



# Wing Fung Group Asia Limited 榮豐集團亞洲有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8526

## LISTING BY WAY OF SHARE OFFER

Sponsor



TC CAPITAL

Joint Bookrunners and Joint Lead Managers



CLC SECURITIES LIMITED  
創僑證券有限公司

平安證券有限公司  
Ping An Securities Limited

Co - Lead Manager



信誠證券有限公司  
Prudential Brokerage Ltd

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# IMPORTANT

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



## Wing Fung Group Asia Limited

### 榮豐集團亞洲有限公司

(Incorporated in the Cayman Islands with limited liability)

#### LISTING BY WAY OF SHARE OFFER ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Number of Offer Shares : 143,500,000 Shares  
Number of Placing Shares : 129,150,000 Shares (subject to reallocation)  
Number of Public Offer Shares : 14,350,000 Shares (subject to reallocation)  
Offer Price : Not more than HK\$0.42 per Offer Share and  
expected to be not less than HK\$0.38 per  
Offer Share, plus brokerage of 1%, SFC  
transaction levy of 0.0027% and Stock  
Exchange trading fee of 0.005% (payable in  
full on application in Hong Kong dollars and  
subject to refund)  
Nominal Value : HK\$0.01 each  
Stock Code : 8526

#### Sponsor



#### Joint Bookrunners and Joint Lead Managers



創僑證券有限公司

平安證券有限公司  
Ping An Securities Limited

#### Co-Lead Manager



Prudential Brokerage Ltd

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

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the other Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Tuesday, 20 February 2018. The Offer Price will not be more than HK\$0.42 per Offer Share and is currently expected to be not less than HK\$0.38 per Offer Share. If, for any reason, the Offer Price is not agreed by Tuesday, 20 February 2018 between Joint Bookrunners (for themselves and on behalf of the other Underwriters) and our Company, the Share Offer will not proceed and will lapse. In the case of such event, a notice will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.wingfunggroup.com](http://www.wingfunggroup.com).

The Joint Bookrunners (for themselves and on behalf of the other Underwriters) may, with our consent, reduce the indicative Offer Price range stated in this prospectus (which is HK\$0.38 to HK\$0.42 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notices of the reduction in the indicative Offer Price range will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.wingfunggroup.com](http://www.wingfunggroup.com) not later than the morning of the day which is the last day for lodging applications under the Public Offer.

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

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 if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting — Underwriting arrangement and expenses — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable US state securities laws. The Offer Shares are being offered and sold outside the United States in reliance on Regulation S under the US Securities Act and the applicable laws of each jurisdiction where those offers and sales occur.

12 February 2018

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## CHARACTERISTICS OF GEM

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

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

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on GEM-listed issuers.

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## EXPECTED TIMETABLE *(Note 1)*

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If there is any change in the following expected timetable, we will issue an announcement on the website of our Company at [www.wingfunggroup.com](http://www.wingfunggroup.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

2018

Public Offer commences and **WHITE** and **YELLOW**

Application Forms available from . . . . . 9:00 a.m. on Monday, 12 February

Application lists for Public Offer open *(Note 2)* . . . . . 11:45 a.m. on Thursday, 15 February

Latest time for lodging **WHITE** and **YELLOW**

Application Forms . . . . . 12:00 noon on Thursday, 15 February

Latest time to give **electronic application instructions**

to HKSCC *(Note 3)* . . . . . 12:00 noon on Thursday, 15 February

Application lists for Public Offer close *(Note 2)* . . . . . 12:00 noon on Thursday, 15 February

Expected Price Determination Date on or before *(Note 4)* . . . . . Tuesday, 20 February

Announcement of the final Offer Price, indication of the levels of interest in the Placing, the levels of applications of the Public Offer, the basis of allotment and the results of applications in the Public Offer to be published in our Company's website at [www.wingfunggroup.com](http://www.wingfunggroup.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on or before . . . . . Monday, 26 February

Announcement of results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our Company's website at [www.wingfunggroup.com](http://www.wingfunggroup.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) (for further details, please see the section headed "How to apply for Public Offer Shares — 10. Publication of results" in this prospectus) on or before . . . . . Monday, 26 February

Results of allocations in the Public Offer will be available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a "search by ID" function on . . . . . Monday, 26 February

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## EXPECTED TIMETABLE *(Note 1)*

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2018

Despatch of refund cheques in respect of wholly  
or partially unsuccessful applications pursuant to the  
Public Offer on or before *(Notes 6 to 9)* . . . . . Monday, 26 February

Despatch/collection of Share certificates in respect  
of wholly or partially successful applications pursuant  
to the Public Offer on or before *(Notes 5 to 8 and 10)* . . . . . Monday, 26 February

Dealings in Shares on GEM expected to commence at 9:00 a.m. on . . . . . Tuesday,  
27 February

*Notes:*

1. All times and dates refer to Hong Kong local time, except as 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. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 15 February 2018, the application lists will not open on that day. For further details, please see the section headed “How to apply for Public Offer Shares — 9. Effect of bad weather on the opening of the application lists” in this prospectus.
3. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “How to apply for Public Offer Shares — 5. Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
4. The Price Determination Date is expected to be on or before Tuesday, 20 February 2018. If, for any reason, the Offer Price is not agreed on or before Tuesday, 20 February 2018 between our Company and the Joint Bookrunners (for themselves and on behalf of the other Underwriters), the Share Offer will not proceed and will lapse accordingly.
5. Share certificates for the Public Offer Shares are expected to be issued on or before Monday, 26 February 2018 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 27 February 2018 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
6. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Form(s) may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Monday, 26 February 2018 or any other day as announced by us as the date of despatch of Share certificates/refund cheques.

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

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## EXPECTED TIMETABLE *(Note 1)*

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7. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not collect their Share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
8. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed "How to apply for Public Offer Shares — 13. Despatch/ collection of share certificates and refund monies" in this prospectus.
9. Refund cheques will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.42 per Offer Share.
10. Share certificates will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

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

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*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 securities other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any circumstances.*

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

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in our Shares. There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the section headed "Risk factors" of this prospectus. You should read that section carefully before you decide to invest in our Shares. Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of technical terms" in this prospectus.*

### BUSINESS OVERVIEW

We are principally engaged as a subcontractor for the provision of supply, installation and fitting-out services of mechanical ventilation and air-conditioning ("MVAC") system for buildings in Hong Kong and Macau. During the Track Record Period, we principally subcontract labour-intensive work such as installation and fitting-out works of MVAC systems to our subcontractors. Our total revenue amounted to approximately HK\$128.6 million, HK\$134.4 million and HK\$125.2 million for each of the two years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. Revenue generated from our operations in Hong Kong accounted for approximately 28.0%, 66.5% and 67.3% of our total revenue during the Track Record Period, while revenue generated from our operations in Macau accounted for approximately 72.0%, 33.5% and 32.7% of our total revenue during the same period. According to the Frost & Sullivan Report, we ranked the 5<sup>th</sup> and the 3<sup>rd</sup> in the MVAC installation market in Hong Kong and Macau with a market share of approximately 1.2% and 3.3% of the total industry revenue in 2016, respectively. The total revenue of the MVAC installation market accounted for approximately 9.1% and approximately 10.7% of the total revenue of the overall building services industry in Hong Kong and Macau, respectively in the same year.

Our projects can generally be categorised into public sector projects and private sector projects. The majority of our revenue during the Track Record Period was derived from private sector projects, representing approximately 89.4%, 89.7% and 71.1% of our revenue for each of the two years ended 31 December 2016 and the eight months ended 31 August 2017, respectively.

We have a proven track record in projects awarded to us during the Track Record Period. We have been awarded 2, 6 and 3 contracts with the corresponding aggregate amount of original contract sum of approximately HK\$49.6 million, HK\$270.5 million and HK\$42.5 million for the years ended 31 December 2015 and 2016 and the eight months ended 31 August 2017, respectively. Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group has been awarded with 3 projects which has an aggregate awarded contract sum of approximately HK\$103.9 million.

During the Track Record Period, we have undertaken 23 projects in Hong Kong and Macau, of which 17 were completed. As at 31 August 2017, we had 7 projects on hand with a total of outstanding contract sum of approximately HK\$153.5 million. After the Track

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## SUMMARY

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Record Period and up to the Latest Practicable Date, we have been awarded 3 new projects of total contract sum of HK\$103.9 million. Further details of our projects are set out in the section headed “Business — Our projects” in this prospectus.

### **Customers**

Our direct customers principally consist of main contractors and subcontractors of various types of building projects including infrastructural, commercial and residential building projects in Hong Kong and Macau. For each of the two years ended 31 December 2016 and the eight months ended 31 August 2017, the percentage of our total revenue attributable to our largest customer amounted to approximately 68.3%, 31.5% and 57.6%, respectively. For the two years ended 31 December 2016, the percentage of our total revenue attributable to our five largest customers combined amount to approximately 99.1% and 99.6%, respectively, and our five largest customers accounted for all of our revenue for the eight months ended 31 August 2017. We have maintained a stable relationship with our major customers. Our five largest customers during the Track Record Period have maintained business relationship with us for a period ranging from approximately less than 1 year to over 10 years. Our Directors consider that due to the nature of the construction industry, our customer base is relatively concentrated to construction contractors and other reputable main contractors in Hong Kong. As a result, the potential customer base of our Group is limited. Please refer to the section headed “Business — Customers — Customer concentration” in this prospectus for further details.

We generally secure new contracts mainly through tender invitations from our customer. Our tender success rates were approximately 14.3%, 9.1% and 17.6% for the years ended 31 December 2015 and 2016 and the eight months ended 31 August 2017, respectively.

Our tender success rate for the year ended 31 December 2016 was lower than that for prior year principally because we were occupied with various projects which took up most of our labour resources during the year ended 31 December 2016. Nevertheless, our Group kept receiving invitation letters for tenders and in order to maintain our presence in the market and to remain on our customers’ contractors list, we continued to submit tenders to our customers to express our interests. Under such circumstances, we took a relatively cautious approach in costs estimation by factoring a higher profit margin, which may render our tender price less competitive than the tenders submitted by some of our competitors during the year ended 31 December 2016. Given 5 out of 7 tender applications submitted after the Track Record Period up to the Latest Practicable Date were still under evaluation by our potential customers, we recorded 0% tender success rate during the said period. For details, please refer to the paragraph headed “Business — Operation flow — Review of tender and award of contract by customers — Tenders submitted” in this prospectus.

### **Suppliers**

During the Track Record Period, suppliers of goods and services to our Group mainly include: (i) suppliers of air-conditioning equipment and materials; (ii) suppliers of processing services on our equipment and materials; and (iii) machinery rental service

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## SUMMARY

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providers. For each of the two years ended 31 December 2016 and the eight months ended 31 August 2017, our materials and equipment costs amounted to approximately 39.5%, 30.4% and 30.8% of our total actual costs (before net movement of amount due from (to) customers for contract work), respectively. For each of the two years ended 31 December 2016 and the eight months ended 31 August 2017, the percentage of our purchases from our largest supplier amounted to approximately 11.9%, 7.7% and 10.0% of our total purchases, respectively, while the percentage of our purchase from our five largest suppliers combined amounted to approximately 42.1%, 26.3% and 41.3% of our total purchases, respectively. We have maintained a stable relationship with most of our major suppliers. Our five largest suppliers during the Track Record Period have maintained business relationship with us for a period ranging from approximately 1 to over 5 years.

### **Subcontractors**

Taking into account the availability of our in-house manpower resources, labour-intensiveness of the work involved and cost effectiveness, we generally do not carry out the labour-intensive work such as installation work and fitting-out work and we will subcontract such labour work to one or more subcontractors based on the size and nature of the project. For each of the two years ended 31 December 2016 and the eight months ended 31 August 2017, our subcontracting charges amounted to approximately 52.0%, 60.1% and 60.3% of our total actual costs (before net movement of amount due from (to) customers for contract work), respectively. For each of the two years ended 31 December 2016 and the eight months ended 31 August 2017, the percentage of our Group's subcontracting charges incurred attributable to our Group's largest subcontractor amounted to approximately 15.7%, 15.2% and 11.0% of our Group's total subcontracting charges incurred, respectively, while the percentage of our Group's subcontracting charges incurred attributable to our Group's five largest subcontractors combined amounted to approximately 47.5%, 58.4% and 47.6% of our Group's total subcontracting charges incurred, respectively, for the same period. For our five largest subcontractors during the Track Record Period, we have developed business relationship with them ranging from approximately 1 to over 5 years.

### **COMPETITIVE LANDSCAPE**

According to the Frost & Sullivan Report, the MVAC installation market in Hong Kong registered a fragmented status with low concentration ratio in 2016, with top 10 players taking up an accumulated share of 13.2%. According to Hong Kong Registered Ventilation Contractors Association, there were altogether 176 registered members with MVAC system installation business in Hong Kong, and it was expected that the total number of the players in Hong Kong's MVAC installation market was around 350 in 2016. On the other hand, due to the characteristics of the economic structure in Macau, the clients in downstream of MVAC installation market in Macau are concentrated in tertiary industries, like hotels, casinos, tourism, etc., leading to limited business development opportunities for MVAC installation service providers and hence fewer market participants in Macau. Consequently, the MVAC installation market in Macau demonstrated higher market concentration ratio compared with Hong Kong market, with top 10 players taking up an accumulated share of 26.6% in 2016. It was expected that the total number of players

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## SUMMARY

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competing in Macau's MVAC installation market was around 250 in 2016. Furthermore, the MVAC installation market size in Hong Kong is expected to increase from HK\$7.3 billion in 2016 to HK\$11.3 billion in 2021 at a CAGR of 9.1%. It is also anticipated that the MVAC installation market size in Macau will increase from MOP1,395.2 million in 2016 to MOP2,339.7 million in 2021 at a CAGR of 10.9%. The market drivers of MVAC installation market size in Hong Kong and Macau include (i) the increasing population density; (ii) the rising awareness of public health; and (iii) the increasing number of construction projects. Riding on our experience in the industry, our Directors believe that we are well-positioned to capture the growing MVAC installation market in Hong Kong and Macau.

### COMPETITIVE STRENGTHS

We believe our competitive strengths including (i) established track record and reputation; (ii) experienced management team; (iii) stable relationships with our major customers; suppliers and subcontractors; (iv) effective tendering process and cost control management; and (v) commitment to deliver quality works and services, and safety and environmental assurance, details of which are set out in the section headed "Business — Competitive strengths" in this prospectus, contribute to our success and differentiate us from our competitors.

