents amounted to approximately HK\$43.4 million. Our bank balances and cash were subject to fluctuations during the Track Record Period and are expected to continue to fluctuate during the course of our business. For details on how we manage our liquidity risk, please refer to the section headed “Financial Information – Financial Risk Management” in this prospectus. Having taking into account that (i) our cash and cash equivalent as at 31 October 2019 only accounted for approximately 5.2% of the aggregate contract sum of our 14 ongoing projects (each with an aggregate contract sum (inclusive of variation orders) of HK\$5 million or above) as at the Latest Practicable Date (being approximately HK\$829.3 million); (ii) we had submitted or targeted to submit tender for projects with aggregate contract sum of approximately HK\$1,011.1 million and HK\$230 million respectively as at the Latest Practicable Date; (iii) net cash from operating activities amounted to approximately HK\$20.1 million and HK\$21.3 million for the years ended 31 March 2017 and 2019, respectively and net cash used in operating activities of approximately HK\$0.3 million for year ended 31 March 2018; and (iv) based on the financial information for the year ended 31 March 2019, our monthly cost of sales and administrative expenses amounted to approximately HK\$15.4 million per month, our Directors consider that our Group should maintain a cash level of around two months of our cost of sales and administrative expenses. In light of the above, our Directors consider that our current available cash and cash equivalent is not adequate to cater for our business expansion plan without the provision of funding from our Controlling Shareholders or the obtaining of external debt or equity financing. Our Directors also consider that our current cash level would restrict our growth and our ability to further expand since we may not be able to undertake more sizeable projects with larger contract sums which would inevitably require more available cash for upfront project costs and working capital at the project level. While our Directors also consider that our current cash and bank balances will be able to support our existing operations, internal resources cannot fund our short term business expansion, in particular the surety bonds and heavy upfront costs of our projects. Our Controlling Shareholders has also indicated to us that they cannot provide any significant additional funding for us to fully cater for our increased cash flow needs which arise from our business expansion in the event our business strategies are fully implemented. If there is no additional funding from the Share Offer, our Directors consider that our cash balance may not be sufficient to support the growth of our business, should there be any unexpected adverse change to the economy given the ongoing international trade situation and our financial position, nor can we further strengthen our market position in the façade works industry in Hong Kong by expanding our market share through undertaking more sizeable projects.

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3. We need to bear upfront costs of our potential projects. Due to our business nature, we may experience net cash outflows after we are awarded with a project and at the early stage of a project after its commencement. In general, these upfront costs come in two forms, which include (i) prepayments made to our subcontractors once we are awarded with a project in order to secure their services; and (ii) project startup costs at the early stage of a project which involve subcontracting fees for work done by subcontractors, and payments made to suppliers for materials and direct labour costs. Based on our historical operation during the Track Record Period, our Directors estimate that we may be required to bear project startup costs including subcontracting fees for work done by subcontractors, payments made to suppliers for materials and direct labour costs, representing approximately 14.0% of the original contract sum for sizeable projects with large contract sums for a period of around five months. Following the increase in revenue and outstanding contract sum, our Group has been experiencing greater cashflow pressure at the project level at the initial stage of projects, in particular, for sizeable projects and if there is no additional funding from the Share Offer, our working capital may not be sufficient to support the increase in upfront costs due to growth in our sizeable projects.

4. Debt financing does not provide enough funding at reasonable costs for our intended business expansion. As at 31 March 2017, 2018 and 2019 and 31 July 2019, our bank borrowings were approximately HK\$7.1 million, HK\$6.5 million, HK\$5.9 million and HK\$5.6 million, respectively. As at 31 October 2019, we did not have any unutilised banking facilities. Our Directors consider that it may not be feasible to further increase the limit of our banking facilities given our Group's existing financial position and we do not have self-owned properties. During the Track Record Period, in view of our funding needs to expand our business, our Directors did consider to obtain further loans from other banks. However, due to a combination of factors, including (i) the lack of substantial assets that our Group could provide as securities for the facilities; and (ii) personal guarantees by Mr. YW Chen were already used for securing existing banking facilities, we were unable to obtain additional facilities at commercially justified terms or at all, without heavy reliance on personal guarantees and/or other form of collaterals provided by our Controlling Shareholders.

Moreover, the net proceeds from the Listing can provide us with the necessary additional financial resources without exposing us to higher gearing ratio which would subject us to the inherent risks of higher interest rate and finance costs. Our Group's financial performance and liquidity may be negatively affected due to principal and interest payments if we proceed to fund our business expansion through debt financing. Our Directors consider that prior to Listing, as a group of private companies, our Company without a listing status, would be difficult to obtain bank borrowings without guarantees to be provided by Controlling Shareholders. It is anticipated that additional bank borrowings to us would require the Controlling Shareholders to provide additional guarantee if the Company was not listed. This is supported by the fact that the leading bank is willing to release the

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guarantee or other collaterals provided by Mr. YW Chen, our Controlling Shareholder, subject to, among other things, our Company being successfully listed on the Stock Exchange. As a result, instead of solely relying on debt financing, our Directors believe that a combination of equity financing and debt financing will be more beneficial to our Group to fund our expansion plan.

5. Our Directors believe that our customers would largely consider engaging façade works contractors which are financially healthy and are able to maintain cash flow liquidity. Industry players without sufficient capital and financial resources will not be considered in the tendering process. It is also why the requirement of surety bonds is common in our industry. Therefore, contractors with stronger financial standing and cash flow liquidity are able to tender for more and larger scale projects, and large-scale construction projects help contractors to enhance their job experience and build up their reputation in the industry. Based on our Directors' experience, customers generally assess whether a contractor's financial resources are sufficient to undertake new projects and manage other projects on hand during the tender/quotation assessment process, including whether there are sufficient financial resources to obtain surety bond as required and to bear upfront costs such as payment of subcontracting fees and building material costs. Given our stable business relationships with our major customers, our Directors consider that we will be able to achieve further growth by capturing future opportunities and secure more large-scale construction projects by having a listing status and with an increase in cash flow liquidity position.
6. We consider our corporate profile and recognition to be important factors for securing new projects as we obtain our business primarily by way of invitation to tender. A listing status generally shows that our Company is adhering to higher standards of compliance and corporate governance. As such, our Directors consider that a public listing status will enhance our corporate profile and recognition and assist us in reinforcing our brand awareness and image, which will assist in further strengthening our market position, expanding our market share and enhancing our reputation. We also believe that the Listing could attract potential customers, suppliers and subcontractors which are more willing to establish business relationships with listed companies. It may also generate reassurance amongst our Group's existing customers, suppliers and subcontractors. As some of our competitors have already been publicly listed, our Directors consider a public listing status would enhance our competitiveness among our industry peers.
7. Our Directors believe that the Listing will facilitate us in attracting talents to join our Group and access to a larger pool of talents which will improve our service quality and effectively implement our business strategies. In addition, the listing status will allow us to more easily retain our existing staff. Our staff will feel more secured about their employment with us as compared to a private group and thus have a better morale at work. As a result, an integrated workforce will improve the quality of our services and optimize our daily operations to the benefits of our long

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term development. In addition, our Company shall have a Share Option Scheme upon Listing. Our Directors believe such incentive programme, when offered to our employees, could reward those who have contributed to our growth and performance and motivate our employees to work towards enhancing the value of our Company and the Shares. Our Directors further believe this could improve our ability to recruit, motivate and retain key management personnel who are important to our business.

Although fund raising by way of the Share Offer would incur a substantial amount of listing expenses, having considered (i) such listing expenses are not recurring; (ii) the Share Offer could provide our Group with a more balanced capital structure and flexibility in fund raising alternatives in the future; and (iii) the reasons for and benefits of the Listing as set out above, our Directors are of the view that the Share Offer is an appropriate fund raising method and is beneficial to our Company as a whole.

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PUBLIC OFFER UNDERWRITERS

First Shanghai Securities Limited
Guotai Junan Securities (Hong Kong) Limited
Shanxi Securities International Limited
Essence International Securities (Hong Kong) Limited
Astrum Capital Management Limited
Conrad Investment Services Limited
Fruit Tree Securities Limited
Quasar Securities Co., Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription by the public in Hong Kong of 25,000,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriters have agreed, on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, without limitation:

- (a) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including the additional Shares which may be issued pursuant to the Capitalisation Issue and exercise of the options that may be granted under the Share Option Scheme); and
- (b) the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) shall have the absolute right by notice (orally or in writing) to our Company to terminate the Public Offer Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

- (i) there shall develop, occur, exist or come into effect:
 - (a) any new laws or any change or development involving a prospective change or any event or circumstance likely to result in a change in existing laws or development involving a prospective change in (or in the interpretation or application by any court or other competent authority in or affecting Hong

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Kong, the PRC, the BVI, the Cayman Islands or any other jurisdictions relevant to any member of our Group (collectively, the “**Relevant Jurisdictions**”); or

- (b) any change or development involving a prospective change, or any event or series of events likely to result in any change or development or a prospective change, in any local, regional, national, or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in any stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or
- (c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange or the imposition of any general moratorium on commercial banking activities in the Relevant Jurisdictions declared by the relevant authorities or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services or procedures in any of the Relevant Jurisdictions; or
- (d) the imposition of economic sanctions, in whatever form, directly or indirectly, by or on any of the Relevant Jurisdictions; or
- (e) any change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment laws (including, without limitation, a material devaluation of Hong Kong dollars or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (f) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government or orders of any courts, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, nuclear leakage, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism); or
- (g) any change or prospective change (whether or not permanent) in the business or in the business or in the financial or trading position of our Group; or
- (h) any adverse change or development involving a reasonably likely adverse change of any of the risks set out in the section headed “Risk Factors” in this prospectus or the occurrence of any such events therein; or

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- (i) any 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; or
- (j) any litigation, legal action, claim or legal proceeding of any third party being threatened or instigated against any member of the Group; or
- (k) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (l) the chairman or chief executive officer or financial controller of our Company vacating his office; or
- (m) the commencement by any governmental, regulatory or political body or organization in any Relevant Jurisdictions commencing any investigation or take other action, against any Director; or
- (n) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Share Offer; or
- (o) save as disclosed in the section headed “Business — Legal Proceedings and Compliance”, a contravention by any member of the Group of the Listing Rules or applicable laws; or
- (p) the issue or requirement to issue by our Company of a supplemental or amendment to this prospectus (or to any other documents used in connection with the contemplated offer of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC; or
- (q) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof; or
- (r) a petition or an order for the winding-up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

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- (s) any breach of any of the obligations imposed upon our Company, our Controlling Shareholder and executive Directors to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (other than upon any of the Public Offer Underwriters or the Placing Underwriters); or
- (t) any event, act or omission which gives or is likely to give rise to any liability of our Group, our executive Directors or the Controlling Shareholders; or
- (u) any adverse change, or any development involving a prospective adverse change or development in conditions, in the assets, liabilities, business affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of the Group; or
- (v) any breach of any warranties under the Public Offer Underwriting Agreement or any event or circumstances rendering such warranties be or would be when repeated untrue, incorrect or misleading in any respect; or

which, individually or in the aggregate, in the sole opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):

- (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Company or any of its subsidiaries taken as a whole; or
 - (2) has or will have or may have a material adverse effect on the success of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing, or the distribution of the Offer Share; or
 - (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Share Offer to proceed; or
 - (4) has or will have or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) or the Placing Underwriting Agreement incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof; or
- (ii) there has come to the notice of the Joint Bookrunners:
- (a) that any statement contained in this prospectus, the Application Forms, the formal notice issued or used by or on behalf of our Company in connection with the Public Offer and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our

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Company in connection with the Share Offer (including any supplement or amendment thereto) was, when it was issued, or has become, untrue or incorrect in any respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms, the formal notice issued or used by or on behalf of our Company in connection with the Share Offer is not fair and honest and based on reasonable assumptions, when taken as a whole; or

- (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a omission from any of this prospectus, the Application Forms, the formal notice issued or used by or on behalf of the Company in connection with the Share Offer and/or in any notices, announcements, advertisements, communications or other documents including any supplement or amendment thereto; or
- (c) non-compliance of this prospectus, the Application Forms or any aspect of the Share Offer with the Listing Rules or any other applicable laws; or
- (d) that any expert has withdrawn or sought to withdraw its consent to being named in the prospectus or to the issue of any of the prospectus; or
- (e) approval by the Listing Committee of the listing of, and permission to deal in, our Shares to be issued or sold under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (f) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer.

Upon the occurrence of any event as above provided, the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) will, subject to the consent of the Sole Sponsor, be entitled to, upon giving notice in writing to our Company, terminate the Public Offer Underwriting Agreement with immediate effect.

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Our Company has undertaken to each of the Joint Bookrunners, the Sole Sponsor and the Public Offer Underwriters and each of our Controlling Shareholders and executive Directors has undertaken to each of the Joint Bookrunners, the Sole Sponsor and the Public Offer Underwriters that he/she/it will procure our Company that, except pursuant to the Share Offer the Capitalisation Issue, the grant of option Share Option Scheme and the issue of Share upon exercise of each options or otherwise permitted under the Listing Rules , during

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the period commencing on the date of the Public Offer Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (“**First Six-Month Period**”), not to, and to procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) (except for allotment of shares or securities by our subsidiary to our Company or other members of our Group) offer, accept subscription for, pledge, lend, assign, mortgage, charge, allot, issue, sell, 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 option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or buyback, any of the share capital of our Company or other securities of any subsidiary or any securities convertible into or exercisable or exchangeable for or that represent the right to receive, or interests in, such share capital or any derivatives with the Shares or the shares of any subsidiary as underlying securities; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or
- (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above;

whether any of the foregoing transactions described above is to be settled by delivery of share capital or such other securities, in cash or otherwise or publicly disclose that our Group will or may enter into any transaction described above. We have further agreed that, during the period of six months immediately following the expiry of the First Six-Month Period (“**Second Six-Month Period**”), in the event that our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, we shall take all reasonable steps to ensure that it will not create a disorderly or false market for any of our Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to each of our Company, the Joint Bookrunners, the Sole Sponsor and the Public Offer Underwriters that:

- (a) during the First Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its close associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Sole Sponsor and Joint Bookrunners and our Company

UNDERWRITING

- and unless in compliance with the requirements of the Listing Rules, (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares in respect of which he or it is the beneficial owner (directly or indirectly) as at the Listing Date or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities (together, the “**Relevant Securities**”); or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Shares or such other securities, in cash or otherwise; or (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above;
- (b) during the Second Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and their respective close associates or companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Sole Sponsor and the Joint Bookrunners and our Company and unless in compliance with the Listing Rules, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by him/it or any of his/its close associates or companies controlled by him/it or any nominee or trustee holding in trust for him/it if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) or would together with other Controlling Shareholders cease to be a group of controlling shareholders (as defined in the Listing Rules);
- (c) in the event of a disposal of any Relevant Securities or our Company’s securities or any interest therein within the Second Six-Month Period, he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company; and
- (d) he/it shall, and shall procure that his/its close associates and companies controlled by and nominees or trustees holding in trust for him/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it of any Shares.

Each of our Controlling Shareholders has further undertaken to each of our Company, the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters that, from the date of the Public Offer Underwriting Agreement up to the expiry of the first 12 months from the Listing Date, he/it will:

UNDERWRITING

- (a) when he/it pledges or charges any securities or interests in the Relevant Securities, immediately inform us, the Sole Sponsor and the Joint Bookrunners in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
- (b) when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in our securities will be sold, transferred or disposed of, immediately inform us, the Sole Sponsor and the Joint Bookrunners in writing of such indications.

Our Company shall notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

Restrictions and undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, he/it shall not, and shall procure that the relevant registered holder(s) shall not, at any time during the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (“**First Lock-up Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan) in respect of, any of the Shares or other securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner.

Furthermore, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that in the period of the six months commencing on the date on which the First Lock-up 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 Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances (save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan), he/it would cease to be a group of controlling shareholder (as defined in the Listing Rules).

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that it or he will, within a period of commencing on the date by reference to which disclosure of its or his shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of: (a) any pledges or charges of any Shares or other securities of our Company beneficially owned by any of our Controlling

UNDERWRITING

Shareholders in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, and the number of such Shares or other securities of our Company so pledged or charged; and (b) when it or he or the relevant requested holders receive indication, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

Restrictions on our Company

Pursuant to Rule 10.08 of the Listing Rules, no Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Share Offer and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and our Controlling Shareholders will enter into the Placing Underwriting Agreement with the Sole Sponsor, the Joint Bookrunners, the Placing Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company, and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings to the Public Offer Underwriters” in this section above.

Commission, fees and expenses

The Underwriters will receive a gross underwriting commission of 10% of the aggregate Offer Price of the Offer Shares. In addition, our Company will pay to the Underwriters or any one of them an incentive fee. The Sole Sponsor will also receive a documentation and advisory fee.

UNDERWRITING

Assuming the Offer Price of HK\$0.52 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the aggregate commission, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$43.0 million in total.

SOLE SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sole Sponsor will receive a sponsorship fee to the Share Offer. Our Company has entered into an agreement with the Sole Sponsor, pursuant to which our Company agreed to pay HK\$4.2 million. The Sole Sponsor will also receive a documentation and advisory fee. The Joint Bookrunners and the Underwriters will receive an aggregate underwriting commission and/or praecipium. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Commission, fees and expenses" in this section above.

We have appointed First Shanghai Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the full financial year commencing after the Listing Date.

Save as disclosed above, none of the Sole Sponsor, the Joint Bookrunners or the Underwriters is interested legally or beneficially in any Shares or other securities of our Company or any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase any Shares or other securities of our Company or any members of our Group or has any interest in the Share Offer.

Following the completion of the Share Offer, the Public Offer Underwriters, the Placing Underwriters and/or their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Public Offer Underwriting Agreement and/or the Placing Underwriting Agreement.

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors and the Joint Bookrunners will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer which forms part of the Share Offer. The Share Offer comprises:

- the Public Offer of initially 25,000,000 Shares (subject to reallocation as mentioned below) (representing 10% of the initial total number of Offer Shares) in Hong Kong as described in the paragraph headed “The Public Offer” in this section; and
- the Placing of initially 225,000,000 Shares (subject to reallocation as mentioned below) (representing 90% of the initial total number of Offer Shares) as described below under the paragraph headed “The Placing” in this section.

Investors may apply for Public Offer Shares under the Public Offer or apply for or indicate an interest in Placing Shares under the Placing, but may not do both.

The number of Offer Shares to be offered under the Public Offer and the Placing, respectively, may be subject to reallocation as described below in the paragraph headed “Reallocation” in this section. Subject to the reallocation of Offer Shares between (i) the Placing and (ii) the Public Offer, the Offer Shares will represent 25% of our Company’s enlarged issued share capital immediately after completion of the Share Offer.

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), agreeing on the Offer Price. Our Company expects to enter into the Placing Underwriting Agreement relating to the Placing on the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed “Underwriting”.

THE PUBLIC OFFER

Number of Shares Initially Offered

Under the Public Offer, our Company is initially offering 25,000,000 Shares at the Offer Price for subscription by the public in Hong Kong, representing 10% of the total number of Shares initially available under the Share Offer.

The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include broker, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Public Offer” in this section.

Conditions of the Public Offer

Acceptance of all applications for the Public Offer Shares in the Public Offer will be conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued pursuant to the Share Offer (including any Shares which may be made available pursuant to the exercise of any options which may be granted under the Share Option Scheme), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

If, for any reason, the Offer Price is not agreed on or before Wednesday, 15 January 2020 between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to apply for Public Offer Shares”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 on Friday, 17 January 2020 provided that (i) the Share Offer has become unconditional in all respects, and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangement and Expenses — Public Offer — Public Offer Underwriting Agreement — Grounds for Termination” has not been exercised.

Allocation

Allocation of Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total number of Offer Shares under the Public Offer (after taking into account of any reallocation) is to be divided into two pools for allocation purposes: Pool A and Pool B. Accordingly, the maximum number of Public Offer Shares initially in Pool A and Pool B will be 12,500,000 and 12,500,000, respectively. The Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate price of HK\$5.0 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) or less. The Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate price of more than HK\$5.0 million and up to the value of Pool B (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Public Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for the Public Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools.

Multiple or suspected multiple applications and any application for more than 12,500,000 Shares, (being 50% of the Public Offer Shares initially comprised in the Public Offer) are liable to be rejected.

Reallocation

Pursuant to Guidance Letter HKEx-GL91-18 issued by the Stock Exchange and Practice Note 18 of the Listing Rules, the allocation of Shares between the Public Offer and the Placing is subject to reallocation on the following basis.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (a) Where the Placing Shares are fully subscribed or oversubscribed:
- (i) if the Public Offer Shares are undersubscribed, the Joint Bookrunners has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deems appropriate;
 - (ii) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 25,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 50,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer;
 - (iii) if the number of Shares validly applied for in the Public Offer represents (I) 15 times or more but less than 50 times, (II) 50 times or more but less than 100 times, and (III) 100 times or more, of the number of Public Offer Shares initially available under the Public Offer, the total number of Public Offer Shares available under the Public Offer will be increased to 75,000,000, 100,000,000 and 125,000,000 Shares, respectively, representing 30% (in the case of (I)), 40% (in the case of (II)) and 50% (in the case of (III)), respectively, of the total number of Offer Shares initially available under the Share Offer, and such reallocation being referred to in this prospectus as “Mandatory Reallocation”.
- (b) Where the Placing Shares are undersubscribed:
- (i) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; or
 - (ii) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 25,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 50,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer.

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are fully subscribed or oversubscribed by less than 15 times under paragraph (a)(ii) above or the Placing Shares are undersubscribed and the Public Offer Shares are fully subscribed or oversubscribed under paragraph (b)(ii) above, irrespective of the number of times of the initial number of the Public Offer Shares, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$0.50 per Offer Share) stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is conducted other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. up to a maximum of 50,000,000 Offer Shares).

In the event of a reallocation of Offer Shares between the Public Offer and the Placing in circumstances under paragraph (a)(ii), (a)(iii) and (b)(ii) above, the number of Offer Shares allocated to the Placing will be correspondingly reduced. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners and such additional Offer Shares will be allocated to Pool A and Pool B equally. If the Public Offer Shares are not fully subscribed, the Joint Bookrunners has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deems appropriate.

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated Offer Shares under the Placing.

Applicants under the Public Offer are required to pay, on application, the maximum price of HK\$0.54 per Public Offer Share including any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Public Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Share Offer" in this section below, is less than the maximum price of HK\$0.54 per Public Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in "How to apply for Public Offer Shares".

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

THE PLACING

Number of Shares offered

Subject to reallocation as described above, the Placing will consist of 225,000,000 Shares, representing approximately 90% of the total number of Offer Shares initially available under the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

The Placing will include selective marketing of Offer Shares to professional, institutional, corporate and/or other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the “book-building” process described in the paragraph headed “Pricing of the Share Offer” in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit, of our Company and our Shareholders as a whole.

The Joint Bookrunners (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application of Offer Shares under the Public Offer.

PRICING OF THE SHARE OFFER

The Placing Underwriters will be soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective professional, institutional corporate and/or other investors will be required to specify the number of the Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

The Offer Price is expected to be determined by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or about Thursday, 9 January 2020 or such later time as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) and in any event will not be later than Wednesday, 15 January 2020. If for any reasons, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before Wednesday, 15 January 2020, the Share Offer will not proceed and will lapse. The number of Offer Shares to be allocated under the two offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$0.54 per Offer Share and is expected to be not less than HK\$0.50 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

The Joint Bookrunners (on behalf of the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional corporate and/or other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares being offered under the Share Offer and/or

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

the indicative Offer Price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause there to be published on the website of the Stock Exchange at www.hkexnews.hk and the Company at www.wahwoalum.com, an announcement, or a supplemental prospectus (as appropriate), in connection with such reduction. Upon issue of such an announcement or supplemental prospectus (as appropriate), the revised number of Offer Shares and/or indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. **Applicants should have regard to the possibility that any announcement or supplemental prospectus (as appropriate) in connection with any such reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.** Such announcement or supplemental prospectus (as appropriate) will also include confirmation or revision, as appropriate, of the working capital statement, the use of proceeds and the Share Offer statistics as currently set out in this prospectus and any other financial information which may change as a result of such reduction. If the number of Offer Shares and/or the indicative Offer Price range is so reduced, applicant(s) who have already submitted an application may or may not (depending on the information contained in the announcement or supplemental prospectus (as appropriate)) be notified that they are required to confirm their applications. All applicant(s) who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement or supplemental prospectus (as appropriate) and all unconfirmed applications will not be valid. In the absence of any such notice or supplemental prospectus (as appropriate) published in relation to the reduction in the Offer Price, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The net proceeds of the Share Offer accruing to our Company (after deduction of underwriting fees, brokerage, SFC transaction levy, the Stock Exchange trading fees and estimated expenses payable by our Company in relation to the Share Offer) are estimated to be approximately HK\$87.0 million, assuming an Offer Price per Offer Share of HK\$0.52, being the mid-point of the indicative Offer Price range.

The final Offer Price, the indications of interest in the Share Offer, the results of applications and the basis of allotment of Public Offer Shares available under the Public Offer, are expected to be announced on Thursday, 16 January 2020, in the manner set out in the paragraph “How to apply for Public Offer Shares — Publication of results” of this prospectus.

DEALING

Dealing in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 17 January 2020.