### BUSINESS STRATEGIES

We strive to achieve sustainable growth and further enhance our overall competitiveness in the MVAC system services industry in Hong Kong and Macau leveraging our competitive strengths and implementing our business strategies including (i) acquisition of performance bond for new projects; (ii) employment of additional staff and provision of relevant training; and (iii) leasing of a new office and employment of additional staff in Macau. For further details, please refer to the sections headed "Business — Business strategies" and "Future plans and use of proceeds" in this prospectus.

### LIQUIDITY AND CAPITAL RESOURCES

Our operation had been principally funded through a combination of cash generated from our operations, bank overdrafts, bank borrowings and advance from related parties during the Track Record Period. We also relied partly on the proceeds from the subscription of Shares by the Pre-IPO Investors to fund our operations for the year ended 31 December 2017. Upon completion of the Share Offer, our liquidity will be satisfied by a combination of proceeds from the Share Offer, cash generated from our operations and bank overdrafts.

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## SUMMARY

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### SUMMARY OF FINANCIAL INFORMATION

The following tables present a summary of our financial information for each of the period or as at the date indicated and should be read in conjunction with our financial information included in the accountants' report set out in Appendix I to this prospectus.

#### Highlight of our consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December		Eight months ended 31 August	
	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Revenue	128,592	134,366	80,643	125,213
Gross profit	22,737	24,633	14,348	25,527
Gross profit margin	17.7%	18.3%	17.8%	20.4%
Profit for the year/period	15,684	15,405	8,751	5,458
Net profit margin	12.2%	11.5%	10.9%	4.4%

We recorded an increase in our gross profit margin from approximately 17.8% for the eight months ended 31 August 2016 to approximately 20.4% for the eight months ended 31 August 2017 principally due to the increase in the amount of our works in a project in Macau which recorded a relatively higher gross profit margin and contributed a significant amount of our total revenue for the eight months ended 31 August 2017, which was partially offset by the completion of our works in a project in Hong Kong which recorded a relatively higher gross profit margin for the corresponding period in previous year. We recorded a decrease in our net profit margin from approximately 10.9% for the eight months ended 31 August 2016 to approximately 4.4% for the eight months ended 31 August 2017 mainly due to the listing expenses incurred for the eight months ended 31 August 2017. By excluding the listing expenses, we recorded an increase in our net profit margin from approximately 10.9% to approximately 12.1% in the same period principally due to the improvement in our gross profit margin during the same period. For details of discussion of our result of operation during the Track Record Period, please refer to the section headed "Financial information — Description of selected items in consolidated statements of profit or loss and other comprehensive income" in this prospectus.

## SUMMARY

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

	Year ended 31 December						Eight months ended 31 August					
	2015			2016			2016			2017		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	<i>HKS'000</i>	<i>HKS'000</i>	%	<i>HKS'000</i>	<i>HKS'000</i>	%	<i>HKS'000</i>	<i>HKS'000</i>	%	<i>HKS'000</i>	<i>HKS'000</i>	%
Hong Kong	35,973	5,021	14.0	89,404	15,343	17.2	51,506	8,931	17.3	84,281	14,566	17.3
Macau	92,619	17,716	19.1	44,962	9,290	20.7	29,137	5,417	18.6	40,932	10,961	26.8
	<u>128,592</u>	<u>22,737</u>	<u>17.7</u>	<u>134,366</u>	<u>24,633</u>	<u>18.3</u>	<u>80,643</u>	<u>14,348</u>	<u>17.8</u>	<u>125,213</u>	<u>25,527</u>	<u>20.4</u>

The following table sets forth the breakdown of our revenue, gross profit and gross profit margin by private and public sector during the Track Record Period:

	Year ended 31 December						Eight months ended 31 August					
	2015			2016			2016			2017		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	<i>HKS'000</i>	<i>HKS'000</i>	%	<i>HKS'000</i>	<i>HKS'000</i>	%	<i>HKS'000</i>	<i>HKS'000</i>	%	<i>HKS'000</i>	<i>HKS'000</i>	%
Private sector	115,022	22,655	19.7	120,576	23,077	19.1	79,261	14,220	17.9	89,082	19,144	21.5
Public sector	13,570	82	0.6	13,790	1,556	11.3	1,382	128	9.3	36,131	6,383	17.7
	<u>128,592</u>	<u>22,737</u>	<u>17.7</u>	<u>134,366</u>	<u>24,633</u>	<u>18.3</u>	<u>80,643</u>	<u>14,348</u>	<u>17.8</u>	<u>125,213</u>	<u>25,527</u>	<u>20.4</u>

Though we operated in a highly fragmented and competitive market and we subcontracted labour-intensive work such as installation and fitting-out works of MVAC systems to our subcontractors, we recorded a relatively high gross profit margin from approximately 17.7% to approximately 20.4% during the Track Record Period as our Directors are of the view that our Group is able to command a stronger bargaining power in negotiating the pricing terms with our customers as (i) we ranked the 5th and the 3rd in the MVAC installation market in Hong Kong and Macau in 2016 respectively according to the Frost & Sullivan Report, (ii) we are able to deliver quality and safety works and services to our customers as reflected in the certification of our management system in accordance with the standard required under ISO 9001: 2008 (quality management) since August 2013 and (iii) we have been operating for over 20 years and 10 years in the MVAC system services industry in Hong Kong and Macau respectively and we have been servicing most of our five largest customers during the Track Record Period for over 5 years and therefore our track record and reputation is well-established among the customers. On the other hand, considering that we have been in relationship with most of our five largest subcontractors during the Track Record Period for over 3 years, we can maintain their quality of service, ensure their delivery of works on schedule and able to negotiate better pricing terms with them and therefore effectively control our cost of operation.

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## SUMMARY

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### Highlight of our consolidated statements of financial position

	As at 31 December		As at 31 August
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	66	109	136
Current assets	64,931	90,979	85,989
Current liabilities	37,644	40,242	38,726
Total equity	27,353	50,846	47,399
Net current assets	27,287	50,737	47,263
Total assets less current liabilities	27,353	50,846	47,399

The substantial increase in our current assets, total equity, net current assets and total assets less current liabilities as at 31 December 2016 from that as at 31 December 2015 was principally due to the increase in our bank balances and cash brought by the proceeds from the subscription of Shares by the First Pre-IPO Investor under the First Pre-IPO Subscription Agreement which was completed on 28 December 2016. For details of discussion of our consolidated statements of financial position during the Track Record Period, please refer to the section headed “Financial information — Description of certain items of consolidated statements of financial position” in this prospectus.

### Highlight of our consolidated statements of cash flows

	Year ended 31 December		Eight months ended 31 August	
	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Net cash from operating activities	5,821	12,988	12,113	7,841
Operating cash flows before movements in working capital	18,310	18,084	10,278	8,108
Net cash used in investing activities	(6,593)	(13,039)	(11,313)	(5,772)
Net cash (used in) from financing activities	(2,138)	9,886	(107)	11,779
Net (decrease) increase in cash and cash equivalents	(2,910)	9,835	693	13,848
Effect of foreign exchange rate changes	(200)	(82)	(90)	(48)
Cash and cash equivalents at beginning of the year/period	5,930	2,820	2,820	12,573
Cash and cash equivalents at end of the year/period	2,820	12,573	3,423	26,373

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## SUMMARY

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The substantial increase in our cash and cash equivalents from 31 December 2015 to 31 December 2016 and further to 31 August 2017 was principally due to the receipt of the proceeds from the subscription of Shares by the First Pre-IPO Investor under the First Pre-IPO Subscription Agreement on 28 December 2016 and the proceeds from the subscription of Shares by the Second Pre-IPO Investor under the Second Pre-IPO Subscription Agreement on 13 February 2017 respectively. For details of discussion of our cash flow activities during the Track Record Period, please refer to the section headed “Financial information — Liquidity and capital resources — Cash flow” in this prospectus.

### Summary of financial ratios

	Year ended/ As at 31 December		Eight months ended/as at 31 August
	2015	2016	2017
Gross profit margin	17.7%	18.3%	20.4%
Net profit margin	12.2%	11.5%	4.4%
Return on total assets	24.1%	16.9%	N/A
Return on equity	57.3%	30.3%	N/A
Current ratio	1.7 times	2.3 times	2.2 times
Quick ratio	1.7 times	2.3 times	2.2 times
Gearing ratio ( <i>Note</i> )	10.0%	4.9%	—
Debt to equity ratio	0.4%	Net cash	Net cash
Interest coverage	48.1 times	158.3 times	336.6 times

*Note:* Gearing ratio is calculated by dividing the amount due to a shareholder of the holding company and the bank overdrafts by total equity at the year/period-end date and expressed as a percentage.

The significant decrease in our return on total assets from the year ended 31 December 2015 to 2016 was principally due to the increase in our total assets which was mainly resulted from the increase in our bank balances and cash brought by the proceeds from the subscription of Shares by the First Pre-IPO Investor under the First Pre-IPO Subscription Agreement in the amount of HK\$10.0 million which was completed on 28 December 2016. The significant decrease in our return on equity from the year ended 31 December 2015 to 2016 was due to the reason for the decrease in our return on total assets as discussed above and the decrease in the our use of leverage for operation as our indebtedness level decreased in the same period. The significant increase in our interest coverage ratio from 31 December 2015 to 2016 was principally due to the larger extent of decrease in our finance costs as compared with the extent of the decrease in our profit before interest and tax. Our interest coverage ratio further significantly improved from 31 December 2016 to 31 August 2017 in light of our minimal finance costs as compared to our profit before interest and tax for the same period. For the formulae of the key financial ratios in the above table and the details of discussion of our key financial ratios during the Track Record Period, please refer to the section headed “Financial information — Key financial ratios” in this prospectus.

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## SUMMARY

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### SHAREHOLDERS' INFORMATION

Immediately following completion of the Capitalisation Issue and the Share Offer, the Controlling Shareholders, comprising Mr. Chung, Ms. Chung and Wing Fung BVI, are entitled to control the exercise of the voting rights of 75.0% of the Shares eligible to vote at the general meeting of our Company. On the basis that (a) Ms. Chung has restricted her ability to exercise direct control over our Company as she holds her interest through a common investment holding company with Mr. Chung, namely Wing Fung BVI; and (b) Mr. Chung and Ms. Chung have been acting in concert throughout the Track Record Period and up to the Latest Practicable Date pursuant to the Deed of Acting in Concert, Ms. Chung will be regarded as part of a group of Controlling Shareholders of our Company with Mr. Chung. For further details, please refer to the section headed "Substantial shareholders" in this prospectus.

### OFFER STATISTICS

	<b>Based on the Offer Price of HK\$0.38 per Offer Share</b>	<b>Based on the Offer Price of HK\$0.42 per Offer Share</b>
Market capitalisation <i>(Note 1)</i>	HK\$218.1 million	HK\$241.1 million
Unaudited pro forma adjusted consolidated net tangible assets of our Group (per Share) <i>(Note 2)</i>	HK\$0.15	HK\$0.16

*Notes:*

- (1) The calculation of the market capitalisation of our Shares is based on 574,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer but does not take into account of any Shares which may be allotted and issued or repurchased by our Company pursuant to the Company's general mandate, as referred to in the sections headed "Share Capital — General Mandate to Issue Shares" and "Share Capital — General Mandate to Repurchase Shares" in this prospectus.
- (2) The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is arrived on the basis of 574,000,000 Shares in issue, taking into account of 780,000 Shares in issue as at August 31, 2017, 429,720,000 Shares to be issued pursuant to the Capitalisation Issue for 780,000 Shares, and 143,500,000 Shares to be issued pursuant to the completion of the Share Offer. It does not take into account of any Shares which may be issued or repurchased pursuant to the Company's general mandate, as referred to in the sections headed "Share Capital — General Mandate to Issue Shares" and "Share Capital — General Mandate to Repurchase Shares" in this prospectus. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group as at August 31, 2017 to reflect any operating result or other transactions of the Group entered into subsequent to that date in particular, the effect of the interim dividend declared and approved by the Company on 24 October 2017. Had the above mentioned dividend declaration been completed on August 31, 2017, the unaudited pro forma adjusted consolidated net tangible assets of the Group would decrease from approximately HK\$84,355,000 to approximately HK\$58,855,000 and from approximately HK\$0.15 per Share to approximately HK\$0.10 per Share based on Offer Price of HK\$0.38 per Share, or from approximately HK\$89,865,000 to approximately

## SUMMARY

HK\$64,365,000 and from approximately HK\$0.16 per Share to approximately HK\$0.11 per Share based on Offer Price of HK\$0.42 per Share. For details, please refer to Appendix II to this prospectus.

### FUTURE PLAN AND USE OF PROCEEDS

We expect that the aggregate net proceeds to us from the Share Offer, after deducting related underwriting fees and expected expenses in connection with the Share Offer, assuming an Offer Price of HK\$0.40 per Share (being the mid-point of the Offer Price range of HK\$0.38 to HK\$0.42), will be approximately HK\$30.0 million. Our Directors presently intend to apply such net proceeds as follows:

	Upon Listing to 30 June 2018 HK\$'000	For the six months ending 31 December 2018 HK\$'000	For the six months ending 30 June 2019 HK\$'000	For the six months ending 31 December 2019 HK\$'000	For the six months ending 30 June 2020 HK\$'000	For the six months ending 31 December 2020 HK\$'000	Total HK\$'000	Percentage of use of net proceeds %
Acquisition of performance bond for new projects	587	1,174	1,296	1,296	1,438	1,438	7,229	24.1%
Employment of additional staff and provision of relevant training	1,236	3,735	2,817	3,160	2,964	3,454	17,366	57.9%
Leasing of a new office and employment of additional staff in Macau	165	760	348	381	366	402	2,422	8.0%
Working capital	500	500	500	500	500	500	3,000	10.0%
<b>Total</b>	<b>2,488</b>	<b>6,169</b>	<b>4,961</b>	<b>5,337</b>	<b>5,268</b>	<b>5,794</b>	<b>30,017</b>	<b>100.0%</b>

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

### LISTING EXPENSES

Assuming an Offer Price of HK\$0.40 (being the mid-point of the indicated Offer Price range), the total amount of listing expenses in connection with the Share Offer is expected to be approximately HK\$27.4 million, of which approximately HK\$9.7 million has been charged to our profit or loss for the eight months ended 31 August 2017. Our Group expects that listing expenses of approximately HK\$11.3 million and HK\$8.5 million will be charged to our profit or loss for the years ending 31 December 2017 and 2018 respectively. The balance of approximately HK\$7.6 million which is directly attributable to the issue of the Offer Shares is expected to be accounted for as a deduction from equity upon Listing. Accordingly, the financial performance for the years ending 31 December 2017 and 2018 is expected to be adversely affected by the expected expenses in relation to the Listing. Expenses in relation to the Listing are non-recurring in nature. The amount of listing expenses is a current prediction for reference only and the final amount to be recognised to the consolidated statement of comprehensive income of our Group for the years ending 31 December 2017 and 2018 is subject to audit and the actual changes in variables and assumptions.