The Shares will be traded in board lots of 5,000 Shares each.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk or by IPO App; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Bookrunners (on behalf of the Underwriters), the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Share on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and not a United States Person (as defined in Regulation S under the Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If an application is made by a person under a power of attorney, the Joint Bookrunners may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries; an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk or the IPO App.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Tuesday, 31 December 2019 until 12:00 noon on Tuesday, 7 January 2020:

- (i) any of the following offices of the following Public Offer Underwriters:

<u>Underwriters</u>	<u>Address</u>
First Shanghai Securities Limited	19/F, Wing On House 71 Des Voeux Road Central Central, Hong Kong
Guotai Junan Securities (Hong Kong) Limited	27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Shanxi Securities International Limited	Unit A, 29/F, Admiralty Center Tower 1 18 Harcourt Road, Admiralty Hong Kong
Essence International Securities (Hong Kong) Limited	39/F., One Exchange Square Central, Hong Kong
Astrum Capital Management Limited	Room 2704, 27/F, Tower 1 Admiralty Centre, 18 Harcourt Road, Admiralty Hong Kong

- (ii) any of the following branches of Bank of China (Hong Kong) Limited:

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	409 Hennessy Road Branch	409-415 Hennessy Road Wan Chai, Hong Kong
Kowloon	Tsim Sha Tsui East Branch	Shop 3, LG/F, Hilton Towers 96 Granville Road, Tsim Sha Tsui East, Kowloon
New Territories	Kwai Cheong Road Branch	40 Kwai Cheong Road Kwai Chung, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 31 December 2019 until 12:00 noon on Tuesday, 7 January 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — WAH WO HOLDINGS PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- 9:00 a.m. to 5:00 p.m. on Tuesday, 31 December 2019
- 9:00 a.m. to 5:00 p.m. on Thursday, 2 January 2020
- 9:00 a.m. to 5:00 p.m. on Friday, 3 January 2020
- 9:00 a.m. to 1:00 p.m. on Saturday, 4 January 2020
- 9:00 a.m. to 5:00 p.m. on Monday, 6 January 2020
- 9:00 a.m. to 12:00 noon on Tuesday, 7 January 2020

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 7 January 2020, the last application day or such later time as described in the paragraph headed "Effect of bad weather and/or extreme conditions on the opening of the applications lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Forms carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) **undertake** to execute all relevant documents and instruct and authorise the Company and/or the Joint Bookrunners (or their respective agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) **agree** to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

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- (iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) **confirm** that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) **agree** that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) **undertake** and **confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) **agree** to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of our Company, the Joint Bookrunners, the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) **agree** that your application will be governed by the laws of Hong Kong;
- (xii) **represent, warrant** and **undertake** that (i) you understand that the Public Offer Shares have not been and will not be registered under the Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) **warrant** that the information you have provided is true and accurate;
- (xiv) **agree** to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

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- (xv) **authorise** our Company to place your name(s) or the name of the HKSCC Nominee, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) **understand** that our Company, our Directors, the Sole Sponsor and the Joint Bookrunners (on behalf of the Underwriters) will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk or by the IPO App.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk or in the IPO App (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 31 December 2019 until 11:30 a.m. on Tuesday, 7 January 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 7 January 2020 or such later time under the paragraph headed “Effect of bad weather and/or extreme conditions on the opening of the applications lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

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6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

YOU can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Bookrunners and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

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(ii) HKSCC Nominees will do the following things on your behalf:

- **agree** that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- **agree** to accept the Public Offer Shares applied for or any lesser number allocated;
- **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
- if the **electronic application instructions** are given for your benefit, declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- **confirm** that you understand that our Company, our Directors, the Sole Sponsor and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- **authorise** our Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificates(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

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- **agree** that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- **agree** to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving banks, the Sole Sponsor, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents;
- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;

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- **agree** with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- **agree** that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 5,000 Public Offer Shares. Instructions for more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- 9:00 a.m. to 8:30 p.m. on Tuesday, 31 December 2019
- 8:00 a.m. to 8:30 p.m. on Thursday, 2 January 2020
- 8:00 a.m. to 8:30 p.m. on Friday, 3 January 2020
- 8:00 a.m. to 1:00 p.m. on Saturday, 4 January 2020
- 8:00 a.m. to 8:30 p.m. on Monday, 6 January 2020
- 8:00 a.m. to 12:00 noon on Tuesday, 7 January 2020

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 31 December 2019 until 12:00 noon on Tuesday, 7 January 2020 (24 hours daily, except on 7 January 2020, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 7 January 2020, the last application day or such later time as described in the paragraph headed “Effect of bad weather and/or extreme conditions on the opening of the application lists” in this section.

Note:

- (1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS clearing/custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit.

Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

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Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bankers, the Sole Sponsor, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 7 January 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or

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- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 5,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk or in the IPO App.

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If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer — Pricing of the Share Offer” of this prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- an announcement of “extreme conditions” by the Hong Kong Government in accordance with the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Hong Kong Labour Department in June 2019; and/or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 7 January 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 7 January 2020 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or extreme conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” of this prospectus, announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 16 January 2020 on the Company’s website at www.wahwoalum.com and the website of the Stock Exchange at www.hkexnews.hk.

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The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at www.wahwoalum.com and the Stock Exchange's website at www.hkexnews.hk by no later than 8:30 a.m. on Thursday, 16 January 2020;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result (or www.hkeipo.hk/IPOResult/) or "Allotment Result" function in the IPO App with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 16 January 2020 to 12:00 midnight on Wednesday, 22 January 2020;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 16 January 2020 to Tuesday, 21 January 2020 (excluding Saturday, Sunday and public holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 16 January 2020 to Monday, 20 January 2020 at all the receiving bank's designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Share Offer" of this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form Service Provider**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists

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(excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;

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- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.hkeipo.hk or in the IPO App;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 12,500,000 Public Offer Shares i.e. more than 50% of the Public Offer Shares initially available for subscription under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if Offer Price as finally determined is less than the maximum offer price of HK\$0.54 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with “Structure and Conditions of the Share Offer — Conditions of the Public Offer” of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 16 January 2020.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

HOW TO APPLY FOR PUBLIC OFFER SHARES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 16 January 2020. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 17 January 2020 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” of this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 16 January 2020 or such other date as notified by us.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 16 January 2020, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 16 January 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 16 January 2020, or upon contingency on any other date determined by HKSCC or HKSCC Nominees.

If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

If you are applying as a CCASS investor participant

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 16 January 2020 or any other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in person, from 9:00 a.m. to 1:00 p.m. on Thursday, 16 January 2020, or such other date as notified by us as the date of despatch/collection of Share certificates, e-Auto Refund payment instructions and/or refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 16 January 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 16 January 2020, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in “Publication of Results” above on Thursday, 16 January 2020. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 16 January 2020 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, 16 January 2020. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 16 January 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Reporting Accountants, Ernst & Young, Certified Public Accountants.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Wah Wo Holdings Group Limited
First Shanghai Capital Limited

Dear Sirs,

We report on the historical financial information of Wah Wo Holdings Group Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-53, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 March 2017, 2018 and 2019, and the four months ended 31 July 2019 (the “**Relevant Periods**”), and the consolidated statements of financial position of the Group as at 31 March 2017, 2018 and 2019 and 31 July 2019 and the statements of financial position of the Company as at 31 March 2019 and 31 July 2019 and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-53 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 December 2019 (the “**Prospectus**”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 March 2017, 2018 and 2019 and 31 July 2019 and of the Company as at 31 March 2019 and 31 July 2019 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the four months ended 31 July 2018 and other explanatory information (the "**Interim Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to

believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by subsidiaries of the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

31 December 2019

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “**Underlying Financial Statements**”).

The Historical Financial Information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Years ended 31 March			Four months ended 31 July	
		2017	2018	2019	2018	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(Unaudited)
REVENUE	5	153,779	216,261	232,957	84,167	90,699
Cost of sales	7	(116,204)	(175,432)	(177,070)	(64,925)	(68,974)
Gross profit		37,575	40,829	55,887	19,242	21,725
Other income and gains	5	2	253	460	1	181
Administrative expenses		(5,218)	(5,857)	(15,762)	(7,476)	(4,934)
Other expenses, net		(713)	(2,580)	608	409	299
Finance costs	6	(74)	(190)	(163)	(57)	(49)
PROFIT BEFORE TAX	7	31,572	32,455	41,030	12,119	17,222
Income tax expense	10	(5,174)	(5,281)	(7,820)	(2,625)	(3,023)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		26,398	27,174	33,210	9,494	14,199

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 March			As at 31 July
		2017	2018	2019	2019
		<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
NON-CURRENT ASSETS					
Property, plant and equipment	13	272	860	1,097	1,001
Right-of-use assets	14	791	600	221	95
Prepayments and a deposit	17	–	192	–	–
Deferred tax asset	24	154	87	–	–
Total non-current assets		1,217	1,739	1,318	1,096
CURRENT ASSETS					
Contract assets	15	42,920	33,561	70,652	72,155
Trade receivables	16	5,835	33,938	20,118	30,568
Prepayments, deposits and other receivables	17	2,511	4,896	6,087	10,040
Due from a director	18	14,856	13,577	5,864	5,736
Pledged deposits	19	–	–	9,880	9,880
Cash and cash equivalents	19	16,156	15,342	25,155	38,476
Total current assets		82,278	101,314	137,756	166,855
CURRENT LIABILITIES					
Contract liabilities	15	1,724	–	1,247	1,247
Trade and retention payables	20	10,545	7,487	13,255	23,948
Other payables and accruals	21	1,546	1,731	1,863	2,140
Interest-bearing bank borrowings	22	7,125	6,501	5,864	5,648
Lease liabilities	14	160	395	236	102
Tax payable		3,345	301	2,297	5,283
Provisions for rectification works	23	4,355	5,167	7,778	8,813
Total current liabilities		28,800	21,582	32,540	47,181
NET CURRENT ASSETS		53,478	79,732	105,216	119,674
TOTAL ASSETS LESS CURRENT LIABILITIES		54,695	81,471	106,534	120,770
NON-CURRENT LIABILITIES					
Lease liabilities	14	634	236	–	–
Deferred tax liability	24	–	–	36	73
Total non-current liabilities		634	236	36	73
Net assets		54,061	81,235	106,498	120,697
EQUITY					
Equity attributable to owner of the parent					
Issued capital	25	–	–	–	–
Reserves	26	54,061	81,235	106,498	120,697
Total equity		54,061	81,235	106,498	120,697

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Note	Attributable to owner of the parent			
	Share capital	Merger reserve	Retained profits	Total
	HK\$'000	HK\$'000 (note 26(b))	HK\$'000	HK\$'000
At 1 April 2016	–	20	27,643	27,663
Profit and total comprehensive income for the year	–	–	26,398	26,398
At 31 March 2017 and at 1 April 2017	–	20*	54,041*	54,061
Profit and total comprehensive income for the year	–	–	27,174	27,174
At 31 March 2018 and at 1 April 2018	–	20*	81,215*	81,235
Profit and total comprehensive income for the year	–	–	33,210	33,210
Dividends paid by subsidiaries to the then shareholder	11	–	(7,947)	(7,947)
At 31 March 2019 and at 1 April 2019	–	20*	106,478*	106,498
Profit and total comprehensive income for the period	–	–	14,199	14,199
At 31 July 2019	–	20*	120,677*	120,697
(Unaudited)				
At 1 April 2018	–	20	81,215	81,235
Profit and total comprehensive income for the period	–	–	9,494	9,494
At 31 July 2018	–	20	90,709	90,729

* These reserve accounts comprise the consolidated reserves of HK\$54,061,000, HK\$81,235,000, HK\$106,498,000 and HK\$120,697,000 in the consolidated statements of financial position as at 31 March 2017, 2018 and 2019 and 31 July 2019, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Notes	Years ended 31 March			Four months ended 31 July	
	2017	2018	2019	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	31,572	32,455	41,030	12,119	17,222
Adjustments for:					
Finance costs	6	74	190	57	49
Bank interest income	5	(2)	(75)	(1)	(181)
Gain on disposal of items of property, plant and equipment	5	–	(150)	–	–
Gain on disposal of a subsidiary	5	–	(16)	–	–
Gain on lease termination	5	–	(12)	–	–
Depreciation of property, plant and equipment	7	238	314	93	109
Depreciation of right-of-use assets	7	175	310	127	126
Net provision for rectification works	7	4,672	1,159	1,340	1,259
Impairment of contract assets, net	7	530	922	(334)	(280)
Impairment of trade receivables, net	7	183	1,658	(75)	(19)
		37,442	36,755	44,633	13,326
Decrease/(increase) in contract assets		(21,065)	8,437	(36,926)	(8,361)
Decrease/(increase) in trade receivables		1,996	(29,761)	14,263	(11,527)
Decrease/(increase) in prepayments, deposits and other receivables		847	(2,611)	(999)	(1,507)
Increase/(decrease) in contract liabilities		1,724	(1,724)	1,247	–
Increase/(decrease) in trade and retention payables		4,039	(3,058)	5,768	17,748
Increase in other payables and accruals		21	257	132	247
Utilisation of provision for rectification works		(4,147)	(347)	(878)	(329)
Cash generated from operations		20,857	7,948	27,240	9,597
Hong Kong profits tax paid		(747)	(8,258)	(5,701)	–
Net cash flows from/(used in) operating activities		20,110	(310)	21,539	9,597

Notes	Years ended 31 March			Four months ended 31 July		
	2017	2018	2019	2018	2019	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
				<i>(Unaudited)</i>		
CASH FLOWS FROM INVESTING ACTIVITIES						
		2	75	154	1	181
	13	(110)	(902)	(586)	(60)	(13)
		–	150	15	–	–
		–	–	(9,880)	–	–
		(8,807)	1,279	(234)	126	128
	28(a)	–	(22)	–	–	–
		(8,915)	580	(10,531)	67	296
CASH FLOWS FROM FINANCING ACTIVITIES						
		(74)	(190)	(163)	(57)	(49)
	28(c)	(322)	(624)	(637)	(211)	(216)
	28(c)	(172)	(270)	(395)	(131)	(134)
		(568)	(1,084)	(1,195)	(399)	(399)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS						
		10,627	(814)	9,813	9,265	13,321
		5,529	16,156	15,342	15,342	25,155
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD						
		<u>16,156</u>	<u>15,342</u>	<u>25,155</u>	<u>24,607</u>	<u>38,476</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
		16,156	15,342	5,155	24,607	38,476
		–	–	20,000	–	–
	19	<u>16,156</u>	<u>15,342</u>	<u>25,155</u>	<u>24,607</u>	<u>38,476</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 March 2019 <i>HK\$'000</i>	As at 31 July 2019 <i>HK\$'000</i>
NON-CURRENT ASSET			
Investment in a subsidiary		–	–
CURRENT ASSETS			
Prepayments		1,637	2,342
CURRENT LIABILITIES			
Due to a subsidiary	29(d)	9,109	12,280
Other payable		25	–
Total current liabilities		9,134	12,280
NET CURRENT LIABILITIES			
Net liabilities		(7,497)	(9,938)
DEFICIENCY IN ASSETS			
Issued capital	25	–	–
Accumulated losses	26	(7,497)	(9,938)
Deficiency in assets		(7,497)	(9,938)

II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 01-02, 20/F, Millennium Trade Centre, No. 56 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company. During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the provision of aluminium works related services. There has been no significant change in the Group’s principal activities during the Relevant Periods.