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## SUMMARY

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### DIVIDENDS

For the year ended 31 December 2016, a final dividend of HK\$2,038,000 was recognised as distribution by Botop Macau to its then shareholders, Mr. Chung and Ms. Chung, which was settled through the current account with them.

On 10 April 2017, an interim dividend of HK\$27,000,000 was declared and approved by our Company in favour of our Shareholders whose names appeared on the register of members of our Company on 31 December 2016, namely Wing Fung BVI and the First Pre-IPO Investor. For the dividend payable to Wing Fung BVI of approximately HK\$23,824,000, approximately HK\$20,708,000 of which had been settled by offsetting with amount due from a director on 10 April 2017 and the remaining approximately HK\$3,116,000 had been settled in cash on 10 April 2017. The remaining HK\$3,176,000 payable to the First Pre-IPO Investor was irrevocably waived by the First Pre-IPO Investor pursuant to a deed of waiver dated 10 April 2017. The amount waived was deemed as capital contribution from a shareholder and credited to capital reserve.

On 24 October 2017, an interim dividend of HK\$34,000,000 was declared and approved by our Company in favour of our Shareholders whose names appeared on the registered of members of our Company as at the same date, namely Wing Fung BVI, the First Pre-IPO Investor and the Second Pre-IPO Investor. The dividend payable to Wing Fung BVI of approximately HK\$25,500,000 had been settled in cash on 24 October 2017 using our then internal resources. The bank balances and cash position of our Group was approximately HK\$31.7 million as at 30 September 2017. The remaining HK\$3,400,000 and HK\$5,100,000 payable to the First Pre-IPO Investor and the Second Pre-IPO Investor were irrevocably waived by the First Pre-IPO Investor and the Second Pre-IPO Investor respectively pursuant to a deed of waiver dated 24 October 2017. The amount waived was deemed as capital contribution from the shareholders and credited to capital reserve.

The Pre-IPO Investors agreed to waive their entitlement to the dividend distributed in April 2017 as they were looking for long term returns on their investment upon successful Listing. Subsequently along with the exit of the Pre-IPO Investments in October 2017, the dividend distribution by the Company in October 2017 and the waiver of the Pre-IPO Investors' entitlement to such dividend was part of the commercial negotiation between the Pre-IPO Investors, the Company and Wing Fung BVI in order to provide the funding required by Wing Fung BVI to achieve the Share Purchase. For further details, please refer to the section headed "History, development and Reorganisation — Pre-IPO Investments — Exit of the Pre-IPO Investments" in this prospectus.

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## SUMMARY

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All the above mentioned dividend has been fully settled as at the Latest Practicable Date. Other than these payouts, no member of our Group had declared any dividend during the Track Record Period and up to the Latest Practicable Date.

There is no expected dividend payout ratio after the Listing. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Any final dividend for a financial year will be subject to Shareholders' approval. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares.

Dividends may be paid only out of our Company's distributable profits as permitted under the relevant laws. There can be no assurance that our Company will be able to declare or distribute the amount set out in any plan of our Board or at all. The past dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

### RISK FACTORS

There are certain risks involved in our operations which are beyond our control. They can be broadly categorised into risks relating to our business, risks relating to our industry in Hong Kong and Macau, risks relating to Share Offer and our Shares and risks relating to this prospectus. Potential investors are advised to read the section headed "Risk factors" in this prospectus carefully before making any investment decision in the Share Offer. Some of the major risk factors include:

- our business relies on successful tenders and any failure of our Group to secure tender contracts would affect our operations and financial results
- erroneous or inaccurate estimation of project duration and our costs when determining the tender price may adversely affect our profitability and financial performance
- our historical revenue and profit margin may not be indicative of our future revenue and profit margin
- our Group's top five customers accounted for a substantial portion of our total revenue during the Track Record Period
- we operate in a competitive industry
- there has been no existing public market for our Shares and there may be a lack of liquidity and hence result in volatility in its price and trading volume of our Shares upon the Listing

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## SUMMARY

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### RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking MVAC installation and fitting-out projects in Hong Kong and Macau. We have been awarded 3 new projects of a total contract sum of HK\$103.9 million. Please refer to the section headed “Business — Our projects” in this prospectus for further details. As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and none of them have had any material interruption.

On 24 October 2017, Wing Fung BVI purchased 78,000 Shares from the First Pre-IPO Investor at a consideration of HK\$10,000,000, and on the same date, Wing Fung BVI further purchased 117,000 Shares from the Second Pre-IPO Investor at a consideration of HK\$15,000,000. The Share Purchase was a commercial decision came up by the Pre-IPO Investors, the Company and Wing Fung BVI, after taken into account the individual circumstances of the Pre-IPO Investors and the then progress of the application for the Listing. Upon completion, the Company became wholly-owned by Wing Fung BVI. For details of the exit of the Pre-IPO Investments, please refer to the section head “History, development and Reorganization — Pre-IPO investments — Exit of the Pre-IPO Investments” in this prospectus.

Furthermore, given that we had utilised most of our available cash on hand to settle the interim dividend payable to Wing Fung BVI of HK\$25.5 million on 24 October 2017, we had obtained a term loan facility on 6 November 2017 with a limit up to HK\$20.0 million for a term of 36 months to fund our operations. For further details of the term loan facility, please refer to the section headed “Financial Information — Description of certain items of consolidated statements of financial position — Bank overdrafts and bank borrowing” in this prospectus.

In addition, on 16 January 2018, we had purchased the performance bond for Project#20 in an amount of approximately HK\$2.7 million, being 5% of the original contract sum of the project i.e. approximately HK\$53.7 million.

Save and except for the listing expenses as disclosed above, our Group did not have any significant non-recurrent items in our consolidated statements of profit or loss and other comprehensive income subsequent to the Track Record Period.

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## SUMMARY

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### PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2017

Estimated combined profit attributable to equity holders of our Company (*Note 1*) . . . . . Not less than HK\$5.2 million

Unaudited pro forma estimated earnings per Share (*Note 2*) . . . . . Not less than HK0.92 cents

*Notes:*

1. The bases on which the profit estimate has been prepared are set out in Appendix III to this prospectus. The directors of the Company have prepared the estimated consolidated profit attributable to equity holders of the Company for the year ended 31 December 2017 based on the audited consolidated results of the Group for the eight months ended 31 August 2017 and the unaudited consolidated results of the Group based on our unaudited management accounts for the four months ended 31 December 2017. The estimated consolidated profit attributable to equity holders of the Company for the year ended 31 December 2017 has been taken into account of the expected listing expenses to be incurred during the year ended 31 December 2017 of approximately HK\$11.3 million.
2. The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2017 taking into account the number of shares that are outstanding during the year ended 31 December 2017 and on the assumption that the Capitalisation Issue and Share Offer had been completed on 1 January 2017, resulted in a weighted average of 566,392,534 Shares for the year ended 31 December 2017. The calculation of the estimated earnings per Share does not take into account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the Company's general mandates.

### MATERIAL ADVERSE CHANGE

Save and except for the listing expenses as discussed above, our Directors confirm that up to the date of this prospectus, there has been no material adverse change in our Group's financial and trading position since 31 August 2017 and there is no event since 31 August 2017 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.

### OCCUPATIONAL HEALTH AND SAFETY

During the Track Record Period and up to the Latest Practicable Date, there were nine accidents in which the employees of our Group or our subcontractor were involved. Three of the nine accidents involved the employees of our subcontractors while the remaining six accidents involved our employees as at the date of the accidents. For the two years ended 31 December 2016 and the eight months ended 31 August 2017, our accident rates were nil, 51.3 and 4.7 in Hong Kong per 1,000 workers and 6.6, nil and nil in Macau per 1,000 workers, respectively. For details of our accident rates, please refer to the section headed "Business — Analysis on accident rates" in this prospectus.

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## SUMMARY

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### LITIGATION AND NON-COMPLIANCE

Of the nine accidents occurred during the Track Record Period and up to the Latest Practicable Date, seven of them gave rise to employees' compensation claims, among which six were made against our Group and were settled in the sum of approximately HK\$0.3 million and the remaining one was made against one of our subcontractors and was ongoing as at the Latest Practicable Date and is covered by the insurance policy taken out by the main contractor of which subject to judgement by Labour Department of Hong Kong. As at the Latest Practicable Date, in respect of the six employees' compensation claims against our Group, as the limitation period for personal injury claim has not lapsed, it is still possible for the subject persons to commence legal proceeding against our Group for damages arising from personal injuries under common law in HK or under general liability rules provided for in the Macau Civil Code in Macau, as the case may be. Such potential claims due to the cause of injuries to our employees or the employees of our subcontractors in Hong Kong would be sufficiently covered by the insurance maintained by our main contractors. No court proceedings has commenced yet in respect of such cases as at the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we were also involved in two ongoing legal proceedings with one of our suppliers which was one of our top five suppliers during the Track Record Period. For details of the above litigation and claims, please refer to the section headed "Business — Litigation and claims" in this prospectus.

Furthermore, Wing Fung HK has failed to submit Form IR56E and Form IR56F within the prescribed time under the IRO before and during the Track Record Period. The Group has certain non-compliances against (i) the IRO in relation to the application for revision of tax returns of Wing Fung HK and (ii) the CTR in relation to the application for revision of tax returns of Botop Macau and tax enquiry from the FSB. The actual net amount of tax refund and the maximum penalties chargeable by the IRD to Wing Fung HK in relation to the application for revision of tax returns was approximately HK\$0.1 million and HK\$0.1 million respectively. On the other hand, in relation to the application for revision of tax returns and tax enquiry from the FSB, the total expected amount of tax charges and the total maximum penalties chargeable by the FSB to Botop Macau is approximately MOP2.6 million and MOP60,000 respectively. For details of such non-compliances, please refer to the section headed "Business — Legal and regulatory compliance" in this prospectus.

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## DEFINITIONS

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*In the prospectus, the following expressions have the following meanings, unless the context otherwise requires:*

“Application Forms”	<b>WHITE</b> application form(s) and <b>YELLOW</b> application form(s) or, where the context requires, any of them relating to the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, conditionally adopted on 31 January 2018 with effect from the Listing Date, and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Botop Macau”	Botop Engineering (Macau) Limited (寶創工程(澳門)一人有限公司), a limited company incorporated in Macau on 5 March 2007 with limited liability and an indirect wholly-owned subsidiary of our Company
“business day”	a day (other than a Saturday or Sunday or Public Holiday) on which licenced banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 429,720,000 new Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the section headed “History, development and Reorganisation — Capitalisation Issue” in this prospectus and the section headed “Statutory and general information — A. Further information about our Company — 3. Written resolutions of our sole Shareholder passed on 31 January 2018” in Appendix V 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 general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

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## DEFINITIONS

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“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 practises, 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
“CIC”	Construction Industry Council
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Co-Lead Manager”	Prudential Brokerage Limited
“Companies Law” or “Cayman Islands 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 (WUMP) 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”	Wing Fung Group Asia Limited (榮豐集團亞洲有限公司)(formerly known as Wing Fung Capital Holdings Limited), an exempted company incorporated in the Cayman Islands with limited liability on 29 September 2016
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the same meaning ascribed to it under the GEM Listing Rules, and in the context of this prospectus, means (i) Wing Fung BVI and Mr. Chung, and (ii) Ms. Chung, as part of a group of Controlling Shareholders of our Company with Mr. Chung. For details of their shareholdings and basis for the identification of Controlling Shareholders, please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules

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## DEFINITIONS

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“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules
“CTR”	Complementary Tax Regulation (No. 21/78/M of the Laws of Macau), as amended, supplemented or otherwise modified from time to time
“Deed of Indemnity”	the deed of indemnity dated 31 January 2018 entered into by Mr. Chung, Ms. Chung and Wing Fung BVI, being our Controlling Shareholders, as indemnifiers in favour of our Company (for itself and as trustee for its subsidiaries) as further detailed in the section headed “Statutory and general information — D. Other information — 1. Tax and other indemnities” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 31 January 2018 entered into by Mr. Chung, Ms. Chung and Wing Fung BVI, being our Controlling Shareholders, in favour of our Company (for itself and as trustee for its subsidiaries), in respect of certain non-competition undertakings given by our Controlling Shareholders in favour of us, particulars of which are set out in the section headed “Relationship with Controlling Shareholders — Deed of Non-competition” in this prospectus
“Development Bureau”	Development Bureau of Hong Kong
“Director(s)”	the director(s) of our Company
“First Pre-IPO Investment”	the subscription of 100 shares of our Company by the First Pre-IPO Investor, the details of which are set forth in the paragraphs headed “History, development and Reorganisation — Pre-IPO Investments”
“First Pre-IPO Investor”	Global Equity Value Fund SPC — Frotivoti Sunshine Liyao Capital Fund I SP, a segregated portfolio under Global Equity Value Fund SPC, a company incorporated in the Cayman Islands with limited liability
“First Pre-IPO Subscription Agreement”	A subscription agreement entered into between (i) our Company; (ii) the First Pre-IPO Investor; and (iii) Mr. Chung on 15 December 2016
“Frost & Sullivan”	Frost & Sullivan International Limited, an independent market research institution

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## DEFINITIONS

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“Frost & Sullivan Report”	an independent market report commissioned by us and prepared by Frost & Sullivan on the building services and MVAC installation market in Hong Kong and Macau, an extract of which is set out in the section headed “Industry overview” in this prospectus
“FSB”	Financial Services Bureau of Macau
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM (as amended from time to time)
“Group”	our Company together with our subsidiaries or, where the context requires, in respect of the period before our Company becoming the holding company of our present subsidiaries, such subsidiaries as if they were our subsidiaries and the business carried on by them at the relevant time
“HK\$” or “Hong Kong dollars” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standard
“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
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
“Hong Kong Government”	the government of Hong Kong
“Independent Third Party(ies)”	person(s) or company(ies) which is (are) independent of and not connected (within the meaning of the GEM Listing Rules) with any of the Directors, chief executive or substantial shareholders of our Company or our subsidiaries or any of their respective associates within the meanings of the GEM Listing Rules

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## DEFINITIONS

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“IRO”	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Joint Bookrunners” or “Joint Lead Managers”	CLC Securities Limited and Ping An Securities Limited
“Latest Practicable Date”	2 February 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained herein
“Legal Counsel”	Mr. Leung Wai Keung, Richard, Barrister-at-law of Hong Kong
“Listing”	the listing and the commencement of dealings of our Shares on GEM
“Listing Date”	the date on which our Shares are listed and dealings in our Shares first commence on GEM, which is expected to be on or about Tuesday, 27 February 2018
“Listing Division”	the listing division of the Stock Exchange
“Macau”	the Macao Special Administrative Region of the PRC
“Macau Government”	the government of Macau
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, conditionally adopted on 31 January 2018 with effect from the Listing Date and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“MOP”	Macau Pataca, the lawful currency of Macau
“Mr. Chung”	Mr. CHUNG Chi Keung (鍾志強), an executive Director, the chairman of the Board, the chief executive officer of our Company and one of our Controlling Shareholders
“Ms. Chung”	Ms. CHUNG Mei Lin Joanne (鍾美蓮), Mr. Chung’s sister and one of our Controlling Shareholders
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.42 per Offer Share and expected to be not less than HK\$0.38 per Offer Share, such price to be determined as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus

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## DEFINITIONS

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“Offer Share(s)”	collectively, the Placing Shares and the Public Offer Shares
“Placing”	the conditional placing of the Placing Shares at the Offer Price by the Underwriters for and on behalf of our Company for cash at the Offer Price subject to the reallocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Share(s)”	129,150,000 new Shares being offered at the Offer Price for subscription under the Placing subject to the terms and conditions as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriter(s)”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional underwriting and placing agreement relating to the Placing expected to be entered into among our Company, our Controlling Shareholders, our executive Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and the Placing Underwriters, as further described in the section headed “Underwriting” in this prospectus
“PRC” or “China”	the People’s Republic of China which, for the purpose of this prospectus and for geographical reference only and except where the context requires or otherwise, excludes Hong Kong, Macau and Taiwan
“Pre-IPO Investments”	the First Pre-IPO Investment and the Second Pre-IPO Investment
“Pre-IPO Investors”	the First Pre-IPO Investor and the Second Pre-IPO Investor
“Pre-IPO Investors Shares”	The 78,000 Shares and 117,000 Shares of the Company held by the First Pre-IPO Investor and the Second Pre-IPO Investor, respectively, which were transferred to Wing Fung BVI on 24 October 2017. For further details, please refer to the paragraph headed “History, development and Reorganisation — Pre-IPO Investments — Exit of the Pre-IPO Investments” in this prospectus
“Pre-IPO Subscription Agreements”	the First Pre-IPO Subscription Agreement and the Second Pre-IPO Subscription Agreement

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## DEFINITIONS

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“Price Determination Agreement”	the agreement to be entered into by the Joint Bookrunners (for themselves and on behalf of the other 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 Tuesday, 20 February 2018 on which the Price Determination Agreement is entered into
“Public Offer”	the issue and offer of the Public Offer Shares for subscription in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in the section headed “Structure and conditions of the Share Offer” in this prospectus and the Application Forms
“Public Offer Shares”	14,350,000 new Shares initially being offered at the Offer Price for subscription in the Public Offer subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriter(s)”	the underwriters of the Public Offer listed in the section headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 9 February 2018 relating to the Public Offer entered into among, our Company, our Controlling Shareholders, our executive Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and the Public Offer Underwriters, as further described in the section headed “Underwriting” in this prospectus
“Reorganisation”	the reorganisation arrangements undergone by our Group in preparation for the Listing, details of which are described in the section headed “History, development and Reorganisation” in this prospectus
“Reporting Accountants”	Deloitte Touche Tohmatsu
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, further details of which are contained in the section headed “Statutory and general information — A. Further information about our Company — 3. Written resolutions of our sole Shareholder passed on 31 January 2018” in Appendix V to this prospectus
“RMB”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“Second Pre-IPO Investment”	the subscription of 150 shares of our Company by the Second Pre-IPO Investor, the details of which are set forth in the paragraphs headed “History, development and Reorganisation — Pre-IPO Investments”
“Second Pre-IPO Investor”	Global Equity Value Fund SPC — FC Treasure Fund I SP, a segregated portfolio under Global Equity Value Fund SPC, a company incorporated in the Cayman Islands with limited liability
“Second Pre-IPO Subscription Agreement”	A subscription agreement entered into between (i) our Company; (ii) the Second Pre-IPO Investor; and (iii) Mr. Chung on 15 December 2016
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of our Share(s) from time to time
“Share Offer”	the Public Offer and the Placing
“SRS”	the Subcontractor Registration Scheme implemented by the CIC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under the GEM Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Tai Tak Group”	Tai Tak HK and Tai Tak Macau
“Tai Tak HK”	Tai Tak E & M Co., a partnership established in Hong Kong on 1 September 2010, which is a subcontractor of our Group and a connected person of our Company upon Listing
“Tai Tak Macau”	Tai Tak Engineering (Macau) Limited, a company established in Macau on 29 August 2008, which is a subcontractor of our Group and a connected person of our Company upon Listing

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## DEFINITIONS

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“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, modified and supplemented from time to time
“TC Capital” or “Sponsor”	TC Capital International Limited, the sponsor for the Listing and a corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities (as defined in the SFO)
“Track Record Period”	the two financial years ended 31 December 2016 and the eight months ended 31 August 2017
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“US\$” or “USD”	United States dollars, the lawful currency of the United States of America
“WBDB”	the Works Branch of the Development Bureau
“ <b>WHITE</b> Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who requires such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“Wing Fung BVI”	Wing Fung Capital Limited, a company incorporated in the BVI on 22 September 2016 with limited liability and one of our Controlling Shareholders
“Wing Fung HK”	Wing Fung Engineering (H.K.) Limited (榮豐工程(香港)有限公司), a limited company incorporated in Hong Kong on 25 July 1996 and a direct wholly-owned subsidiary of our Company
“Wing Fung Investment”	Wing Fung Investment Management Limited, a company incorporated in BVI on 22 September 2016 with limited liability and a direct wholly-owned subsidiary of our Company
“ <b>YELLOW</b> Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who requires such Public Offer Shares to be deposited directly into CCASS

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary of technical terms contains terms used in this prospectus in connection with our business or our Group. As such, these terms and their meanings may not correspond to standard industry meanings or usages of these terms.*

“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“contract sum”	the price payable to the party carrying out the works, which under some contracts may be subject to adjustment in accordance with terms
“E&M”	electrical and mechanical
“employer”	the party to a construction contract who engages and pays for the contractor to carry out the works, and may also be referred to as the “client”
“ISO”	International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	a framework and systematic approach set by ISO to manage business processes to produce a product/service that conforms to customer expectation
“main contractor”	a contractor directly employed by the site owner or client, usually a general contractor experienced in a wide range of construction work, who employs subcontractors who may be domestic or named by the employer, responsible for planning, managing and co-ordinating work on site during the construction phase
“MVAC”	mechanical ventilation and air-conditioning
“practical completion”	a stage of substantial completion of works marked by the issue of a certificate to that effect, meaning the completion of the works for all practical purposes, allowing the employer to take possession of the works and use them as intended without patent defects
“quantity surveyor”	a person with skills in the construction industry in relation to the estimation of construction costs and contracts
“Specialist List” or “List”	the List of Approved Suppliers of Materials and Specialist Contractors for Public Works kept by the Development Bureau
“sq. m” or “m <sup>2</sup> ”	square metres

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## GLOSSARY OF TECHNICAL TERMS

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“subcontract”	a contract between a contractor and a subcontractor to carry out all or part of the works which the contractor is obliged to complete under its contract with its customer
“subcontractor”	a contractor employed by the main contractor or another subcontractor to carry out part of the contract work on behalf of the main contractor
“variation order(s)”	such additional works, omissions or changes requested by the customer for specifications not included in the original contract

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements, including, but without limitation to, the words and expressions such as “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” and the negative of these words or other similar expressions or statements, in particular, in the sections headed “Business”, “Financial information” and “Future plans and use of proceeds” of this prospectus in relation to future events, business or other performance and development, the future development of our Group’s industry and the future development of the general economy of our Group’s key markets and globally.

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

- our Group’s business and operating strategies and our Group’s ability to implement such strategies;
- our Group’s capital expenditure and expansion plans;
- our Group’s ability to further develop and manage our Group’s expansion projects as planned;
- our Group’s operations and business prospects;
- various business opportunities that our Group may pursue;
- our Group’s financial position;
- the availability and costs of bank loans and other forms of financing;
- our Group’s dividend policy;
- the regulatory environment of our Group’s industry in general;
- the performance and future developments of our Group’s industry;
- changes in competitive conditions and our Group’s ability to compete under these conditions; and
- other factors beyond our Group’s control.

One or more of these risks may materialise and various underlying assumptions may prove incorrect.

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## FORWARD-LOOKING STATEMENTS

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

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

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**WAIVERS FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES AND  
EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WUMP) ORDINANCE**

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In preparation of the Listing, our Company has sought the following waivers and exemption from strict compliance with the relevant provisions of the GEM Listing Rules and of the Companies (WUMP) Ordinance.

**I. WAIVER FROM STRICT COMPLIANCE WITH RULE 12.11 OF THE GEM LISTING RULES**

Pursuant to Rule 12.11 of the GEM Listing Rules, there must be no dealing in the securities for which listing is sought by any core connected person of the issuer from the time of submission of the application for listing until listing is granted.

Wing Fung BVI is a substantial Shareholder and is therefore a core connected person of our Company. As our Company submitted its first application for listing on 21 April 2017, the Share Purchase by Wing Fung BVI of the Pre-IPO Investors' Shares on 24 October 2017 would have been prohibited under Rule 12.11 of the GEM Listing Rules. For details of the Share Purchase, please refer to the section headed "History, development and Reorganisation — Pre-IPO Investments — Exit of the Pre-IPO Investments" in this prospectus. Nonetheless we consider that the Share Purchase will not prejudice the interests of potential investors in our Company on the following grounds:

1. the Listing of the Shares will take place after 120 clear days from the completion of the Share Purchase;
2. the Shares held by the Pre-IPO Investors were purchased at the same consideration paid by the Pre-IPO Investors at the time of their subscription of such Shares. The Pre-IPO Investors did not make a profit by withdrawing their investment from the Company;
3. our Directors confirm that our Group has sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus;
4. the Pre-IPO Investors and the two non-executive Directors nominated by them had not been involved in the daily business operation of our Group and therefore, the Share Purchase would not lead to a change of control or management of our Group;
5. the reason for the Share Purchase is to facilitate the process of the listing application. Wing Fung BVI does not have an intention to benefit through dealing in the Shares held by the Pre-IPO Investors before Listing; and
6. if our Company were to strictly comply with Rule 12.11 of the GEM Listing Rules, it will be required to submit a new listing application after completion of the Share Purchase, thereby incurring additional time and cost, and will be unduly burdensome to our Company and not be beneficial to the potential Shareholders.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WUMP) ORDINANCE

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On the grounds set out above, we have applied to the Stock Exchange for and obtained a waiver from strict compliance with Rule 12.11 of the GEM Listing Rules in relation to the Share Purchase on the condition that material terms of the Share Purchase are disclosed in this prospectus to provide potential investors with sufficient information to make an informed assessment of our Company.

### II. WAIVER FROM STRICT COMPLIANCE WITH RULES 7.03(1) AND 11.10 OF THE GEM LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WUMP) ORDINANCE

The accountants' report of the Company contained in Appendix I to this prospectus is currently prepared to cover two full financial years ended 31 December 2016 and eight months ended 31 August 2017.

#### **Rules 7.03(1) and 11.10 of the GEM Listing Rules**

Rules 7.03(1) and 11.10 of the GEM Listing Rules provides that the accountants' report contained in this prospectus must include the consolidated results of our Group in respect of each of the two financial years immediately preceding the issue of this prospectus, or such period as may be acceptable to the Stock Exchange.

#### **Companies (WUMP) Ordinance Requirements**

Section 342(1)(b) of the Companies (WUMP) Ordinance requires all prospectuses to include the matters specified in Part I of the Third Schedule to the Companies (WUMP) Ordinance and set out the reports specified in Part II of the Third Schedule to the Companies (WUMP) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (WUMP) Ordinance (as modified by section 5(3) of the Companies (Exemption of Companies and Prospectuses from compliance with Provisions) Notice) (Chapter 32L of the Laws of Hong Kong), our Company is required to include in this prospectus a statement as to, *inter alia*, the gross trading income or sales turnover (as may be appropriate) of our Group during each of the two financial years immediately preceding the issue of this prospectus, including an explanation of the method used for the computation of such income or turnover, and a reasonable breakdown between the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance (as modified by section 5(3) of the Companies (Exemption of Companies and Prospectuses from compliance with Provisions) Notice) (Chapter 32L of the Laws of Hong Kong), our Company is required to include in this prospectus a report by the auditors of our Company with respect to, *inter alia*, the profits and losses and assets and liabilities of our Group for each of the two financial years immediately preceding the issue of this prospectus.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WUMP) ORDINANCE

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Pursuant to section 5(3) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), all reference to “3 preceding years”, “3 financial years” and “3 years” in paragraphs 27 and 31 of the Third Schedule to the Companies (WUMP) Ordinance are substituted by a reference to “2 preceding years”, “2 financial years” and “2 years”, respectively, for a prospectus issued in relation to an application for the listing of securities on GEM.

Pursuant to section 342A of the Companies (WUMP) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (WUMP) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

### **Waiver and Exemption Sought**

We have applied for (a) a waiver from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules from the Stock Exchange and (b) a certificate of exemption from strict compliance from the requirements under section 342(1) of the Companies (WUMP) Ordinance in respect of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance from the SFC by permitting the non-inclusion in this prospectus of the consolidated financial results of the Group for the full financial year ended 31 December 2017 and issue of this prospectus containing the audited consolidated financial results of the Group for the two financial years ended 31 December 2016 and the eight months ended 31 August 2017 on the following grounds:

- (i) our Directors confirm that all information necessary for the public to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects will be included in this Prospectus and that, as such, the waiver to be granted by the Stock Exchange from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules and the exemption to be granted by SFC from strict compliance with the relevant requirements under the Companies (WUMP) Ordinance in respect of the financial results of our Group included in this Prospectus will not prejudice the interests of the investing public. Our Directors and the Sponsor have performed sufficient due diligence to ensure that, up to the date of this Prospectus, save for the listing expense, there will not be any material adverse change in the financial and trading positions or prospect of the Group since 31 August 2017 up to 31 December 2017 and there will not be any event since 31 August 2017 up to 31 December 2017 which would materially affect the information shown in the Accountants’ Report set out in Appendix I, the section headed “Financial information” and the profit estimate for the year ended 31 December 2017 set out in Appendix III to this prospectus.