The Company and its subsidiaries now comprising the Group underwent a group reorganisation (the “Reorganisation”) as set out in the paragraphs headed “Reorganisation” in the section headed “History, Reorganisation and Group Structure” in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

In the opinion of the directors, the holding company of the Company is Ornate Bright Limited, a company incorporated in the British Virgin Islands (“BVI”).

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantively similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sino Keen Limited <i>(note (a))</i>	BVI 18 April 2018	US\$2	100	–	Investment holding
Wah Wo Aluminium Work Company Limited <i>(note (b))</i>	Hong Kong 2 April 2012	HK\$10,000	–	100	Provision of aluminium works related services
Wah Kee (R&M) Limited <i>(note (b))</i>	Hong Kong 15 May 2007	HK\$10,000	–	100	Provision of aluminium works related services

Notes:

- (a) No statutory financial statements have been prepared for this entity since the date of incorporation as this entity is not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.
- (b) The statutory financial statements of these entities for the years ended 31 March 2017, 2018 and 2019 prepared under Hong Kong Financial Reporting Standards (“HKFRSs”) were audited by Nortex (HK) CPA Limited, certified public accountants registered in Hong Kong.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraphs headed “Reorganisation” in the section headed “History, Reorganisation and Group Structure” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 3 August 2018. The companies now comprising the Group were under the common control of Mr. Chen Yuet Wa (the “**Controlling Shareholder**”) before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods and the four months ended 31 July 2018 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2017, 2018 and 2019 and 31 July 2019 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholder’s perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 April 2019, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 3	<i>Definition of a Business</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's results and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms
Office equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each of the financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Financial assets***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement of financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and retention payable, other payables and accruals, interest-bearing bank borrowings and lease liabilities.

Subsequent measurement of loans and borrowings

After initial recognition, interest-bearing borrowings and lease liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

The Group provides for rectification work in relation to the provision of construction services for general repairs of defects occurring during the defect liability period. Provision for rectification work is recognised based on past experience of the level of work carried out for rectification, discounted to its present value as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries/jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Construction services

Revenue from the provision of construction services is recognised over time, using an output method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The output method recognises revenue by reference to completion of specific transaction assessed on basis of the work certified up to the end of the reporting period as a percentage of total contract value for each contract.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Employee benefits***Pension schemes***

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of a Group's subsidiary which operated in Mainland China were required to participate in a central pension scheme operated by the local municipal government. This subsidiary was required to contribute a percentage of its payroll costs to the central pension scheme. The contributions were charged to profit or loss as they became payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

This Historical Financial Information is presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of an overseas subsidiary is a currency other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of this entity are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and its profit or loss is translated into Hong Kong dollars at the weighted average exchange rate for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiary are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiary which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rate for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Revenue from contracts with customers

The Group has primary responsibility for fulfilment of the contract, quality and warranty of the overall work and has discretion in selecting subcontractors and determining the pricing for subcontractors. Thus, the Group is acting as the principal and recognises revenue on a gross basis. The determination of the progress of the construction service involves judgements. The Group recognises revenue based on progress confirmation from customers. The confirmation reflects the progress towards complete satisfaction of the performance obligation, which is measured based on direct measurements of the value of units delivered or surveys of work performed. The customers will provide final statement when the whole project is completed and may have adjustments on accumulated confirmation according to the actual engineering quantity till the day of completion. In addition, when determining the transaction price, the Group considers factors such as whether there is any financing component. The Group considers whether the payment schedule is commensurate with the Group's performance and whether the delayed payment is for finance purposes. The Group has, therefore, recognised revenue on progress confirmation over the period during which the service is rendered and transferred to customers.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the construction sector, the historical default rates are adjusted. At the end of each of the Relevant Periods, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future. The information about the ECLs on the Group's contract assets and trade receivables is disclosed in notes 15 and 16, respectively, to the Historical Financial Information.

Provision for rectification works

Significant estimates are involved in the determination of provisions related to rectification works. Accordingly, management exercises considerable judgement in determining whether there is a present obligation as a result of a past event at the reporting date, whether it is more likely than not that such warranty services and rectification works will result in an outflow of resources and whether the amount of the obligation can be reliably estimated with reference to the relevant correspondences and contracts with customers. Management estimates the cost for rectification works with regard to the Group's experience in addressing such matters. As at 31 March 2017, 2018 and 2019 and 31 July 2019, the Group recognised provisions related to warranty costs and rectification work amounting to HK\$4,355,000, HK\$5,167,000, HK\$7,778,000 and HK\$8,813,000, respectively (note 23).

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of aluminium works related services.

Information reported to the Group's chief operating decision maker for the purpose of resource allocation and performance assessment is focused on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information*(a) Revenue from external customers*

All of the Group's revenues from external customers during the Relevant Periods and the four months ended 31 July 2018 were attributed to Hong Kong based on the location of the services provided.

(b) Non-current assets

All of the Group's non-current assets as at the end of each of the Relevant Periods were located in Hong Kong based on the locations of the assets.

Information about major customers

Revenue from external customers contributing to 10% or more of the total revenue of the Group is as follows:

	Years ended 31 March			Four months ended 31 July	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Customer A	70,960	*	26,105	*	*
Customer B	47,316	*	*	*	*
Customer C	18,889	35,246	157,043	61,901	55,829
Customer D	*	130,915	26,480	19,005	*
Customer E	*	*	*	*	15,833

* Nil or less than 10% of revenue

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Years ended 31 March			Four months ended 31 July	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Revenue from contracts with customers	153,779	216,261	232,957	84,167	90,699

Revenue from contracts with customers

(i) Disaggregated revenue information

Type of construction services provided	Years ended 31 March			Four months ended 31 July	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Residential	126,935	171,132	196,990	64,079	69,531
Non-residential	26,844	45,129	35,967	20,088	21,168
Total revenue from contracts with customers	153,779	216,261	232,957	84,167	90,699

Timing of revenue recognition	Years ended 31 March			Four months ended 31 July	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Services transferred over time	153,779	216,261	232,957	84,167	90,699

The following table shows the amount of revenue recognised in each of the Relevant Periods and the four months ended 31 July 2018 that was included in the contract liabilities at the beginning of the reporting period:

Revenue recognised that was included in contract liabilities at the beginning of the reporting period	Years ended 31 March			Four months ended 31 July	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Construction services	-	1,724	-	-	-

(ii) Performance obligation

Information about the Group's performance obligation is summarised below:

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of issuance of the payment certificate. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Unsatisfied performance obligations related to construction contracts:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Expected to be recognised:				
Within one year	183,656	128,607	223,009	305,465
After one year	43,706	147,423	66,379	180,000
	<u>227,362</u>	<u>276,030</u>	<u>289,388</u>	<u>485,465</u>

The remaining performance obligations expected to be recognised after one year relate to construction services that are to be satisfied within three years. All other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

Notes	Years ended 31 March			Four months ended 31 July	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Other income and gains					
Bank interest income	2	75	154	1	181
Gain on disposal of items of property, plant and equipment	–	150	15	–	–
Gain on disposal of a subsidiary	28(a)	16	–	–	–
Gain on lease termination	14	12	–	–	–
Others	–	–	291	–	–
	<u>2</u>	<u>253</u>	<u>460</u>	<u>1</u>	<u>181</u>

6. FINANCE COSTS

	Years ended 31 March			Four months ended 31 July	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowings	66	159	150	51	47
Interest on lease liabilities	8	31	13	6	2
	<u>74</u>	<u>190</u>	<u>163</u>	<u>57</u>	<u>49</u>

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Years ended 31 March			Four months ended 31 July	
		2017	2018	2019	2018	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					<i>(Unaudited)</i>	
Contract costs		116,204	175,432	177,070	64,925	68,974
Auditor's remuneration		80	100	183	33	33
Depreciation of property, plant and equipment	13	238	314	349	93	109
Depreciation of right-of-use assets	14	175	310	379	127	126
Employee benefit expense (including directors' remuneration (<i>note 8</i>))*:						
Wages, salaries and bonuses		14,918	15,091	24,007	6,847	7,439
Pension scheme contributions		613	626	928	255	284
		<u>15,531</u>	<u>15,717</u>	<u>24,935</u>	<u>7,102</u>	<u>7,723</u>
Impairment of contract assets, net [#]	15	530	922	(165)	(334)	(280)
Impairment of trade receivables, net [#]	16	183	1,658	(443)	(75)	(19)
Net provision for rectification works*	23	4,672	1,159	3,489	1,340	1,259
Gain on disposal of items of property, plant and equipment		–	(150)	(15)	–	–
Gain on disposal of a subsidiary	28(a)	–	(16)	–	–	–
Gain on lease termination		–	(12)	–	–	–
		<u>–</u>	<u>(178)</u>	<u>(180)</u>	<u>–</u>	<u>–</u>

* For the years ended 31 March 2017, 2018 and 2019, and the four months ended 31 July 2018 and 2019, wages, salaries and bonuses of HK\$13,239,000, HK\$13,096,000, HK\$20,527,000, HK\$5,850,000 (unaudited) and HK\$6,435,000, pension scheme contributions of HK\$548,000, HK\$560,000, HK\$814,000, HK\$221,000 (unaudited) and HK\$248,000 and net provision for rectification works of HK\$4,672,000, HK\$1,159,000, HK\$3,489,000, HK\$1,340,000 (unaudited) and HK\$1,259,000 respectively, are included in contract costs disclosed above.

[#] Included in "Other expenses, net" in the consolidated statements of profit or loss and other comprehensive income.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Craig Taylor Fulton was the first director of the Company on 18 May 2018 and he resigned on the same day.

Mr. Chan Fai and Mr. Chen Yuet Wa were appointed as executive directors of the Company on 18 May 2018. Mr. Chen Zhenchuan was appointed as an executive director of the Company on 18 May 2018 and resigned on 20 September 2018.

Mr. Chow Chi Fai, Mr. Chan Hon Ki and Mr. Yu Chi Wing were appointed as independent non-executive directors of the Company on 12 December 2019, and Mr. Chen Yuet Wa was also appointed as the chief executive of the Company on 18 May 2018.

Certain directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries or their capacity as employees of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	<u>Fees</u>	<u>Salaries and bonuses</u>	<u>Pension scheme contributions</u>	<u>Total remuneration</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2017				
Executive directors:				
Mr. Chan Fai	–	652	18	670
Mr. Chen Yuet Wa	–	612	18	630
Mr. Chen Zhenchuan	–	470	18	488
	–	1,734	54	1,788
Year ended 31 March 2018				
Executive directors:				
Mr. Chan Fai	–	650	18	668
Mr. Chen Yuet Wa	–	600	18	618
Mr. Chen Zhenchuan	–	430	18	448
	–	1,680	54	1,734
Year ended 31 March 2019				
Executive directors:				
Mr. Chan Fai	–	768	18	786
Mr. Chen Yuet Wa	–	706	18	724
Mr. Chen Zhenchuan	–	468	18	486
	–	1,942	54	1,996
Four months ended 31 July 2018 (unaudited)				
Executive directors:				
Mr. Chan Fai	–	206	6	212
Mr. Chen Yuet Wa	–	202	6	208
Mr. Chen Zhenchuan	–	144	6	150
	–	552	18	570
Four months ended 31 July 2019				
Executive directors:				
Mr. Chan Fai	–	212	6	218
Mr. Chen Yuet Wa	–	212	6	218
Mr. Chen Zhenchuan	–	148	6	154
	–	572	18	590

During the Relevant Periods and the four months ended 31 July 2018, no remuneration was paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

There was no arrangement under which a director or a chief executive waived or agreed to waive any remuneration during the Relevant Periods and the four months ended 31 July 2018.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 March 2017, 2018 and 2019, and the four months ended 31 July 2018 and 2019 included 2, 2, 1, 1 (unaudited) and Nil directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the Relevant Periods and the four months ended 31 July 2018 of the remaining highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Years ended 31 March			Four months ended 31 July	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries and bonuses	1,615	1,997	3,178	961	1,134
Pension scheme contributions	47	41	67	27	30
	<u>1,662</u>	<u>2,038</u>	<u>3,245</u>	<u>988</u>	<u>1,164</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees				
	Years ended 31 March			Four months ended 31 July	
	2017	2018	2019	2018	2019
Nil to HK\$1,000,000	3	3	4	4	5 [#]

[#] The fifth highest paid employee and 2 directors received the same amount of remuneration during the four months ended 31 July 2019.

10. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods and the four months ended 31 July 2018.

Commencing from the year ended 31 March 2019, the assessable profits of a Hong Kong-incorporated subsidiary (as elected by directors) are subject to the two-tier profit tax rate regime, which was effective on 28 March 2019 that the first HK\$2 million will be taxed at 8.25%, and the assessable profits above HK\$2 million will be taxed at 16.5%.

The Group had a subsidiary established in Mainland China which was subject to PRC corporate income tax at a standard rate of 25% during the years ended 31 March 2017 and 2018.

	Years ended 31 March			Four months ended 31 July	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Current – Hong Kong					
Charge for the year/period	5,309	5,214	7,697	2,562	2,986
Deferred (<i>note 24</i>)	(135)	67	123	63	37
Total tax charge for the year/period	<u>5,174</u>	<u>5,281</u>	<u>7,820</u>	<u>2,625</u>	<u>3,023</u>

A reconciliation of the tax expense applicable to profit before tax at the Hong Kong statutory tax rate to the tax charge at the Group's effective tax rate is as follows:

	Years ended 31 March			Four months ended 31 July	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Profit before tax	<u>31,572</u>	<u>32,455</u>	<u>41,030</u>	<u>12,119</u>	<u>17,222</u>
Tax at statutory tax rate of 16.5%	5,209	5,355	6,770	2,000	2,842
Tax effect of the two-tiered profits tax rates regime	–	–	(165)	(165)	(165)
Different tax rates for a subsidiary in the PRC	(2)	–	–	–	–
Income not subject to tax	–	(15)	(21)	–	(17)
Expenses not deductible for tax	4	2	1,285	834	403
Tax losses not recognised	5	–	–	–	–
Tax losses utilised	–	(1)	–	–	–
Others	(42)	(60)	(49)	(44)	(40)
Tax charged as the Group's effective tax rate	<u>5,174</u>	<u>5,281</u>	<u>7,820</u>	<u>2,625</u>	<u>3,023</u>

11. DIVIDENDS

On 28 March 2019, subsidiaries of the Company declared interim dividends in total of HK\$7,947,000 for the year ended 31 March 2019 to the then shareholder.

No dividend has been paid or declared by the Company since its incorporation.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDER OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of presentation of the results of the Group for the Relevant Periods and the four months ended 31 July 2018 as disclosed in note 2.1 to the Historical Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Office equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
31 March 2017				
At 1 April 2016:				
Cost	–	290	852	1,142
Accumulated depreciation	–	(163)	(579)	(742)
Net carrying amount	–	127	273	400
At 1 April 2016, net of accumulated depreciation	–	127	273	400
Additions	–	110	–	110
Depreciation provided during the year	–	(68)	(170)	(238)
At 31 March 2017, net of accumulated depreciation	–	169	103	272
At 31 March 2017:				
Cost	–	400	852	1,252
Accumulated depreciation	–	(231)	(749)	(980)
Net carrying amount	–	169	103	272
31 March 2018				
At 31 March 2017 and at 1 April 2017:				
Cost	–	400	852	1,252
Accumulated depreciation	–	(231)	(749)	(980)
Net carrying amount	–	169	103	272
At 1 April 2017, net of accumulated depreciation	–	169	103	272
Additions	138	764	–	902
Depreciation provided during the year	(28)	(213)	(73)	(314)
At 31 March 2018, net of accumulated depreciation	110	720	30	860
At 31 March 2018:				
Cost	138	1,164	364	1,666
Accumulated depreciation	(28)	(444)	(334)	(806)
Net carrying amount	110	720	30	860

	Leasehold improvements	Office equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
31 March 2019				
At 31 March 2018 and at 1 April 2018:				
Cost	138	1,164	364	1,666
Accumulated depreciation	(28)	(444)	(334)	(806)
Net carrying amount	<u>110</u>	<u>720</u>	<u>30</u>	<u>860</u>
At 1 April 2018, net of accumulated depreciation				
	110	720	30	860
Additions	–	96	490	586
Depreciation provided during the year	(28)	(226)	(95)	(349)
At 31 March 2019, net of accumulated depreciation	<u>82</u>	<u>590</u>	<u>425</u>	<u>1,097</u>
At 31 March 2019:				
Cost	138	1,260	724	2,122
Accumulated depreciation	(56)	(670)	(299)	(1,025)
Net carrying amount	<u>82</u>	<u>590</u>	<u>425</u>	<u>1,097</u>
31 July 2019				
At 31 March 2019 and at 1 April 2019:				
Cost	138	1,260	724	2,122
Accumulated depreciation	(56)	(670)	(299)	(1,025)
Net carrying amount	<u>82</u>	<u>590</u>	<u>425</u>	<u>1,097</u>
At 1 April 2019, net of accumulated depreciation				
	82	590	425	1,097
Additions	–	13	–	13
Depreciation provided during the period	(9)	(67)	(33)	(109)
At 31 July 2019, net of accumulated depreciation	<u>73</u>	<u>536</u>	<u>392</u>	<u>1,001</u>
At 31 July 2019:				
Cost	138	1,273	724	2,135
Accumulated depreciation	(65)	(737)	(332)	(1,134)
Net carrying amount	<u>73</u>	<u>536</u>	<u>392</u>	<u>1,001</u>

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Right-of-use assets				
Leased properties	791	600	221	95
Lease liabilities				
Current portion	160	395	236	102
Non-current portion	634	236	–	–
At end of the year/period	794	631	236	102

The movements in right-of-use assets and lease liabilities during the Relevant Periods are as follows:

Right-of-use assets – leased properties

The Group leases its premises for offices from Ms. Wong Chun Siu, the spouse of the Controlling Shareholder, and a third party. The leases are negotiated for terms ranging from two to five years.

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of year/period	134	791	600	221
Additions	832	757	–	–
Depreciation charge during the year/period	(175)	(310)	(379)	(126)
Lease termination	–	(638)	–	–
At end of year/period	791	600	221	95

The Group leased a property from Ms. Wong Chun Siu, the spouse of the Controlling Shareholder, with a carrying amount of right-of-use asset of HK\$791,000 as at 31 March 2017. The depreciation relevant to the leased property from Ms. Wong Chun Siu for the years ended 31 March 2017 and 2018 was HK\$175,000 and HK\$152,000, respectively. The lease agreement was early terminated on 28 February 2018.

Lease liabilities

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of year/period	134	794	631	236
Additions	832	757	–	–
Interest expense during the year/period	8	31	13	2
Payments during the year/period	(180)	(301)	(408)	(136)
Lease termination	–	(650)	–	–
At end of year/period	794	631	236	102

The lease liability payable to Ms. Wong Chun Siu, the spouse of the Controlling Shareholder, as at 31 March 2017 was HK\$794,000. The relevant imputed interest is disclosed in note 29 to the Historical Financial Information.

15. CONTRACT ASSETS/(LIABILITIES)

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contract assets				
– Unbilled revenue	33,070	16,145	53,046	49,303
– Retention receivables	10,406	17,973	17,988	22,954
	43,476	34,118	71,034	72,257
Impairment	(556)	(557)	(382)	(102)
	42,920	33,561	70,652	72,155
Contract liabilities	(1,724)	–	(1,247)	(1,247)

Movements in gross carrying amounts of contract assets:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the year/period	22,411	43,476	34,118	71,034
Addition in contract assets	39,209	27,644	62,142	54,275
Transfer to trade receivables	(18,144)	(36,081)	(25,216)	(53,052)
Write-off of contract assets	–	(921)	(10)	–
At end of the year/period	43,476	34,118	71,034	72,257

Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the quality and quantity check by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

Retention receivables included in contract assets represent the Group's right to consideration for work performed but not yet collectible because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.

The increase/decrease in contract assets as at 31 March 2017, 2018 and 2019 and 31 July 2019 was the result of the increase/decrease in the provision of construction services near the end of the year/period.

The Group's trading terms and credit policy with customers are disclosed in note 16 to the Historical Financial Information.

The expected timing of recovery or settlement for contract assets is as follows:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	39,045	24,546	59,830	57,441
After one year	3,875	9,015	10,822	14,714
	<u>42,920</u>	<u>33,561</u>	<u>70,652</u>	<u>72,155</u>

The movements in loss allowance for impairment of contract assets are as follows:

	Note	As at 31 March			As at 31 July
		2017	2018	2019	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year/period		26	556	557	382
Impairment losses, net	7	530	922	(165)	(280)
Amount written off as uncollectible		—	(921)	(10)	—
At end of year/period		<u>556</u>	<u>557</u>	<u>382</u>	<u>102</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Expected credit loss rate	1.28%	1.63%	0.54%	0.14%
Gross carrying amount (<i>HK\$'000</i>)	43,476	34,118	71,034	72,257
Expected credit losses (<i>HK\$'000</i>)	<u>556</u>	<u>557</u>	<u>382</u>	<u>102</u>

Movements in contract liabilities:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year/period	—	1,724	—	1,247
Billings to/receipts from customers	1,724	—	1,247	—
Revenue recognised that was included in the contract liabilities balance at beginning of the year/period	—	(1,724)	—	—
At end of the year/period	<u>1,724</u>	<u>—</u>	<u>1,247</u>	<u>1,247</u>

The contract liabilities primarily relate to the Group's obligation to transfer services to customers for which the Group has received consideration from the customers.

16. TRADE RECEIVABLES

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	6,407	34,536	20,273	30,704
Impairment	(572)	(598)	(155)	(136)
	<u>5,835</u>	<u>33,938</u>	<u>20,118</u>	<u>30,568</u>

Trade receivables represented receivables for contract work. Management generally submits interim payment applications to customers on a monthly basis containing a statement setting out management's estimation of the valuation of the works completed in the preceding month. Upon receiving the interim payment application, the quantity surveyors of the customer will verify such valuation of works completed and issue an interim payment certificate within 30 days. Within 30 days after the issuance of the interim payment certificate, the customer will make payment to the Group based on the certified amount stipulated in such certificate, deducting any retention money in accordance with the contract.

Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the progress payment certificate date and net of loss allowance, is as follows:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	1,371	33,126	8,660	17,858
31 to 90 days	3,985	807	11,404	12,688
Over 90 days	479	5	54	22
	<u>5,835</u>	<u>33,938</u>	<u>20,118</u>	<u>30,568</u>

The movements in loss allowance for impairment of trade receivables are as follows:

	Note	As at 31 March			As at 31 July
		2017	2018	2019	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year/period		389	572	598	155
Impairment losses, net	7	183	1,658	(443)	(19)
Amount written off as uncollectible		–	(1,632)	–	–
At end of the year/period		<u>572</u>	<u>598</u>	<u>155</u>	<u>136</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than 120 days and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 March 2017

	Current	Past due			Total
		Less than 30 days	31 to 90 days	Over 90 days	
Expected credit loss rate	1.28%	1.67%	5.56%	50.75%	8.93%
Gross carrying amount (<i>HK\$'000</i>)	1,389	2,303	1,908	807	6,407
Expected credit loss (<i>HK\$'000</i>)	18	38	106	410	572

As at 31 March 2018

	Current	Past due			Total
		Less than 30 days	31 to 90 days	Over 90 days	
Expected credit loss rate	1.63%	3.63%	–	77.22%	1.73%
Gross carrying amount (<i>HK\$'000</i>)	33,674	837	–	25	34,536
Expected credit loss (<i>HK\$'000</i>)	549	30	–	19	598

As at 31 March 2019

	Current	Past due			Total
		Less than 30 days	31 to 90 days	Over 90 days	
Expected credit loss rate	0.54%	0.58%	1.32%	–	0.76%
Gross carrying amount (<i>HK\$'000</i>)	8,707	6,053	5,513	–	20,273
Expected credit loss (<i>HK\$'000</i>)	47	35	73	–	155

As at 31 July 2019

	Current	Past due			Total
		Less than 30 days	31 to 90 days	Over 90 days	
Expected credit loss rate	0.14%	0.51%	0.10%	100%	0.44%
Gross carrying amount (<i>HK\$'000</i>)	17,883	10,688	2,078	55	30,704
Expected credit loss (<i>HK\$'000</i>)	25	54	2	55	136

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	372	631	2,022	2,570
Deposits and other receivables	2,139	4,457	4,065	7,470
	2,511	5,088	6,087	10,040
Less: Portion classified as non-current assets	–	(192)	–	–
Portion classified as current assets	2,511	4,896	6,087	10,040

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to deposits and receivables for which there was no recent history of default.

The Group has applied the general approach to provide for expected credit losses for deposits and other receivables and considered the past event, current conditions and forecasts of future economic conditions in calculating the expected credit loss rate. As at 31 March 2017, 2018 and 2019 and 31 July 2019, the expected credit loss rate for deposits and other receivables was assessed to be minimal.