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**WAIVERS FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES AND  
EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WUMP) ORDINANCE**

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Therefore, our Directors are of the view that the financial information presented in the Accountants' Report, together with the disclosure of profit estimate for the year ended 31 December 2017 in this prospectus, provide potential investors adequate and reasonably up-to-date information on the Group's track record and earning trend; and

- (ii) strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules and the requirements under section 342(1) of the Companies (WUMP) Ordinance in respect of paragraph 27 of part I and paragraph 31 of part II of the Third Schedule to the Companies (WUMP) Ordinance would inevitably further delay the listing timetable as the financial statements are required to be audited up to 31 December 2017 and the reporting accountants would have to undertake a considerable amount of work to prepare, update and finalise the accountants' report to cover such additional period. Therefore, it would be unduly burdensome for the audited results for the year ended 31 December 2017 to be finalised in a short period of time. Our Directors consider that the benefits of such work to the existing and prospective shareholders of our Company may not justify the additional time and expenses involved and the further delay of the listing timetable.

The Stock Exchange has granted us a waiver from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules on the conditions that:

- (i) the Listing Date shall not be later than two months after the latest financial year end of the Company, i.e. on or before 28 February 2018;
- (ii) the SFC granting a certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (WUMP) Ordinance in respect of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance subject to such conditions as the SFC thinks fit in the granting of such certificate of exemption;
- (iii) a profit estimate for the year ended 31 December 2017 which complies with Rules 14.29 to 14.31 of the GEM Listing Rules is included in this prospectus; and
- (iv) a Directors' statement that, save for the listing expense, there is no material adverse change to its financial and trading positions or prospect with specific reference to the trading results from 31 August 2017 to 31 December 2017 is included in this prospectus.

In accordance with Guidance Letter HKEx-GL25-11, a profit estimate of our Group for the year ended 31 December 2017 which complies with Rules 14.29 to 14.31 of the GEM Listing Rules will be set out in this prospectus.

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**WAIVERS FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES AND  
EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WUMP) ORDINANCE**

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Further, a certificate of exemption has also been granted by the SFC under section 342A of the Companies (WUMP) Ordinance on the conditions that:

- i. the Prospectus shall be issued on or before 12 February 2018 and the Shares shall be listed on GEM on or before 28 February 2018; and
- ii. the particulars of the exemption be set out in the Prospectus.

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## RISK FACTORS

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*Prospective investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. Our business, financial condition and results of operations could be adversely affected by the materialisation of any of the following risks. Trading prices of the Shares could decline due to any of the following risks, and you may lose part or all of your investment.*

### **RISKS RELATING TO OUR BUSINESS**

#### **Our business relies on successful tenders and any failure of our Group to secure tender contracts would affect our operations and financial results**

Our revenue is principally derived from contracts awarded through tendering and is not recurring in nature. Our customers engage us on a project-by-project basis and do not enter into any long term agreement or master service agreement with us. Hence, there is no guarantee that our existing customers will provide us with new business opportunities. Moreover, there is no assurance that (i) we would be invited to or are made aware of the tendering process; (ii) the terms and conditions of the new contracts would be comparable to the existing contracts; or (iii) our tenders would be selected by customers. As such, the number and scale of our projects and hence our revenue may vary significantly from period to period and our operations and financial results would be adversely affected.

#### **Erroneous or inaccurate estimation of project duration and our costs when determining the tender price may adversely affect our profitability and financial performance**

Our gross profit margin is dependent on, among other things, our ability to predict costs accurately and control costs and further subject to other risk factors as set out in this section. Our project contracts are generally quoted as lump-sum contract such that unexpected adverse fluctuation in our cost or budget overrun may result in diminished project return or even a loss. We perform an estimation of our operating costs under the contract duration as specified in the tender invitation documents before submitting tender or quotations to our customers. There is no assurance that our estimations of the project costs can be realised. For each of the two years ended 31 December 2016 and the eight months ended 31 August 2017, our materials and equipment costs amounted to approximately HK\$42.8 million, HK\$32.7 million and HK\$30.8 million, respectively, representing approximately 39.5%, 30.4% and 30.8% of our total actual costs (before net movement of amounts due from (to) customers for contract work), respectively. During the same period, our subcontracting charges incurred were approximately HK\$56.4 million, HK\$64.6 million and HK\$60.2 million, representing 52.0%, 60.1% and 60.3% of our total actual costs (before net movement of amounts due from (to) customers for contract work), respectively. Please refer to the section headed “Financial information — Key factors affecting our results of operations and financial condition — Subcontracting charges and materials and equipment costs” in this prospectus for the sensitivity analysis illustrating the impact of hypothetical fluctuations in our actual subcontracting charges and materials and equipment costs on our profit before tax during the Track Record Period. If the actual

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## RISK FACTORS

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inflation of materials and equipment costs and subcontracting charges are higher than our expectation by the time we prepare the tender proposals, our profitability in a project might be adversely affected or we may be bound by the contract to undertake the project at a substantial loss.

In addition, inaccurate estimation on project schedule in the tendering process may also result in cost overruns. Many factors would affect the time taken in completing our projects including the shortage of labour and materials, adverse weather conditions, variations to the construction plans instructed by customers, stringent technical construction requirements, threatened claims and material disputes with our customers, subcontractors and suppliers, accidents, and changes in the policies of Hong Kong and Macau. If any of such factors arises and remains unresolved, completion of our works may be delayed and we may be subject to cost overruns.

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

For each of the two years ended 31 December 2016 and the eight months ended 31 August 2017, our Group's revenue amounted to approximately HK\$128.6 million, HK\$134.4 million and HK\$125.2 million, respectively and our Group's gross profit amounted to approximately HK\$22.7 million, HK\$24.6 million and HK\$25.5 million representing gross profit margin of approximately 17.7%, 18.3% and 20.4%, respectively. Our net profit amounted to approximately HK\$15.7 million, HK\$15.4 million and HK\$5.5 million representing net profit margin of approximately 12.2%, 11.5% and 4.4% for each of the two years ended 31 December 2016 and the eight months ended 31 August 2017 respectively.

The historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future which will depend on our capability to secure new business opportunities and to control our costs. Gross profit margins of our individual projects may fluctuate from project to project due to factors such as tender price, scope of work, location of work, technical complexity, variation orders and work schedule required by our customers. There is no assurance that our profit margins in the future will remain at a level comparable to those recorded during the Track Record Period. Our financial condition may be adversely affected by any decrease in our gross profit margins.

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## RISK FACTORS

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### **Our Group's top five customers accounted for a substantial portion of our total revenue during the Track Record Period**

Our top five customers accounted for approximately 99.1%, 99.6% 100.0% of our total revenue for each of the two years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. Yet, our top five customers during the Track Record Period are not obligated in any way to continue to provide us with new businesses in the future at a level similar to that in the past or at all. If any of our top customers reduce the number of projects or size of projects awarded to us or terminate the business relationship with our Group and if we are not able to secure new contracts of a comparable size from other customers as replacement, our business operations and financial performance may be materially and adversely affected. Besides, if any of our top customers experiences any liquidity problem and result in delay or default in settling progress payments to us, it will have adverse impact on our cash-flows and financial conditions.

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

We generally submit interim payment applications with details in relation to the amount of work done under the contract to our customer on a monthly basis. In practice, we generally submit interim payment applications for work done in the preceding month in the middle of a month. The customer will issue an interim certificate to certify our work done within 30 days from our payment application. The customer will then make payment based on the certified amount less the retention money within 45 days from the issuance of the certificate. A portion of such interim payment, normally 10% of each interim payment and subject to a ceiling of up to 5% of the total contract sum, might be withheld by our customers as retention money and will only be fully remitted to us after the defects liability period. As at 31 December 2015, 2016 and 31 August 2017, our trade receivables amounted to approximately HK\$29.9 million, HK\$28.3 million and HK\$24.9 million, respectively, and the trade receivables turnover days were 75.8 days, 79.1 days and 51.6 days for the two years ended 31 December 2016 and the eight months ended 31 August 2017. We rely on prompt settlement of progress payments from our customers to meet our payment obligations in relation to costs incurred in our projects. There can be no assurance that our trade receivables and retention money will be remitted by our customers to us on a timely basis and in full. Any late payment, whether arising from payment practice of our customers or delay in completion of the project or default payment by our customers, may adversely affect our future liquidity position.

### **Any delay or defects of our supplies and subcontractors' work would adversely affect our operations and financial results**

The materials that we purchased for our services mainly include pipes, duct, insulating accessories, hoses and metal hardware. Our materials are sourced from our suppliers in Hong Kong and Macau. The timeliness and quality of our work are therefore dependent on the quality and continued supply of these materials. If our suppliers fail to supply the material specified by our customers on time or the quality is not up to our customers'

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## RISK FACTORS

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standard or deviate from its specification, we may need to bear extra cost to purchase from other suppliers for immediate need or lead to significant delay in project completion and we may receive claims from our customers.

Taking into account the availability of our in-house manpower resources, labour-intensiveness of the work involved and cost effectiveness, we generally do not carry out the labour-intensive work such as installation work and fitting out work and we will subcontract such labour work to one or more subcontractors based on the size and nature of the project.

Subcontracting arrangement exposes us to risks associated with non-performance, delayed performance or substandard performance by our subcontractors. Accordingly, we may experience deterioration in the quality of our services or delay in completion of our projects and any additional costs incurred by us to rectify the same may have adverse impact on our profitability, financial performance and reputation.

If our subcontractors violate any laws, rules or regulations in relation to environmental, labour and/or safety matters, we may sometimes be subject to prosecutions as primary defendant by the relevant authorities. In addition, we may be liable to claims for losses and damages incurred by our subcontractors, if such violations cause any personal injuries/death or damage to properties.

### **Operating cash inflows and outflows in connection with our projects may be irregular, thus may affect our net cash flow position**

Cash flows from operating activities primarily include revenue from the projects undertaken by us. Operating cash outflows include operating expenditures such as materials and equipment costs, subcontracting cost, labour costs and other administration expenses.

We incurred cash outflow to our suppliers and our own direct labour when or before our works commence. Meanwhile, progress payments will generally only be paid to us in the next few months for our works completed in a particular month. For the year ended 31 December 2015 and 2016 and the eight months ended 31 August 2017, the trade receivables turnover days of our Group were approximately 75.8, 79.1 and 51.6 days respectively and the trade payables turnover days of our Group were approximately 34.6, 30.0 and 23.7 days respectively. Accordingly, the operating cash inflow and outflow for a particular project are mismatched and may fluctuate as our works proceed. In addition, a portion of contract value (which generally is 10% of each interim payment, subject to a maximum limit of 5% of the total contract amount) is usually withheld by our customers as retention money and will be released to us only after expiry of the defect liability period. If during any particular period of time, our projects on hand require substantial cash outflow while we have significantly less cash inflows during that period, our cash flow position may be adversely affected.

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## RISK FACTORS

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### **Construction disputes, complaints, legal and other proceedings arising from our operations may affect our Group's business, operations and financial results**

It is not uncommon in our industry to have construction disputes and litigation. We may be in disputes with our customers, subcontractors, suppliers, in-house workers and other parties in connection with our projects for various reasons. Such disputes may relate to late completion of works, delivery of substandard works, personal injuries or labour compensation in relation to the works. Please refer to the section headed "Business — Litigation and claims" in this prospectus for further information on material disputes or litigation we encountered during the Track Record Period.

We cannot assure you that we can resolve all these disputes by way of negotiation and/or mediation with the relevant parties. If we fail to resolve the disputes, it may result in legal and other proceedings against us, which may lead to heavy legal costs and significant damages if we fail to obtain favourable outcome in such proceedings. The costs incurred and the compensation or fine payable in relation to these claims, disputes or legal proceedings may not be covered by our insurance policies or insurance policies maintained by our main contractors. These proceedings can be time-consuming, expensive and may divert the attention of our Group's management and other human resources in dealing with these proceedings which may adversely affect our operations and financial results.

### **We rely on certain key managements for our operations**

Our success and growth has been, and will continue to be, relying heavily on certain key personnel, in particular, Mr. Chung, our executive Director who have extensive experience workings in the supply, installation and fitting-out services of MVAC system in Hong Kong and Macau. Please refer to the section headed "Directors and senior management" in this prospectus for further details.

Any unanticipated departure of members of the management team without appropriate replacement found in a timely manner may impact, among others, our ability to gain tenders, provide accurate estimation of costs and manage our projects and therefore may have a material adverse effect on our business operations and profitability.

### **Our Group may incur extra cost in workers training and recruitment of workers following the implementation of construction workers registration scheme in 2017**

Hong Kong Government has been working with CIC and members of the sector to promote the healthy development of the construction industry. Following amendment of the Construction Workers Registration Ordinance in 2014, the requirements of "designated workers for designated trades" have been implemented under the construction workers registration scheme in 2017. Skilled construction workers will then be required to register under the scheme according to their respective skills. It is expected that our Group may incur extra resources in workers training to satisfy the registration scheme promulgated by Hong Kong Government. Cost of workers may also increase following the implementation of relevant qualification framework. Failure to recruit workers with suitable qualification and registration at reasonable cost or at all will have material and adverse effect to the operations of our Group.

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## RISK FACTORS

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### **Personal injuries, property damages or fatal accidents may occur if safety measures are not followed at the construction sites**

In the course of our operations, we require our employees and subcontractors (including their employees) to adhere to and implement all the safety measures and procedures as stipulated in our work and safety policy. However, we cannot guarantee that our employees or subcontractors will not violate the applicable laws, rules or regulations. If any such employees or subcontractors fails to comply with our safety measures at the construction sites, personal injuries, property damage or fatal accidents may occur. These may adversely affect the financial position of our Group to the extent not fully recoverable from our and our customers' insurance policies. During the Track Record Period and up to the Latest Practicable Date, there were nine accidents in which the employees of our Group or our subcontractor were involved. For details of the accidents, please refer to the section headed "Business — Occupational health and safety" in this prospectus.

Furthermore, tenders for projects are generally evaluated by our potential customers by taking into account a number of factors, which include without limitation our safety compliance records with the relevant laws and regulations. We may also be subject to inspections by the relevant Hong Kong Government departments (e.g. Labour Department of Hong Kong) and Macau Government departments (e.g. Labour Affairs Bureau of Macau) from time to time and these inspections may lead to formal charge(s) against our Group. Any non-compliance and conviction records of our Group may affect our chance of winning future bids.

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

We strive to achieve sustainable growth and further enhance our overall competitiveness in the MVAC installation market in Hong Kong and Macau by implementing the business strategies detailed in the section headed "Business — Business strategies" in this prospectus. However, our plans and strategies may be hindered by significant business, economic and competitive uncertainties and contingencies, including the growth of MVAC installation market in Hong Kong and Macau. Whether we can successfully implement our business strategies also depends on various factors including our Group's capacity to award more projects and the employment of experienced and skilled staff to undertake more projects. There is no assurance that we will be able to successfully maintain or increase our market share or grow our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans could materially and adversely affect our business, financial condition and results of operations.