18. BALANCE WITH A DIRECTOR

The Group's balances with a director, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Amount due from a director

	Maximum amount outstanding during the year		Maximum amount outstanding during the year		Maximum amount outstanding during the year		Maximum amount outstanding during the period	
	As at 31 March 2017	As at 31 March 2018	As at 31 March 2018	As at 31 March 2019	As at 31 March 2019	As at 31 July 2019	As at 31 July 2019	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Mr. Chen Yuet Wa	16,874	14,856	17,143	13,577	14,436	5,864	5,866	5,736

The amount due from a director is non-trade in nature, unsecured, interest-free and repayable on demand.

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	As at 31 March			As at 31 July
		2017	2018	2019	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances		16,156	15,342	5,155	38,476
Time deposits		–	–	29,880	9,880
		16,156	15,342	35,035	48,356
Less:					
Time deposits pledged for banking facilities	22(a)	–	–	(9,880)	(9,880)
Cash and cash equivalents		16,156	15,342	25,155	38,476

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

20. TRADE AND RETENTION PAYABLES

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	8,438	6,422	13,255	23,948
Retention payables	2,107	1,065	–	–
	<u>10,545</u>	<u>7,487</u>	<u>13,255</u>	<u>23,948</u>

An ageing analysis of the trade and retention payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	7,530	2,640	11,686	22,555
31 to 90 days	260	2,918	1,371	505
Over 90 days	648	864	198	888
	<u>8,438</u>	<u>6,422</u>	<u>13,255</u>	<u>23,948</u>
Retention payables	2,107	1,065	–	–
	<u>10,545</u>	<u>7,487</u>	<u>13,255</u>	<u>23,948</u>

At 31 March 2017 and 2018, retention payables were expected to be settled within one year.

Trade and retention payables are non-interest-bearing. The payment terms of trade payables are stipulated in the relevant contracts with credit periods of 30 days in general.

21. OTHER PAYABLES AND ACCRUALS

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other payables	70	–	–	–
Accruals	1,476	1,731	1,863	2,140
	<u>1,546</u>	<u>1,731</u>	<u>1,863</u>	<u>2,140</u>

Other payables are non-interest-bearing and have an average term of three months.

22. INTEREST-BEARING BANK BORROWINGS

Interest-bearing bank borrowings of the Group are analysed as follows:

	As at 31 March 2017			As at 31 March 2018			As at 31 March 2019			As at 31 July 2019		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
	Current											
Bank loan - secured	Prime Rate ("PR")-1.75%	2022	1,596	PR-1.75%	2022	1,292	PR-1.75%	2022	978	PR-1.75%	2022	871
Bank loan - secured	Lower of Hong Kong Interbank Offer Rate ("HIBOR") +1.6% and PR-2.85%	2032	5,529	Lower of HIBOR +1.6% and PR-2.85%	2032	5,209	Lower of HIBOR +1.6% and PR-2.85%	2032	4,886	Lower of HIBOR +1.6% and PR-2.85%	2032	4,777
			7,125			6,501			5,864			5,648

Notes: The bank loans with an aggregate amount of HK\$7,125,000, HK\$6,501,000, HK\$5,864,000 and HK\$5,648,000 as at 31 March 2017, 2018 and 2019 and 31 July 2019, respectively, containing repayment on demand clause, have been classified as current liabilities.

Accordingly, portions of the bank loans due for repayment after one year as at 31 March 2017, 2018 and 2019 and 31 July 2019, with total carrying amounts of HK\$6,501,000, HK\$5,862,000, HK\$5,210,000 and HK\$4,988,000, respectively, have been classified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank borrowings and analysed into bank loans repayable within one year or on demand.

Ignoring the effect of any repayment on demand clause and based on the maturity terms of these loans, the Group's bank borrowings are repayable as follows:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	624	639	654	660
In the second to fifth years, inclusive	2,633	2,348	2,047	1,947
Beyond five years	3,868	3,514	3,163	3,041
	7,125	6,501	5,864	5,648

- (a) The Group's bank borrowings are secured by:
- (i) the pledge of an industrial property of Ms. Wong Chun Siu, the spouse of the Controlling Shareholder;
 - (ii) the pledge of a residential property of the Controlling Shareholder;
 - (iii) the pledge of a time deposit of the Controlling Shareholder amounting to HK\$7,000,000;
 - (iv) the pledge of time deposits of the Group amounting to HK\$9,880,000 as at 31 March 2019 and 31 July 2019; and
 - (v) a personal insurance policy of the Controlling Shareholder.
- (b) The Group's bank borrowings are also guaranteed by:
- (i) a joint guarantee from the Controlling Shareholder and a then director of the Company, Mr. Chen Zhenchuan, of up to HK\$5,000,000;
 - (ii) an unlimited guarantee from the Controlling Shareholder; and
 - (iii) an unlimited guarantee from a subsidiary of the Company.
- (c) The Group's bank loans are all denominated in Hong Kong dollars.

23. PROVISIONS FOR RECTIFICATION WORKS

	Note	As at 31 March			As at
		2017	2018	2019	31 July
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the year/period		3,830	4,355	5,167	7,778
Net provision for the year/period	7	4,672	1,159	3,489	1,259
Amounts utilised during the year/period		(4,147)	(347)	(878)	(224)
At end of the year/period		<u>4,355</u>	<u>5,167</u>	<u>7,778</u>	<u>8,813</u>

The Group generally provides defect liability periods of one to two years to its customers for its works performed, during which defective works are rectified or replaced.

The amount of the provision is estimated based on the past experience of the level of defective works and the estimation basis is reviewed on an ongoing basis and revised where appropriate.

24. DEFERRED TAX ASSET/(LIABILITY)

The movements in deferred tax asset/(liability) during the Relevant Periods are as follows:

	Impairment	Depreciation allowances in excess of related depreciation	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2016	66	(47)	19
Deferred tax credited to profit or loss during the year (<i>note 10</i>)	120	15	135
At 31 March 2017 and at 1 April 2017	186	(32)	154
Deferred tax (charged)/credited to profit or loss during the year (<i>note 10</i>)	5	(72)	(67)
At 31 March 2018 and at 1 April 2018	191	(104)	87
Deferred tax charged to profit or loss during the year (<i>note 10</i>)	(102)	(21)	(123)
At 31 March 2019 and at 1 April 2019	89	(125)	(36)
Deferred tax charged to profit or loss during the period (<i>note 10</i>)	(50)	13	(37)
At 31 July 2019	39	(112)	(73)

The Group had estimated tax losses arising in Mainland China of HK\$19,000 as at 31 March 2017 that would expire in one to five years for offsetting against future taxable profits arising in Mainland China of the company in which the losses arose. The relevant subsidiary in Mainland China was disposed on 19 April 2017.

As at 31 March 2017, deferred tax asset had not been recognised in respect of tax losses arising in Mainland China as, in the opinion of the directors, it was not considered probable that future taxable profits would be available against which such tax losses could be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

25. SHARE CAPITAL

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:				
38,000,000 ordinary shares of HK\$0.01 each	–	–	380	380
Issued and fully paid:				
3 ordinary shares of HK\$0.01 each	–	–	–	–

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 18 May 2018. The authorised share capital of the Company was HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each.

On 18 May 2018 (date of incorporation), 1 ordinary share of HK\$0.01 was issued at par as share capital.

On 3 August 2018, 2 ordinary shares, with a value of HK\$0.01 each, were allotted and issued by the Company to the Controlling Shareholder at HK\$1 each.

Changes in share capital of the Company pursuant to the Reorganisation are set out in the section headed "History, Reorganisation, and Group Structure" in the Prospectus.

26. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for each of the Relevant Periods are presented in the consolidated statements of changes in equity on page I-6 of this report.

(b) Merger reserve

For the purpose of the preparation of the consolidated statements of financial position, the balances of the merger reserve at 31 March 2017, 2018 and 2019 and 31 July 2019 represent the aggregate of the paid-up share capital of the subsidiaries now comprising the Group attributable to the Controlling Shareholder prior to the Reorganisation.

(c) Company

	Accumulated losses
	<i>HK\$'000</i>
Loss for the period from 18 May 2018 (date of incorporation) to 31 March 2019	7,497
At 31 March 2019 and 1 April 2019	7,497
Loss for the period	2,441
At 31 July 2019	<u>9,938</u>

27. CONTINGENT LIABILITIES

(a) At the end of each of the Relevant Periods, contingent liabilities not provided for in the Historical Financial Information were as follows:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to a bank for: Surety bonds	<u>9,478</u>	<u>25,458</u>	<u>42,567</u>	<u>33,089</u>

The surety bonds were secured by:

- (i) the pledge of an industrial property of Ms. Wong Chun Siu, the spouse of the Controlling Shareholder;
- (ii) the pledge of a residential property of the Controlling Shareholder as at 31 March 2018 and 2019 and 31 July 2019;
- (iii) the pledge of a time deposit of the Controlling Shareholder amounting to HK\$7,000,000 as at 31 March 2018 and 2019 and 31 July 2019;
- (iv) the pledge of time deposits of the Group amounting to HK\$9,880,000 as at 31 March 2019 and 31 July 2019; and
- (v) a personal insurance policy of the Controlling Shareholder.

The surety bonds are guaranteed by:

- (i) an unlimited guarantee from the Controlling Shareholder; and
 - (ii) an unlimited guarantee from a subsidiary of the Company.
- (b) In the ordinary course of the Group's construction business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or the Group's subcontractors in accidents arising out of and in the course of their employment. The directors of the Company are of the opinion that such claims are well covered by insurance and would not result in any material adverse impact on the financial position or results and operations of the Group.

28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Disposal of a subsidiary

Pursuant to a share transfer agreement dated 18 April 2017, the entire interest in a subsidiary, namely 華和設計(深圳)有限公司, was disposed of to an independent third party at a consideration of RMB1 (equivalent to HK\$1). The disposal was completed on 19 April 2017.

	Note	<i>HK\$'000</i>
Net liabilities disposed of:		
Other receivables		34
Bank balances		22
Other payables		(72)
		(16)
Gain on disposal of a subsidiary	5	16
Total consideration satisfied by cash		–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	<i>HK\$'000</i>
Cash consideration	–
Bank balances disposed of	(22)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u>(22)</u>

(b) Major non-cash transactions

During the year ended 31 March 2017, a bank loan of HK\$5,556,000 was transferred from the Controlling Shareholder, Mr. Chen Yuet Wa, who is also a director of the Company, to the Group. The amount was settled through the current account with Mr. Chen Yuet Wa.

During the year ended 31 March 2019, interim dividends of HK\$7,947,000 were declared by certain subsidiaries of the Company to the Controlling Shareholder. The amounts were settled through the current account with Mr. Chen Yuet Wa.

(c) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings	Lease liabilities
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2016	1,891	134
Changes from financing cash flows	(322)	(172)
Non-cash changes:		
Loan transferred from the Controlling Shareholder	5,556	–
New lease	–	832
At 31 March 2017 and at 1 April 2017	7,125	794
Changes from financing cash flows	(624)	(270)
Non-cash changes:		
New lease	–	757
Lease termination	–	(650)
At 31 March 2018 and at 1 April 2018	6,501	631
Changes from financing cash flows	(637)	(395)
At 31 March 2019 and at 1 April 2019	5,864	236
Changes from financing cash flows	(216)	(134)
At 31 July 2019	<u>5,648</u>	<u>102</u>
(Unaudited)		
At 1 April 2018	6,501	631
Changes from financing cash flows	(211)	(131)
At 31 July 2018	<u>6,290</u>	<u>500</u>

29. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel of the Group

	Years ended 31 March			Four months ended 31 July	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Salaries and bonuses	1,734	1,680	1,942	552	572
Pension scheme contributions	54	54	54	18	18
	<u>1,788</u>	<u>1,734</u>	<u>1,996</u>	<u>570</u>	<u>590</u>

Remuneration for key management personnel of the Group, including directors' and the chief executive's remuneration, is disclosed in note 8 to the Historical Financial Information.

(b) In addition to the balances, arrangements and transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods and the four months ended 31 July 2018:

	Years ended 31 March			Four months ended 31 July	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Lease payments to Ms. Wong Chun Siu*	180	165	–	–	–
Salary payments to the sons of Mr. Chen Zhenchuan	220	384	324	101	122
	<u>220</u>	<u>384</u>	<u>324</u>	<u>101</u>	<u>122</u>

The transactions were conducted on terms and conditions mutually agreed between the Group and the related parties.

* Lease payments to Ms. Wong Chun Siu included imputed interest in respect of a leased property of HK\$8,000 and HK\$21,000 for the years ended 31 March 2017 and 2018, respectively.

(c) Commitments with Ms. Wong Chun Siu

On 1 January 2012, a subsidiary of the Company entered into a 5-year lease agreement ended on 31 December 2016, with Ms. Wong Chun Siu, the spouse of the Controlling Shareholder to lease an industrial property for a fixed monthly rent of HK\$15,000. On 10 December 2016, the lease agreement was renewed for another 5-year period ending on 31 December 2021 with the same fixed monthly rent. The lease agreement was early terminated on 28 February 2018.

The rental payments to Ms. Wong Chun Siu during the Relevant Periods and the four months ended 31 July 2018 are included in note 29(b) above.