### **Our Group may be affected by possible increases in insurance costs and reduction of insurance coverage by our insurers and certain risks involved in our business operation are generally not insured**

During the Track Record Period, we generally maintained employee's compensation insurance, office insurance and vehicle insurance for our operation. Our insurance policies may not cover all of our risks and our insurers may not fully compensate us for all potential

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## RISK FACTORS

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losses, damages or liabilities relating to our business operations. We cannot assure the insurance coverage will not be reduced or limited by insurers upon the expiry of our current policies. Any further increase in insurance costs (such as an increase in insurance premiums) or reduction in coverage may materially and adversely affect our business operations and financial results.

Furthermore, there are certain types of losses for which insurance coverage is not generally available (such as risks in relation to collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, etc.) on commercial terms acceptable to us, or at all. If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance cover, we have to bear such losses, damages or liabilities by ourselves. In such a case, our business operations and financial conditions may be adversely affected.

In addition, we do not maintain any defects liability insurance and we may face claims arising from latent defects that exist but not yet active, developed or visible, found in the works which are undertaken by us. If there is any significant claim against us for defects liability of any default or failure of our services by our customers or other party, our profitability may be adversely affected.

### **Our Group may be subject to penalties imposed by the IRD and the FSB**

Our Group had certain non-compliance against (i) the IRO in relation to the application for revision of tax returns of Wing Fung HK and (ii) the CTR in relation to the application for revision of tax returns of Botop Macau and tax enquiry from the FSB. For background and details of such non-compliances, please refer to the section headed “Business — Legal and regulatory compliance — Non-compliance with the IRO in relation to the application for revision of tax returns and the CTR in relation to the application for revision of tax returns and tax enquiry from the FSB” in this prospectus. The actual net amount of tax refund and the maximum penalties chargeable by the IRD to Wing Fung HK in relation to the application for revision of tax returns was approximately HK\$0.1 million and HK\$0.1 million respectively. On the other hand, in relation to the application for revision of tax returns and tax enquiry from the FSB, the total expected amount of tax charges and the total maximum penalties chargeable by the FSB to Botop Macau is approximately MOP2.6 million and MOP60,000 respectively.

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## RISK FACTORS

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### RISKS RELATING TO OUR INDUSTRY IN HONG KONG AND MACAU

#### **We operate in a competitive industry**

According to the Frost & Sullivan Report, the MVAC installation industry in Hong Kong is highly fragmented and competitive with a large number of industry players. According to Hong Kong Registered Ventilation Contractors Association, there were altogether 176 registered members with MVAC system installation business in Hong Kong, and it was expected that the total number of the players competing in Hong Kong's MVAC installation market was around 350 in 2016. The top 10 players in Hong Kong only took up an accumulated market share of 13.2% in 2016. On the other hand, MVAC installation industry in Macau demonstrated higher market concentration ratio compared to that in Hong Kong, with top 10 players taking up an accumulated market share of 26.6% in 2016. Yet it was expected that the total number of players competing in Macau's MVAC installation market was around 250 in 2016. Some of our competitors may have more manpower, resources, licences and qualifications, longer operating histories and stronger relationship with customers and brand names. If we cannot adapt effectively to market conditions and customer preferences or otherwise fail to provide a competitive bid as compared to our competitors, our services may not be attractive to customers and our profitability may be materially and adversely affected.

#### **The MVAC installation industry in Hong Kong and Macau has been facing the problem of shortage and rising costs of workers**

According to the Frost & Sullivan Report, one of the major threats in the MVAC installation market in Hong Kong and Macau is the shortage of skilled workers, which is attributable mainly to the regional aging problem, the slow population growth and the policy on restriction of foreign labour. Even without such shortage, we generally compete with similar businesses for manpower.

According to the Frost & Sullivan Report, the average daily wages of local and foreign MVAC workers in Hong Kong recorded a steady growth at a CAGR of 8.2% and 4.2%, respectively, from 2011 to 2016. The average daily wages of local and foreign MVAC workers in Macau recorded a more vigorous growth at a CAGR of 12.8% and 5.4%, respectively, from 2011 to 2016. It is expected that the average daily wages of Hong Kong local and foreign MVAC workers will continue to grow at a CAGR of 5.6% and 3.5%, respectively, from 2017 to 2020 and the average daily wages of the local and foreign MVAC workers in Macau tend to grow at a CAGR of 11.3% and 5.2%, respectively, from 2017 to 2021. We usually factor in the expected increase in the labour cost when we submit our tender. In case the actual increase in the cost of MVAC workers is higher than our expectation, it could materially and adversely affect our business operations and financial conditions.

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## RISK FACTORS

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### **Changes in the social, political and economic landscape of Hong Kong and Macau may materially affect our business**

For the two years ended 31 December 2016 and the eight months ended 31 August 2017, our revenue derived from our operation in Hong Kong represented approximately 28.0%, 66.5% and 67.3% of our total revenue, respectively, whilst our revenue derived from our operation in Macau accounted for approximately 72.0%, 33.5% and 32.7% of our total revenue, respectively. Demand for our services is therefore principally connected to the level of construction activities in Hong Kong and Macau which is affected by the local social, political and economic landscape.

If there are any material adverse changes in the social, political and economic conditions in Hong Kong and Macau including (i) change in local government policies, rules or regulations; (ii) riots, natural disasters and other acts of god; (iii) breakdown in the transportation system which may disrupt our material supplies; or (iv) a sudden downturn in the economy or consumer demands, our operations, financial results and profitability may be adversely affected.

### **Our Group is exposed to environmental liability and any changes in environmental requirements in Hong Kong and Macau may increase our Group's compliance costs**

Our Group's business operations are mainly located in Hong Kong and Macau and we need to comply with the standards imposed by relevant environmental laws and regulation including those in respect of air pollution control, noise control and waste disposal control in Hong Kong and in respect of air quality and water quality in Macau. Such regulations may be revised by the Hong Kong Government and Macau Government from time to time. Any changes to such regulations and guidelines may increase our cost and burden in complying with them. In the event that our Group fails to comply with these relevant environmental laws and regulations, it may cause delays in the progress of our Group's projects and lead to a negative impact on our Group's public image and reputation, either of which could adversely affect our Group's business operations and financial performance. In addition, any violation of the relevant environmental laws and regulations may lead to substantial fines, clean-up costs and environmental liabilities or even suspension of operations that could materially and adversely affect the operating results and prospects of our Group.

For further information and more detailed discussion of these laws, regulations and standards, please refer to the section headed "Regulatory overview" in this prospectus.

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## RISK FACTORS

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### **RISKS RELATING TO SHARE OFFER AND OUR SHARES**

#### **There has been no existing public market for our Shares and there may be a lack of liquidity and hence result in volatility in its price and trading volume of our Shares upon the Listing**

Prior to the Share Offer, there was no public market for, and no established price for, our Shares. There is no assurance that there will be an active trading market for our Shares on the Stock Exchange upon the Listing. In addition, the market price of our Shares to be traded on the Stock Exchange may differ from the Offer Price and prospective investors should not treat the Offer Price as an indicator of the market price of our Shares.

Upon the Listing, we cannot assure you that there will not be any volatility in the price and trading volume of our Shares. The liquidity and the market price of our Shares may be affected or influenced by a number of factors from time to time, including our revenue, profit and cash flow, our investment, changes in our management and general economic condition. We cannot assure that such factors will not occur and it is difficult to quantify their impact on the liquidity and the market price of our Shares.

#### **Investors' shareholding may experience dilution if our Company issues additional Shares in the future**

Our Company may need to raise additional funds in the future to finance business expansion or new development or 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 the Company may be diluted.

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

There is no guarantee that the Controlling Shareholders, whose interests may be different from other Shareholders, will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing, details of which are set out in the sections headed "Underwriting — Undertakings to the Stock Exchange" and "Underwriting — Undertakings pursuant to the Public Offer Underwriting Agreement — Undertakings by our Controlling Shareholders" in this prospectus. Sales of substantial amounts of our Shares in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of our Shares.

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

For the year ended 31 December 2016, a final dividend of HK\$2,038,000 was recognised as distribution by Botop Macau to its then shareholders. On 10 April 2017, an interim dividend of HK\$27,000,000 was declared and approved by our Company in favour of our Shareholders whose names appeared on the register of members of our Company on 31 December 2016. On 24 October 2017, an interim dividend of HK\$34,000,000 was declared and approved by our Company in favour of our Shareholders whose names

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## RISK FACTORS

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appeared on the register of members of our Company as at the same date. For details, please refer to the paragraph headed “Financial Information — Dividends” in this prospectus.

Following completion of the Share Offer, any dividend declared by us will have to be approved by our Board and the amount of any dividend will depend on various factors, including, without limitation, our operating results, financial condition, future prospects and other factors which our Board may determine are important. Accordingly, our historical dividends are not indicative of our future dividend distribution policy. Potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis upon which future dividends are determined.

### **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, data and forecasts presented in the section headed “Industry overview” and elsewhere in this prospectus relating to the Hong Kong and Macau building services industry and MVAC installation market have been derived, in part, from various publications and industry-related sources prepared by government officials or independent third parties. While we have exercised reasonable care in compiling and reproducing such information and statistics derived from government publications, we cannot assure you nor make any representation as to the accuracy or completeness of such information. Our Directors believe that the sources of the information are appropriate sources for such information and our Directors have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sponsor, their respective affiliates or advisers nor any parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources 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 and Macau. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

#### **The 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. The 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” in this prospectus.

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

**INFORMATION ON THE SHARE OFFER**

This prospectus is published solely in connection with the Share Offer and the Listing on GEM, which is solely sponsored by the Sponsor and managed by the Joint Lead Managers.

The Offer Shares are offered for subscription 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 in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, agents, employees or any other persons or parties involved in the Share Offer.

The delivery of this prospectus should not, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply the information contained in this prospectus is correct as at the date subsequent to the date of this prospectus.

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, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to apply for Public Offer Shares" in this prospectus and in the relevant Application Forms.

**APPLICATION FOR LISTING OF OUR SHARES ON GEM**

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue.

Dealings in the Shares on GEM are expected to commence on Tuesday, 27 February 2018. No part of the Shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek a

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange. All Offer Shares will be registered on the Hong Kong Branch Share Registrar in order to enable them to be traded on GEM.

Under section 44B(1) of the Companies (WUMP) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on GEM is refused before the expiration of three weeks from the date of the closing of the Share Offer, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to us by the Stock Exchange.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules). It is expected that a total of 143,500,000 Offer Shares representing 25% of the enlarged issued share capital of our Company will be in the hands of the public immediately following completion of the Share Offer and the Capitalisation Issue and upon Listing.

### **ABOUT THE SHARE OFFER**

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by us, the Sponsor, the Joint Bookrunners, Joint Lead Managers, the Underwriters or any of our or their respective directors, officers or representatives or any other persons involved in the Share Offer.

### **PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES**

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

### **FULLY UNDERWRITTEN**

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms and conditions of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is expected to be entered on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Joint Bookrunners (for themselves and on behalf of the other Underwriters) and our Company. Further information relating to the Underwriters, the Share Offer and the underwriting arrangements is set out in the section headed “Underwriting” of this prospectus.

If, for any reason, the Offer Price is not agreed, the Share Offer will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed “Underwriting” in this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES**

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

Each person acquiring the Offer Shares will be required, 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 and sale 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 and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exception therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the United States.

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

### **HONG KONG REGISTER OF MEMBERS AND STAMP DUTY**

Our principal register of members will be maintained by the principal share registrar in the Cayman Islands. Dealings in the Shares on GEM will be registered on our Hong Kong branch register of members maintained in Hong Kong by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited.

Only Shares registered on our Hong Kong branch register of members maintained in Hong Kong may be traded on GEM. Dealings in our Shares registered on our branch register of members in Hong Kong will be subject to Hong Kong stamp duty.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

If you are unsure about the taxation implications of subscribing for or purchasing, holding or disposing of or dealing in our Shares, you should consult your professional advisers. None of our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors and any other person involved in the Share Offer accepts responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of or dealing in our Shares.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on GEM and our Company complies 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 GEM or such other date HKSCC chooses. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

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 necessary arrangements have been made for our Shares to be admitted to CCASS.

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

### COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. on Tuesday, 27 February 2018.

Our Shares will be traded in board lots of 10,000 Shares each. The stock code for our Shares is 8526. We will not issue temporary documents of title.

### ROUNDING

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

### EXCHANGE RATE CONVERSION

Unless the context requires otherwise, translation of HK\$ and MOP is made in this prospectus, for illustration purpose only, at the rates of MOP1.00 = HK\$0.97. No representation is made that any amount in MOP and HK\$ could have been or could be converted at the above rates or at any other rates or at all.

For the section headed “Financial information” and Appendix I in this prospectus, unless otherwise specified, income and expense items of foreign operations are translated into the presentation currency of our Group (i.e. Hong Kong dollars) at the average exchange rates for the relevant period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of each reporting period.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors:</i>		
Mr. Chung Chi Keung (鍾志強)	Flat D, 9th Floor Block 3, Provident Centre 25 Wharf Road North Point Hong Kong	Chinese
Ms. Lai Suk Fan (黎淑芬)	Room 11, 10th Floor Wing Mau House Sui Wo Court Shatin, New Territories Hong Kong	Chinese
<i>Independent Non-executive Directors:</i>		
Mr. Choy Hiu Fai Eric (蔡曉輝)	Room A, 22nd Floor Ford Glory Plaza 37 Wing Hong Street Lai Chi Kok Kowloon Hong Kong	Chinese
Mr. Lei For (利科)	Flat F, 12th Floor Shun On Mansion Tai Koo Shing Hong Kong	Chinese
Mr. Lai Wai Ming (黎偉明)	Flat C, 36th Floor Tower 5, Tung Chung Crescent Tung Chung New Territories Hong Kong	Chinese

For further information regarding our Directors, please refer to the section headed “Directors and senior management” of this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### PARTIES INVOLVED IN THE SHARE OFFER

**Sponsor**

**TC Capital International Limited**  
Suite 1903-4, 19/F  
Tower 6, The Gateway  
Harbour City  
9 Canton Road  
Tsim Sha Tsui  
Kowloon  
Hong Kong

**Joint Bookrunners and Joint Lead  
Managers**

**CLC Securities Limited**  
13th Floor, Nan Fung Tower  
88 Connaught Road Central  
Central, Hong Kong

**Ping An Securities Limited**  
Unit 02, 2/F, China Merchants Building  
152-155 Connaught Road Central  
Central, Hong Kong

**Co-Lead Manager**

**Prudential Brokerage Limited**  
901-4 World Wide House  
19 Des Voeux Road Central  
Hong Kong

**Legal Advisors to the Company**

*As to Hong Kong laws*

**CFN Lawyers**  
**in association with Broad & Bright**  
27th Floor, Neich Tower  
128 Gloucester Road  
Wan Chai  
Hong Kong

*As to Macau laws*

**Nuno Simões & Associates**  
Flat O, 17th Floor  
Cheng Feng Commercial Building  
No.336 Alameda Dr. Carlos D'Assumpção  
Macau

*As to Cayman Islands law*

**Maples and Calder (Hong Kong) LLP**  
53rd Floor, The Center  
99 Queen's Road Central  
Hong Kong

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**DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER**

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<b>Legal Advisors to the Sponsor and the Underwriters</b>	<b>Loeb &amp; Loeb LLP</b> 21st Floor, CCB Tower 3 Connaught Road Central Hong Kong
<b>Auditors and Reporting Accountants</b>	<b>Deloitte Touche Tohmatsu</b> <i>Certified Public Accountants</i> 35th Floor, One Pacific Place 88 Queensway Hong Kong
<b>Industry Consultant</b>	<b>Frost &amp; Sullivan International Limited</b> 1706, One Exchange Square 8 Connaught Place Central, Hong Kong
<b>Compliance adviser</b>	<b>TC Capital International Limited</b> Suite 1903-04, 19/F Tower 6, The Gateway Harbour City 9 Canton Road Tsim Sha Tsui Kowloon Hong Kong
<b>Receiving banks</b>	<b>The Bank of East Asia, Limited</b> 10 Des Voeux Road Central Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office in the Cayman Islands</b>	PO Box 309, Ugland House Grand Cayman KY1-1104 Cayman Islands
<b>Principal place of business in Hong Kong</b>	Units 13 & 14, 9th Floor Worldwide Industrial Centre 43-47 Shan Mei Street Fotan Hong Kong
<b>Company secretary</b>	<b>Mr. Law Pak Hin Edward</b> , <i>CPA (Aust.)</i> Flat B, 3th Floor The Valley View 12A Tsui Man Street Happy Valley Hong Kong
<b>Compliance officer</b>	<b>Mr. Chung Chi Keung</b> Flat D, 9th Floor Block 3, Provident Centre 25 Wharf Road North Point Hong Kong
<b>Authorised representatives (for the purpose of the GEM Listing Rules)</b>	<b>Mr. Chung Chi Keung</b> Flat D, 9th Floor Block 3, Provident Centre 25 Wharf Road North Point Hong Kong  <b>Mr. Law Pak Hin Edward</b> Flat B, 3th Floor The Valley View 12A Tsui Man Street Happy Valley Hong Kong
<b>Members of audit committee</b>	Mr. Choy Hiu Fai Eric ( <i>Chairman</i> ) Mr. Lei For Mr. Lai Wai Ming
<b>Members of remuneration committee</b>	Mr. Lai Wai Ming ( <i>Chairman</i> ) Mr. Chung Chi Keung Mr. Choy Hiu Fai Eric

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## CORPORATE INFORMATION

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<b>Members of nomination committee</b>	Mr. Lei For ( <i>Chairman</i> ) Mr. Chung Chi Keung Mr. Lai Wai Ming
<b>Principal share registrar and transfer office in the Cayman Islands</b>	Maples Fund Services (Cayman) Limited PO Box 1093 Boundary Hall, Cricket Square Grand Cayman KY1-1102 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal bankers</b>	China Construction Bank (Asia) Corporation Limited 28/F., CCB Tower 3 Connaught Road Central Central Hong Kong  China Construction Bank Corporation Macau Branch Central Subbranch 70-76 Avenida de Almeida Ribeiro Macau
<b>Website</b>	<b><u><a href="http://www.wingfunggroup.com">www.wingfunggroup.com</a></u></b> <i>(information of this website does not form part of this prospectus)</i>

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## INDUSTRY OVERVIEW

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*The information that appears in this section has been prepared by Frost & Sullivan and reflects the prediction of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Frost & Sullivan should not be considered as the opinion of Frost & Sullivan as to the value of any security or the advisability of investing in the Company. The Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading.*

*The information prepared by Frost & Sullivan and set out in this section has not been independently verified by us, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party except Frost & Sullivan involved in the Share Offer and they do not give any representations as to its accuracy or correctness and accordingly it should not be relied upon in making, or refraining from making, any investment decision.*

### SOURCE OF INFORMATION

Our Group had commissioned Frost & Sullivan to provide industry information on the building services and MVAC installation market in Hong Kong and Macau. Our Group had agreed to pay a fee of HK\$388,000 to Frost & Sullivan for the report. Our Directors are of the view that the payment does not affect the fairness of the views and conclusions presented in the Frost & Sullivan Report.

### RESEARCH METHODOLOGY

In compiling and preparing the research report, Frost & Sullivan conducted primary research including interviews with industry experts and participants and secondary research which involved reviewing the statistics published by the government official statistics, industry publications, annual reports and data based on its own database. Frost & Sullivan presented the figures for various market size projections from historical data analysis plotted against macroeconomic data, as well as data with respect to the related industry drivers and integration of expert opinions. Frost & Sullivan assumed that (i) the social, economic and political environment in Hong Kong and Macau are expected to remain stable; and (ii) key industry drivers are likely to continue to affect the market over the forecast period.

### ABOUT FROST & SULLIVAN

Frost & Sullivan is an independent global consulting firm founded in 1961. It offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage includes industrial and machinery, automotive and transportation, chemicals, material and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics and technology, media and telecom. The Frost & Sullivan Report includes information on data of the building services and MVAC installation market in Hong Kong and Macau.

## INDUSTRY OVERVIEW

### OVERVIEW OF BUILDING SERVICES MARKET IN HONG KONG AND MACAU

#### Definition

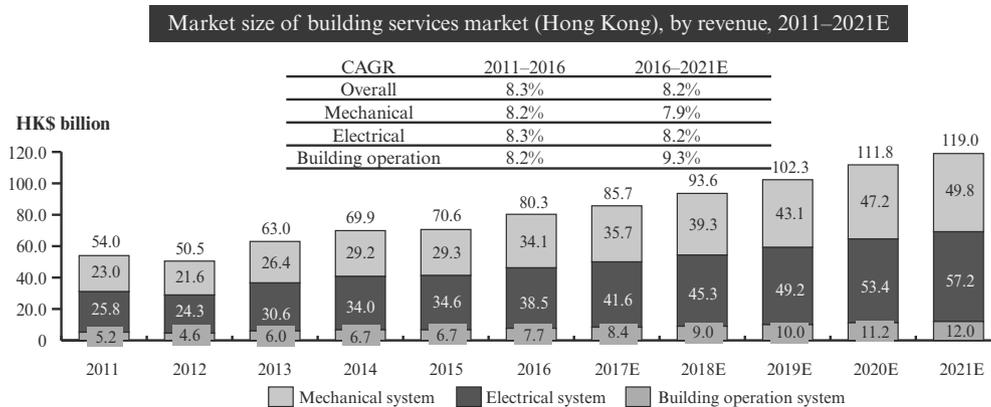
Generally speaking, everything inside the building to make the building safe and comfortable belongs to the scope of building services. Building services contribute to the sustainability and functionality of the building. Building services can be categorised into the following three sectors including (i) mechanical system encompasses MVAC system, gas supply system, plumbing and drainage system and fire services system, (ii) electrical system encompasses power system, lighting system and auxiliary system and (iii) building operation system encompasses transportation system, processing system and automation system.

#### Market size analysis

##### *Hong Kong*

The revenue of building services market in Hong Kong grew from HK\$54.0 billion to HK\$80.3 billion, representing a CAGR of 8.3% over the period from 2011 to 2016. The negative growth in 2012 and slowdown in growth in 2015 were mainly due to the delay in public projects as a result of filibustering in the Legislative Council of Hong Kong.

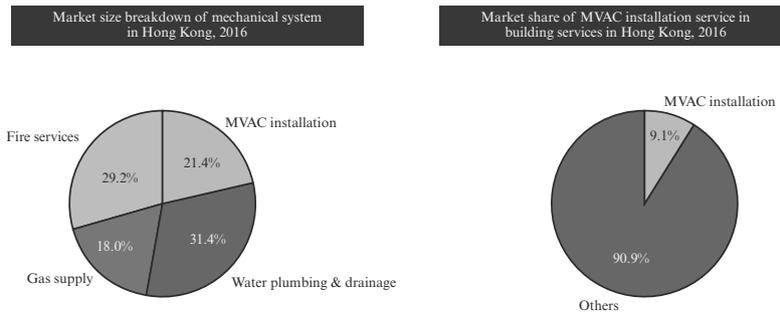
It is expected that building services market in Hong Kong would continue growing in the future, reaching HK\$119.0 billion by 2021 or at a CAGR of 8.2% from 2016 to 2021. The continuous development is driven by (i) the steady growth of economy and property market of Hong Kong, which will further stimulate the demand for the construction of shopping malls, residential units and offices and (ii) the increase in large and complex construction works in Hong Kong, such as Kai Tak development. The chart below sets forth the overall market size and breakdown of building services market in terms of revenue in Hong Kong over the period from 2011 to 2021:



*Source: Hong Kong Census and Statistics Department, Frost & Sullivan*

## INDUSTRY OVERVIEW

The charts below demonstrate the market size breakdown of mechanical system and market share of MVAC installation service in building services in Hong Kong in 2016:



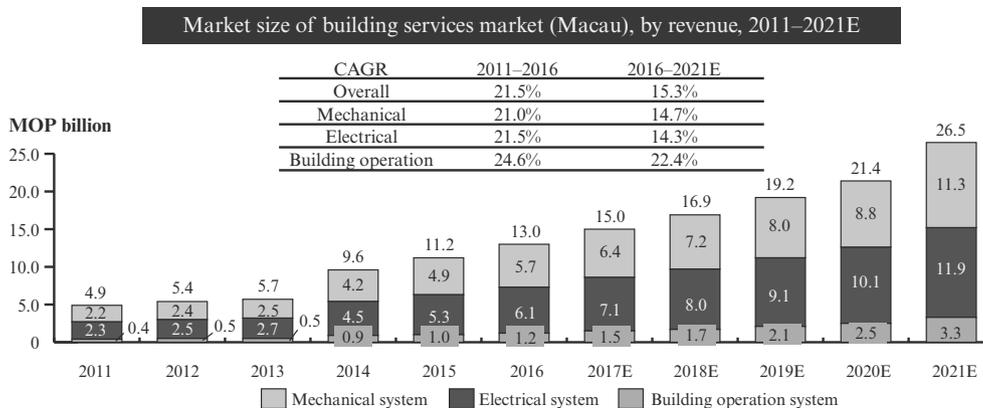
Source: Frost & Sullivan

### Macau

The market size of building services in Macau in terms of revenue increased from MOP4.9 billion in 2011 to MOP13.0 billion in 2016, representing a CAGR of 21.5%. The dramatic increase in year-over-year growth from 2013 to 2014 was due to the constructions of new casinos and hotels in Macau, stimulating the rapid growth of the construction market and building services market in Macau. The historical relatively higher CAGR of mechanical system, electrical system and building operation system in comparison with Hong Kong was due to the constructions of new casinos and hotels in Macau.

Starting from 2015, Macau's gaming industry has been experiencing a downturn while the tourism industry has maintained its growth, supported by the promotional campaigns and related policies. The completion of the Hong Kong — Zhuhai — Macau Bridge in the coming years is expected to promote the tourism of Macau, which is anticipated to drive the demand for hotels, shopping malls and casinos. It is expected that the revenue of building services market in Macau would continue growing at a CAGR of 15.3% from 2016 to 2021.

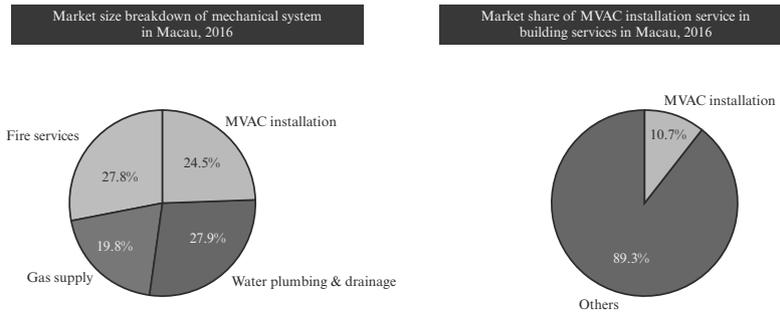
The chart below sets forth the overall market size and breakdown of building services market in terms of revenue in Macau over the period from 2011 to 2021:



Source: Macau Statistics and Census Service, Frost & Sullivan

## INDUSTRY OVERVIEW

The charts below demonstrate the market size breakdown of mechanical system and market share of MVAC installation service in building services in Macau in 2016:



Source: Frost & Sullivan

## OVERVIEW OF MVAC INSTALLATION MARKET IN HONG KONG AND MACAU

### Introduction

MVAC refers to mechanical ventilation and air-conditioning. The mechanical ventilation is the control of circulation of the air flow within a premise or a building by the pressurisation and depressurisation mechanism to pressurise the air in and exhaust the air out; whereas air-conditioning is the process of removing heat and humidity in a confined space.

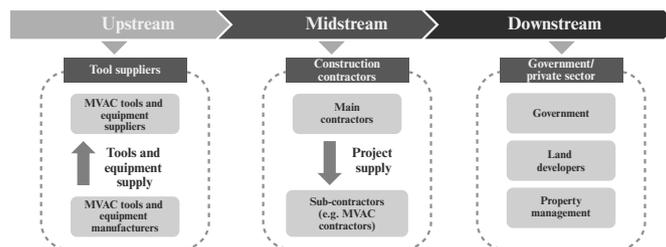
MVAC system is mainly made up of mechanical ventilation fan and air-conditioning equipment, including chiller, air handling unit, fan coil unit, water pumps, cooling tower, air-conditioner with system, pipeworks, ductworks, electrical and control works.

A MVAC project involves the design, sourcing of MVAC materials and equipment, planning of engineering work, project management and the implementation of the MVAC system installation.

### Value chain analysis

The upstream of MVAC installation market in Hong Kong and Macau mainly consists of the MVAC tools and equipment manufacturers and suppliers. The midstream suppliers include main contractors, who coordinate the entire building services work and sub-contractors, who are responsible for specialised engineering work. For instance, MVAC contractors mainly focus on the mechanical ventilation and air conditioning work. The downstream customers are usually the government, land developers and property managers.