(d) The amount due to a subsidiary included in the Company's current liabilities is unsecured, interest-free and repayable on demand.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

	Financial assets at amortised cost			
	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	5,835	33,938	20,118	30,568
Financial assets included in prepayments, deposits and other receivables	2,139	4,457	4,065	7,470
Due from a director	14,856	13,577	5,864	5,736
Pledged deposits	–	–	9,880	9,880
Cash and cash equivalents	16,156	15,342	25,155	38,476
	<u>38,986</u>	<u>67,314</u>	<u>65,082</u>	<u>92,130</u>

Financial liabilities

	Financial liabilities at amortised cost			
	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and retention payables	10,545	7,487	13,255	23,948
Financial liabilities included in other payables and accruals	475	100	117	150
Interest-bearing bank borrowings	7,125	6,501	5,864	5,648
Lease liabilities	794	631	236	102
	<u>18,939</u>	<u>14,719</u>	<u>19,472</u>	<u>29,848</u>

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, the current portion of financial assets included in prepayments, deposits and other receivables, an amount due from a director, trade and retention payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings and the current portion of lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portions of financial assets included in prepayments, deposits and other receivables, and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's own non-performance risk for interest-bearing bank borrowings as at 31 March 2017, 2018 and 2019 and 31 July 2019 was assessed to be insignificant.

The Group did not have any financial assets and financial liabilities measured at fair value as at 31 March 2017, 2018 and 2019 and 31 July 2019.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing bank borrowings. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, financial assets included in prepayments, deposits and other receivables, an amount from a director, pledged deposits, trade and retention payables, financial liabilities included in other payables and accruals, and lease liabilities, which mainly arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees the policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with floating interest rates as at 31 March 2017, 2018 and 2019 and 31 July 2019. The Group does not use derivative financial instruments to hedge its interest rate risk. The Group mitigates this risk by closely monitoring the movements in interest rates and reviewing its available credit facilities and their utilisation regularly.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax
		<i>HK\$'000</i>
As at 31 March 2017		
HK\$	50	(36)
HK\$	(50)	36
As at 31 March 2018		
HK\$	50	(33)
HK\$	(50)	33
As at 31 March 2019		
HK\$	50	(29)
HK\$	(50)	29
As at 31 July 2019		
HK\$	50	(28)
HK\$	(50)	28

Credit risk

The Group mainly transacts with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

As at 31 March 2017

	12-month ECLs		Lifetime ECLs			HK\$'000
	Stage 1	Stage 2	Stage 3	Simplified approach		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Contract assets *	–	–	–	43,476	43,476	
Trade receivables*	–	–	–	6,407	6,407	
Financial assets included in prepayments, deposits and other receivables						
– Normal**	2,139	–	–	–	2,139	
Due from a director						
– Not yet past due	14,856	–	–	–	14,856	
Cash and cash equivalents						
– Not yet past due	16,156	–	–	–	16,156	
	<u>33,151</u>	<u>–</u>	<u>–</u>	<u>49,883</u>	<u>83,034</u>	

As at 31 March 2018

	12-month ECLs		Lifetime ECLs			HK\$'000
	Stage 1	Stage 2	Stage 3	Simplified approach		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Contract assets*	–	–	–	34,118	34,118	
Trade receivables*	–	–	–	34,536	34,536	
Financial assets included in prepayments, deposits and other receivables						
– Normal**	4,457	–	–	–	4,457	
Due from a director						
– Not yet past due	13,577	–	–	–	13,577	
Cash and cash equivalents						
– Not yet past due	15,342	–	–	–	15,342	
	<u>33,376</u>	<u>–</u>	<u>–</u>	<u>68,654</u>	<u>102,030</u>	

As at 31 March 2019

	12-month ECLs		Lifetime ECLs		Simplified approach	HK\$'000
	Stage 1	Stage 2	Stage 3			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Contract assets*	–	–	–	71,034	71,034	71,034
Trade receivables*	–	–	–	20,273	20,273	20,273
Financial assets included in prepayments, deposits and other receivables						
– Normal**	4,065	–	–	–	–	4,065
Due from a director						
– Not yet past due	5,864	–	–	–	–	5,864
Pledged deposits						
– Not yet past due	9,880	–	–	–	–	9,880
Cash and cash equivalents						
– Not yet past due	25,155	–	–	–	–	25,155
	<u>44,964</u>	<u>–</u>	<u>–</u>	<u>91,307</u>	<u>–</u>	<u>136,271</u>

As at 31 July 2019

	12-month ECLs		Lifetime ECLs		Simplified approach	HK\$'000
	Stage 1	Stage 2	Stage 3			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Contract assets*	–	–	–	72,257	72,257	72,257
Trade receivables*	–	–	–	30,704	30,704	30,704
Financial assets included in prepayments, deposits and other receivables						
– Normal**	7,470	–	–	–	–	7,470
Due from a director						
– Not yet past due	5,736	–	–	–	–	5,736
Pledged deposits						
– Not yet past due	9,880	–	–	–	–	9,880
Cash and cash equivalents						
– Not yet past due	38,476	–	–	–	–	38,476
	<u>61,562</u>	<u>–</u>	<u>–</u>	<u>102,961</u>	<u>–</u>	<u>164,523</u>

* For contract assets and trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 15 and 16 to the Historical Financial Information, respectively.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Management monitors the creditworthiness and payment patterns of each debtor closely and on an ongoing basis. The Group's trade receivables from contract work represent interim billings or retentions certified by the customers under terms as stipulated in the contracts. As the Group's customers in respect of contract work primarily consist of main contractors in the construction industry, property developers or owners with strong financial backgrounds, management considers that the risk of irrecoverable receivables from contract work is not significant.

Since the Group transacts only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk of the trade receivables are managed by analysis by customer/counterparty. At the end of each of the Relevant Periods, the Group had certain concentrations of credit risk as 39%, 91%, 84% and 79%, and 100%, 100%, 99% and 100% of the Group's trade receivables as at 31 March 2017, 2018 and 2019 and 31 July 2019 were due from the Group's largest customer and the five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 16 to the Historical Financial Information.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. The Group aims to maintain sufficient bank balances to meet its liquidity requirements.

Liquidity risk

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

As at 31 March 2017				
	On demand	Less than 1 year	1 to 5 years	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and retention payables	–	10,545	–	10,545
Financial liabilities included in other payables and accruals	–	475	–	475
Interest-bearing bank borrowings (<i>note</i>)	7,125	–	–	7,125
Lease liabilities	–	180	675	855
	<u>7,125</u>	<u>11,200</u>	<u>675</u>	<u>19,000</u>
As at 31 March 2018				
	On demand	Less than 1 year	1 to 5 years	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and retention payables	–	7,487	–	7,487
Financial liabilities included in other payables and accruals	–	100	–	100
Interest-bearing bank borrowings (<i>note</i>)	6,501	–	–	6,501
Lease liabilities	–	408	238	646
	<u>6,501</u>	<u>7,995</u>	<u>238</u>	<u>14,734</u>

As at 31 March 2019				
	On demand	Less than 1 year	1 to 5 years	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and retention payables	–	13,255	–	13,255
Financial liabilities included in other payables and accruals	–	117	–	117
Interest-bearing bank borrowings (<i>note</i>)	5,864	–	–	5,864
Lease liabilities	–	238	–	238
	<u>5,864</u>	<u>13,610</u>	<u>–</u>	<u>19,474</u>
As at 31 July 2019				
	On demand	Less than 1 year	1 to 5 years	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and retention payables	–	23,948	–	23,948
Financial liabilities included in other payables and accruals	–	150	–	150
Interest-bearing bank borrowings (<i>note</i>)	5,648	–	–	5,648
Lease liabilities	–	102	–	102
	<u>5,648</u>	<u>24,200</u>	<u>–</u>	<u>29,848</u>

Note: The above interest-bearing bank borrowings of the Group as at 31 March 2017, 2018 and 2019 and 31 July 2019 are term loans. The loan agreements contain a repayment on demand clause, giving the bank the unconditional right to call in the loans at any time, and therefore, for the purpose of the above maturity profile, the total amount is classified as “on demand”.

Notwithstanding the repayable on demand clause, the directors do not believe that the loans will be called in their entirety within 12 months from the end of the reporting period, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the Historical Financial Information; the lack of events of default; and the fact that the Group has made all previously scheduled repayments on time.

In accordance with the terms of the loans which contain a repayment on demand clause, the maturity profile of those loans as at the end of each of the Relevant Periods, based on the contractual undiscounted payments and ignoring the effect of any repayment on demand clause, is as follows:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	783	785	789	789
2 to 5 years	3,112	2,760	2,424	2,306
Over 5 years	4,299	3,866	3,460	3,314
	<u>8,194</u>	<u>7,411</u>	<u>6,673</u>	<u>6,409</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to continue to provide returns for shareholders and benefits for other stakeholders.

The Group actively and regularly reviews and manages its capital structure and strives to maintain a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

Capital of the Group comprises all components of shareholders' equity.

III. EVENT AFTER THE RELEVANT PERIODS

There were no significant events of the Group after the Relevant Periods.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 July 2019.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information sets out in this appendix does not form part of the Accountants' Report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose 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 forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma adjusted consolidated net tangible assets of the Group which has been prepared in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants and on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer on the consolidated net tangible assets of the Group as at 31 July 2019 as if the Share Offer had taken place on 31 July 2019.

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Share Offer been completed as at 31 July 2019 or at any future dates.

	Consolidated net tangible assets attributable to owner of the Company as of 31 July 2019	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share
	<i>HK\$'000</i> <i>(note 1)</i>	<i>HK\$'000</i> <i>(note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(notes 3 and 4)</i>
Based on an Offer Price of HK\$0.50 per share	120,697	92,413	213,110	0.21
Based on an Offer Price of HK\$0.54 per share	120,697	101,413	222,110	0.22

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The amount is based on the consolidated net assets of the Group as at 31 July 2019 of HK\$120,697,000, extracted from the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on 250,000,000 Shares at the Offer Price of HK\$0.50 and HK\$0.54 per Share, being the minimum and maximum of the indicative range of the Offer Price, respectively, after deduction of the estimated underwriting fees and other related listing expenses expected to be incurred by the Group subsequent to 31 July 2019.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,000,000,000 Shares, being the number of Shares expected to be in issue immediately following the completion of the Share Offer.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets per Share to reflect any trading results or other transactions of the Group entered into subsequent to 31 July 2019.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose for inclusion in this prospectus.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Wah Wo Holdings Group Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Wah Wo Holdings Group 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 pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 July 2019, and related notes as set out pages II-1 to II-2 to the prospectus dated 31 December 2019 (the “**Prospectus**”) issued by the Company (the “**Pro Forma Financial Information**”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in the notes on thereto.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the public offer and placing of shares of the Company (the “**Share Offer**”) on the Group’s financial position as at 31 July 2019 as if the transaction had taken place at 31 July 2019. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the year ended 31 July 2019, on which an accountants’ report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Share Offer on unadjusted financial information of the Group as if 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 transaction would have been as presented.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

31 December 2019

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 May 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its Memorandum of Association (the “**Memorandum**”) and its Articles of Association (the “**Articles**”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 12 December 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate

general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies in the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an

order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 6 June 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies in the Cayman Islands for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands (“**ES Law**”) that came into force on 1 January 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Law. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 May 2018. Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 20 June 2018 and our principal place of business in Hong Kong is at Unit 01-02, 20/F, Millennium Trade Centre, No. 56 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong. Mr. YW Chen and Mr. Lee Kai Ming have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum of Association and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in “Appendix III — Summary of the Constitution of our Company and Cayman Islands Company Law” to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the same day, one Share was allotted, issued and credited as fully paid to our Company’s initial subscriber, which was subsequently transferred to Ornate Bright, the holding vehicle of Mr. YW Chen.
- (b) On 3 August 2018, as part of the Reorganisation, our Company allotted and issued in aggregate two Shares credited as fully paid to Ornate Bright.
- (c) On 12 December 2019, the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 Shares, each carrying the same rights as the Shares then in issue in all respects.
- (d) Immediately following completion of the Capitalisation Issue and the Share Offer, and taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, 1,000,000,000 Shares, fully paid or credited as fully paid, will be in issue, and 9,000,000,000 Shares will remain unissued.

- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “3. Written resolutions of our sole Shareholder passed on 12 December 2019” in this appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares which would effectively alter the control of our Company will be made.
- (f) Save as disclosed in the section headed “Share Capital” of this prospectus and in this paragraph headed “Changes in share capital of our Company”, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our sole Shareholder passed on 12 December 2019

By written resolutions of our sole Shareholder passed on 12 December 2019:

- (a) our Company approved and adopted the Memorandum of Association with immediate effect and conditionally approved and adopted the Articles with effect from the Listing, the terms of which are summarised in Appendix III to this prospectus;
- (b) the authorised share capital of our Company will be increased from HK\$380,000 divided into 38,000,000 Shares with par value of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of a par value of HK\$0.01 each by the creation of an additional 9,962,000,000 Shares of HK\$0.01 each;
- (c) conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus, including any Shares which may be issued and allotted pursuant to the exercise of any options which may be granted under the Share Option Scheme, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of the issue of this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Shares pursuant to the Share Offer;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” of this appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under

the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme; and

- (iii) conditional further on the share premium account of our Company being credited as a result of the issue of the new Shares under the Share Offer, the Capitalisation Issue be approved, and our Directors were authorised to capitalise an amount of HK\$7,499,999.97 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 749,999,997 Shares for allotment and issue to our sole Shareholder whose name appears on the register of members of our Company at the close of business on the date the resolution was passed, each ranking *pari passu* in all respects with the Shares then in issue, and our Directors were authorised to give effect to such capitalisation;
- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares issued and allotted in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Memorandum of Association and the Articles or pursuant to a specific authority granted by our Shareholders in general meetings or pursuant to the Capitalisation Issue and the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, and to make or grant offers, agreements or options which might require the exercise of such power, with a total number not exceeding 20% of the total number of our Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum of Association and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the total number of our Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme (the “**Repurchase Mandate**”), and the Repurchase Mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum of Association and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (f) a general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the total number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to the Repurchase Mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Capitalisation issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

4. Corporate reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please refer to the paragraph headed “History, Reorganisation and Group structure — Reorganisation” in this prospectus for further details.

5. Changes in share capital of subsidiaries

Our subsidiaries are listed in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Save for the alterations described in the paragraph headed "Corporate reorganisation" above and in the section headed "History, Reorganisation and Group structure" in this prospectus, no changes in the share capital of our subsidiaries took place within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 12 December 2019, the Repurchase Mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares representing up to 10% of the total number of our Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares to be issued and allotted pursuant to the exercise of any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum of Association and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a core connected person, which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue after completion of the Capitalisation Issue and the Share Offer, could accordingly result in up to 100,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws 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, has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts 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:

- (a) the instrument of transfer dated 6 April 2018, and the bought and sold notes dated 6 April 2018 entered into between Wah Kee and Mr. Du Yongle for the transfer of one share in Wah Kee Decoration to Mr. Du Yongle at a consideration of HK\$1;
- (b) the sale and purchase agreement dated 2 August 2018 entered into between, among others, Mr. YW Chen and our Company pursuant to which Mr. YW Chen transferred (i) 10,000 shares in Wah Kee (representing the entire issued share capital of Wah Kee) and (ii) 10,000 shares in Wah Wo (representing the entire issued share capital of Wah Wo) to our Company (to be held through our wholly-owned subsidiary, namely Sino Keen), at the consideration of HK\$1 and HK\$1 respectively;
- (c) the Deed of Non-competition;
- (d) the Deed of Indemnity; and
- (e) the Public Offer Underwriting Agreement.

2. Intellectual property rights**(a) Trademark(s)**

As at the Latest Practicable Date, our Group has not registered any trademarks which, in the opinion of our Directors, are material to our business.

(b) Domain name

As at the Latest Practicable Date, our Group has registered the following domain name which, in the opinion of our Directors, is material to our business:

<u>Domain name</u>	<u>Registrant</u>	<u>Registration date</u>	<u>Expiry date</u>
wahwoalum.com	Wah Wo	16 April 2013	16 April 2025

Note: Information contained in the website does not form part of this prospectus.

(c) Patent(s)

As at the Latest Practicable Date, our Group has not registered any patents which, in the opinion of our Directors, are material to our business.

Save as disclosed herein, there are no other trade or service marks, patents and other intellectual property rights which are or may be material to the business of our Group.

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

(a) Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and the associated corporations

Immediately following completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, would have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange, will be as follows:

(i) Long position in our Shares

<u>Name of Director</u>	<u>Capacity/Nature</u>	<u>Number of Shares held/ interested in immediately following completion of the Capitalisation Issue and the Share Offer</u>	<u>Percentage of shareholding immediately following completion of the Capitalisation Issue and the Share Offer</u>
Mr. YW Chen	Interest in a controlled corporation ^(Note)	750,000,000	75%

Note: 750,000,000 Shares are registered in the name of Ornate Bright, the entire issued capital of which is legally and beneficially owned by Mr. YW Chen. Under the SFO, Mr. YW Chen is deemed to be interested in all the Shares held by Ornate Bright.

(ii) Long position in the shares of associated corporation

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Capacity/Nature</u>	<u>Number of share held</u>	<u>Percentage of interest</u>
Mr. YW Chen	Ornate Bright	Beneficial owner	One	100%

(b) Interests of substantial and other Shareholders in the Shares and underlying Shares

So far as is known to our Directors and taking no account of any Shares which may be taken up under the Share Offer, and Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the issued voting Shares of our Company or any other member of our Group:

<u>Name</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares held/interested in</u>	<u>Percentage of interest</u>
Ornate Bright	Beneficial owner ^(Note 1)	750,000,000	75%
Ms. Wong Chun Siu	Interest of spouse ^(Note 2)	750,000,000	75%

Notes:

- Ornate Bright is wholly-owned by Mr. YW Chen.
- Ms. Wong Chun Siu is the spouse of Mr. YW Chen and is deemed or taken to be interested in all the Shares in which Mr. YW Chen has, or is deemed to have, an interest for the purposes of the SFO.

2. Particulars of service agreements

Each of our executive Directors has entered into a service contract with our Company and each of our independent non-executive Directors has entered into a letter of appointment with our Company, in all cases for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and Articles.

None of our Directors has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

3. Directors' remuneration

- (a) The aggregate amount of remuneration paid to our Directors by our Group for each of the three years ended 31 March 2019 and the four months ended 31 July 2019 were approximately HK\$1.3 million, HK\$1.3 million, HK\$1.5 million and HK\$0.4 million, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2020 will be approximately HK\$1.3 million.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<u>HK\$</u>
Executive Directors	
Mr. YW Chen	636,000
Mr. Chan Fai	636,000
Independent non-executive Directors	
Mr. Chow Chi Fai	120,000
Mr. Chan Hon Ki	120,000
Mr. Yu Chi Wing	120,000

4. Fees or commission received

Save for the fees or commission as disclosed in the section headed “Underwriting — Sole Sponsor’s and Underwriters’ Interest in our Company”, none of our Directors or the experts named in the paragraph headed “E. Other Information — 6. Qualifications of experts” in this appendix had received any agency fees, discounts, commissions, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under Note 29 to the Accountants’ Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this Appendix:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “E. Other Information — 6. Qualifications of experts” in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the 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 — 6. Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors or the experts named in the paragraph headed “E. Other Information — 6. Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

- (e) taking no account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in the paragraph headed “A. Further information about our Company” in this appendix, and taking no account of Shares which may be taken up under the Share Offer, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and Share Offer, have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries;
- (f) taking no account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, none of our 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 its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed; and
- (g) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME**1. Definitions**

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	12 December 2019, the date on which the Share Option Scheme is conditionally adopted by the sole Shareholder by way of written resolutions
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof, unless terminated earlier in accordance with the terms of the Share Option Scheme

2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 12 December 2019:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(b) Who may join and basis of eligibility

Our Board may, at its absolute discretion, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by our Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price where our Company has been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any Business Day fall within the period before listing.

(d) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(e) Maximum number of Shares

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 100,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 100,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.
- (iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.

- (iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(f) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of our Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(g) Grant of options to certain core connected persons

- i. Any grant of an option to a Director, chief executive or substantial Shareholder (or any of their respective close associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- ii. Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (a) representing in aggregate over 0.1% of our Shares in issue; and

- (b) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant and his intention to do so has been stated in the aforesaid circular). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by the Shareholders in the aforesaid manner.

(h) Restrictions on the times of grant of options

- (i) Our Company may not grant any options after any inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
 - (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
 - (b) the last day on which for our Company is to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules),and ending on the date of the results announcement.
- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published and:
 - (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

- (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(j) Performance targets

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(k) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(l) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(m) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and

(s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(o) Rights on cessation of employment for other reasons

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of a member of our Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (n) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment of an employee or engagement of a consultant or an adviser (as the case may be) (which date will be in the case of an employee the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(p) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices of any unexercised option, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to our Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules,

or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(q) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror), our Company shall use its best endeavours to procure that an appropriate offer is extended to all the grantee (on comparable terms, mutatis mutandis, and assuming that they will become, by exercise in full of the options granted to them, as Shareholders) and when such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(r) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(s) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to

the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (the “**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our Board shall endeavour to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

(t) Lapse of options

An option shall lapse automatically on the earliest of:

- (1) the expiry of the period referred to in paragraph (i) above;
- (2) the date on which our Board exercises our Company’s right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);
- (3) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (n), (o), (q), (r) or (s) above;
- (4) subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;

- (5) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (6) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (7) subject to the compromise or arrangement as referred to in paragraph (s) becoming effective, the date on which such compromise or arrangement becomes effective.

(u) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as our Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(v) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof.

(w) Alteration to the Share Option Scheme

- (i) The Share Option Scheme may be altered in any respect by resolution of our Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (ii) Any alternations to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of our Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

- (iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules or any guidelines issued by the Stock Exchange from time to time.

(x) Termination to the Share Option Scheme

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(y) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon the Listing Committee granting the listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and commencement of dealings in the Shares on the Stock Exchange.

3. Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in 100,000,000 Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders have entered into a Deed of Indemnity in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being a contract referred to in the paragraph headed “B. Further Information about the Business — 1. Summary of material contracts” in this appendix) to provide indemnities on a joint and several basis in respect of, among other things:

- (a) any taxation (including estate duty) falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the date on which the Share Offer becomes unconditional;

- (b) any liabilities and penalties which may arise as a result of any work injuries, outstanding litigations (including criminal litigations), claims, and non-compliances of our Group on or before the date on which the Share Offer becomes unconditional; and
- (c) all claims, losses (including operating losses and any loss of revenue), liabilities, damages, costs, charges, fees, expenses (including relocation cost), fines suffered or incurred by any of our Group members as a result of or in connection with, amongst others, any dispute as to the rights to lease and use of our leased real properties in Hong Kong by us as tenant.

The Controlling Shareholders will, however, not be liable under the Deed of Indemnity, in relation to item (a) above, to the extent that, among others:

- provision has been made for such liability in the audited consolidated accounts of our Company or any member of our Group for the Track Record Period;
- the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- the taxation liability arises in the ordinary course of business of any member of our Group or in the ordinary course of acquiring and disposing of capital assets after the date on which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in the section headed “Business — Legal Proceedings and Compliance” of this prospectus, as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

Our Company has entered into an agreement with the Sponsor, pursuant to which our Company agreed to pay HK\$4.2 million to the Sponsor to act as the Sponsor to our Company for purposes of the Share Offer. The Sponsor will also receive a documentation and advisory fee.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$60,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualifications</u>
First Shanghai Capital Limited	A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity under the SFO
Ernst & Young	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Mr. Chan Chung	Barrister-at-law of Hong Kong
Ipsos Asia Limited	Industry Consultant

7. Consents of experts

Each of the above experts has given and has not withdrawn its/his written consent to the issue of this prospectus with the inclusion of its/his reports and/or letter and/or advice and/or opinion and/or summary thereof (as the case may be) and/or reference to its/his name included herein, all of which are dated the date of this prospectus, in the form and context in which it/he is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Registration procedures

The register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a Hong Kong share register of members will be maintained in Hong Kong by the Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the share register in Hong Kong and may not be lodged in the Cayman Islands.

10. No material adverse change

Our Directors confirm that, save for the expenses in connection with the Listing, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospect since 31 July 2019, and there has been no event since 31 July 2019 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus.

11. Miscellaneous

Save as disclosed in this Appendix;

- (i) Within the two years immediately preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or any of the subsidiaries has been issued, agreed to be issued or is proposed or intended to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and
 - (cc) no commission has been paid or payable (except to the Underwriters) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any shares or debenture of our Company or any of the subsidiaries;
- (ii) no founders, management or deferred shares or any debentures of our Company have been issued or agreed to be issued;
- (iii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

- (iv) 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;
- (v) none of the parties listed in the paragraph headed “E. Other information — 6. Qualifications of experts” in this prospectus:
 - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or
 - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;
- (vi) our Company and the 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;
- (vii) our Directors have been advised that, under Cayman Islands laws, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands laws;
- (viii) 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;
- (ix) there is no arrangement under which future dividends are waived or agreed to be waived;
- (x) our Group has no outstanding convertible debt securities;
- (xi) there is no restriction affecting the remittance of profits or repatriation of capital by us into Hong Kong and from outside Hong Kong; and
- (xii) the English text of this prospectus shall prevail over the Chinese text.

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the Application Forms;
- (b) copies of the material contracts referred to in the paragraph headed “B. Further Information about the Business — 1. Summary of material contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in the paragraph headed “E. Other Information — 7. Consents of experts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of David Fong & Co., at Unit A, 12th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles;
- (b) the Accountants’ Report of our Group prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group prepared by Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Company for each of the three years ended 31 March 2019 and the four months ended 31 July 2019;
- (e) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law as referred to in Appendix III to this prospectus;
- (f) the material contracts referred to in the paragraph headed “B. Further Information about the Business — 1. Summary of material contracts” in Appendix IV to this prospectus;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
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- (g) the written consents referred to in the paragraph headed “E. Other Information — 7. Consents of experts” in Appendix IV to this prospectus;
- (h) the Companies Law;
- (i) the rules of the Share Option Scheme;
- (j) the legal advice prepared by the Legal Counsel; and
- (k) the Ipsos Report.

華和控股集團有限公司
Wah Wo Holdings Group Limited