The chart below sets forth the value chain of MVAC installation market in Hong Kong and Macau:



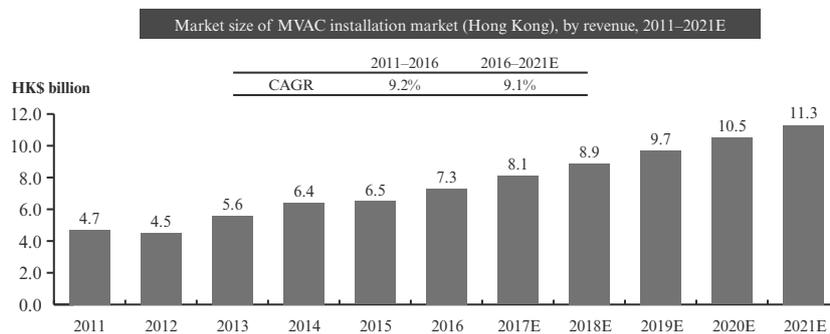
Source: Frost & Sullivan

## INDUSTRY OVERVIEW

### Market size analysis

#### Hong Kong

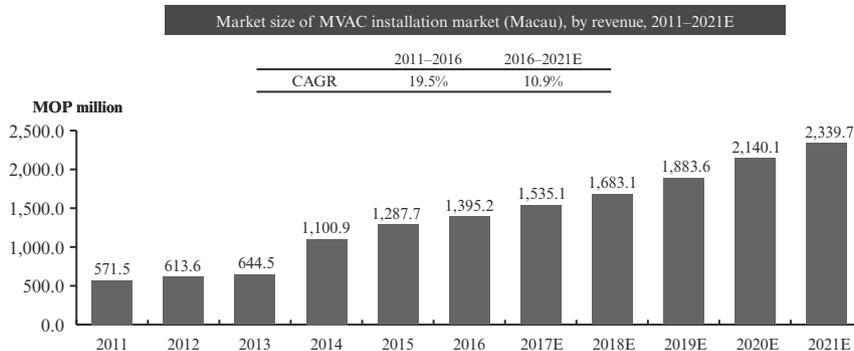
The market size of Hong Kong MVAC installation market represents the total revenue generated from mechanical ventilation and air conditioning installation work performed in Hong Kong. Hong Kong's MVAC installation market soared from HK\$4.7 billion in 2011 to HK\$7.3 billion in 2016 at a CAGR of 9.2%. It was mainly driven by the increasing volume of building services works in Hong Kong and the raised standards on building efficiency as promoted by Building Energy Efficiency Ordinance. It is anticipated that the MVAC installation market in Hong Kong will continue its growth momentum in the coming years and is expected to increase from HK\$7.3 billion in 2016 to HK\$11.3 billion in 2021 at a CAGR of 9.1% due to the continuously rising population density in Hong Kong and the commencement of major construction projects in Hong Kong. The chart below sets forth the market size of the MVAC installation market in Hong Kong over the period from 2011 to 2021:



*Hong Kong Source: Census and Statistics Department, Frost & Sullivan*

#### Macau

The market size of MVAC installation market in Macau in terms of total revenue climbed from MOP571.5 million in 2011 to MOP1,395.2 million in 2016 at a CAGR of 19.5%. The growth was mainly driven by the strong growth in gaming industry in Macau from 2011 to 2016. It is anticipated that the MVAC installation market in Macau will experience slower growth in the coming years and the market is expected to increase from MOP1,395.2 million in 2016 to MOP2,339.7 million in 2021 at a CAGR of 10.9% with the rising population density and the rising awareness of public health issues in Macau. The chart below sets forth the market size of the MVAC installation market in Macau over the period from 2011 to 2021:



*Source: Macau Statistics and Census Service, Frost & Sullivan*

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## INDUSTRY OVERVIEW

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### Market drivers

- *Increasing population density in Hong Kong and Macau*

Hong Kong and Macau are two of the most densely populated cities in the world with high efficiency in land use and public transport. However, such high urbanisation rate in Hong Kong and Macau is not beneficial to the air flow in many highly populated places such as offices, shopping malls and other indoor premises. Thus, the demand for better MVAC system in these places is expected to be driven by the increasing population in Hong Kong and Macau.

- *Rising awareness of public health in Hong Kong and Macau*

The ventilation and air-conditioning condition is associated with a wide range of health issues, including flu, respiratory infections, asthma, etc.. MVAC system plays an important role in buildings for regulating the air flow and the temperature as well as maintaining the sanitation and hygiene of the air flow within the properties. Thus, the MVAC market is expected to be driven by the rising awareness of public health and hygiene in Hong Kong and Macau.

- *Increasing number of construction projects in Hong Kong and Macau*

As announced in the 2017 Hong Kong Policy Address, it is expected that there will be a total land sale of 555,000 m<sup>2</sup> of floor area for commercial and other economic activities in the coming years in Hong Kong, which tends to promote the growth of the relevant construction projects and hence the associated building services works, especially MVAC and building operation system works. Furthermore, the commencement of Kai Tak Development Area, an urban redevelopment project led by Urban Renewal Authority and other large-scale projects (e.g. Kwun Tong Action Area) offered others market growth opportunities for MVAC installation in Hong Kong. On the other hand, the Macau Government has started a series of large-scale public construction projects in recent years in order to raise the living standards of the residents and to diversify Macau's economic structure. For instance, Macau is constructing the New Urban Zone with multiple infrastructures such as public house buildings, recreation areas, administrative offices, transportation centers, etc.. The construction projects in Hong Kong and Macau shall contribute to the improvement in the overall infrastructure of these regions, which tends to bring benefits to not only the public but also the private sector of the MVAC installation industry. In particular, the newly developed residential and commercial sites alongside with the improved infrastructure in these sites is likely to support the surrounding social development of the neighbourhood, which would drive the private construction and possibly attract private real estate investment nearby and support the private sector MVAC installation industry.

### Major threats

- *Environmental compliance*

Environmental requirement on MVAC system is fueled by increasingly strict legislation and consumer demands for greater sustainability. In particular, air conditioning, refrigeration and heat pump technologies are increasingly switching to more environmentally friendly refrigerant gases with lower ozone depletion potential and lower global warming potential. Thus, the higher requirements on MVAC equipment and installation process will pose a great challenge for the players.

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## INDUSTRY OVERVIEW

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- *Increasing labour cost*

As is shown in the subsection headed “Cost factor analysis” below, the labour cost in MVAC installation market of Hong Kong and Macau was increasing in recent years due to the shortage of MVAC workers. The smooth operation of MVAC system installation project heavily relies on the specialised and professional workers. The increasing cost on MVAC labour tends to raise the cost of operation and poses another challenge to the players in MVAC system installation market.

### **Development trends**

- *Increasing export of MVAC work*

According to the “Outline of the 13th Five-Year Plan for the National Economic and Social Development of the People’s Republic of China”, the dedicated chapter on Hong Kong and Macau signifies the co-operation between mainland, Hong Kong and Macau and supports the participation of Hong Kong and Macau in “One Belt and One Road” Initiatives, which creates opportunities for the building services providers including MVAC installation service providers to explore new markets in mainland China and overseas countries along “the Belt and Road”, such as Indonesia, Cambodia, India, etc..

- *Technical advancement of MVAC system*

The building services system, including MVAC, lighting, etc. is moving towards a more sophisticated computerised networking system which offers better control and management over the buildings. The trend of integration of building automation drives the upgrading of MVAC control and software system in order to enhance cost-efficiency and improve the building operation and protection effectiveness, which provides huge growth potential for the advancement in MVAC equipment. The technical advancement in MVAC components is enhancing the functionality and the energy efficiency of the whole system.

- *Market consolidation in Hong Kong and Macau*

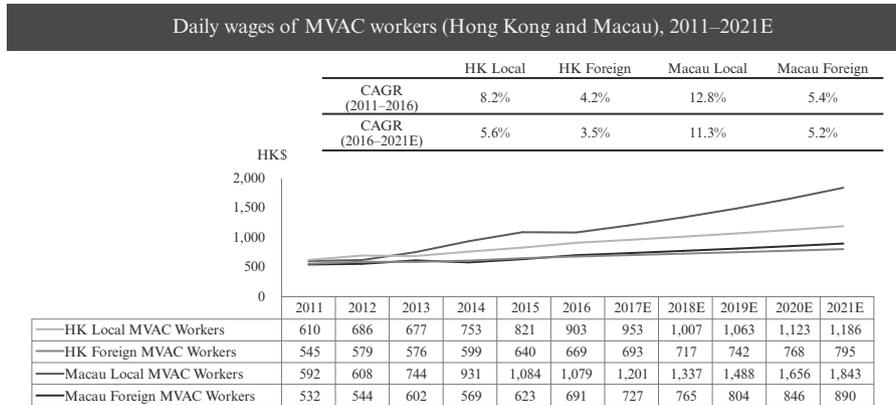
As the MVAC installation market in Hong Kong and Macau is developing at a relatively mature stage, the market is horizontally consolidating by the players competing for higher market share with weaker companies being eliminated. Stronger companies are seeking for opportunities to vertically integrate with tool and equipment suppliers in the upstream or land developers and property management players in the downstream so as to reduce the operating costs and to capture a larger market share.

### **Cost factor analysis**

The average daily wages of local and foreign MVAC workers in Hong Kong recorded a steady growth from 2011 to 2016 at a CAGR of 8.2% and 4.2%, respectively, which were mainly driven by the increasing demand for construction works and the shortage of labour in the construction sector of Hong Kong. Macau witnessed a CAGR of 12.8% and 5.4% in terms of growth in the average daily wages of local and foreign MVAC workers respectively from 2011 to 2016. Increasing influx of foreign labour in the last couple years has lowered the market average of foreign MVAC worker wages in Macau. It is expected that the average daily wages of Hong Kong local and foreign MVAC workers tend to continue with the stable growth at a CAGR of 5.6% and 3.5%, respectively, and the wages of the local

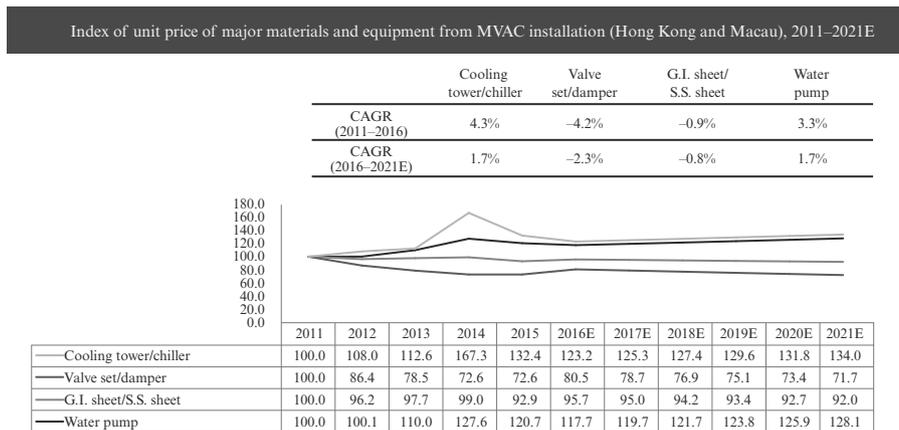
## INDUSTRY OVERVIEW

and foreign MVAC workers in Macau are anticipated to grow at a CAGR of 11.3% and 5.2%, respectively, from 2016 to 2021. The chart below sets forth the average daily wages for MVAC workers in Hong Kong and Macau over the period from 2011 to 2021:



*Source: Hong Kong Census and Statistics Department, Macau Statistics and Census Service, Frost & Sullivan*

The major materials and equipment in MVAC installation services comprise of cooling tower, valve set, galvanised iron and stainless steel sheets and water pump. The price index of cooling tower and water pump recorded mild growth at a CAGR of 4.3% and 3.3%, respectively, from 2011 to 2016, whereas valve set and G.I. (galvanised iron) and S.S. (stainless steel) sheet witnessed a negative growth in unit price at a CAGR of –4.2% and –0.9%, respectively. Both cooling tower and water pump are expected to continue with the mild growth at a CAGR of 1.7% whereas the valve set and G.I. and S.S. sheet are anticipated to demonstrate a negative growth at a CAGR of –2.3% and –0.8%, respectively. The chart below sets forth the index of unit price of major materials and equipment for MVAC installation market in Hong Kong and Macau over the period from 2011 to 2021:



*Source: Hong Kong Census and Statistics Department, Macau Statistics and Census Service, Frost & Sullivan*

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## INDUSTRY OVERVIEW

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### COMPETITIVE LANDSCAPE OF MVAC INSTALLATION MARKET IN HONG KONG AND MACAU

#### Hong Kong

The MVAC installation market in Hong Kong registered a fragmented status with low concentration ratio in 2016, with top 10 players taking up an accumulated share of 13.2%. The limited land area and large population have resulted in high population density in Hong Kong, which has raised the demand for the building services providers, including MVAC installation service providers. According to Hong Kong Registered Ventilation Contractors Association, there were altogether 176 registered members with MVAC system installation business in Hong Kong, and it was expected that the total number of the players competing in Hong Kong's MVAC installation market was around 350 in 2016. The large number of competitors in Hong Kong market has led to low market concentration and fierce competition environment. The leading players in Hong Kong market usually represent obvious advantages on industry reputation with greater possibilities to undertake high-value projects.

The chart below demonstrates the revenue and market share of the top 10 players in the MVAC installation market of Hong Kong in 2016:

Ranking	Company (EN)	2016 Revenue of MVAC System Installation (HK\$ million)	2016 Market Share
1	Company A	202.7	2.8%
2	Company B	144.9	2.0%
3	Company C	137.0	1.9%
4	Company D	128.5	1.8%
5	Wing Fung HK	89.4	1.2%
6	Company E	79.4	1.1%
7	Company F	72.1	1.0%
8	Company G	51.4	0.7%
9	Company H	30.7	0.4%
10	Company I	24.9	0.3%
	<b>Top 10 total</b>	<b>961.0</b>	<b>13.2%</b>

Source: Frost & Sullivan

#### Macau

Due to the characteristics of the economic structure in Macau, the clients in downstream of MVAC installation market in Macau are concentrated in tertiary industries, like hotels, casinos, tourism, etc., leading to limited business development opportunities for MVAC installation service providers and hence fewer market participants in Macau. Consequently, the MVAC installation market in Macau demonstrated higher market concentration ratio compared with Hong Kong market, with top 10 players taking up an accumulated share of 26.6% in 2016. It was expected that the total number of players competing in Macau's MVAC installation market was around 250 in 2016. The scarce land area has limited the total number of MVAC installation projects in Macau, but the clients in the projects like luxury hotels, casinos, etc. are usually willing to pay higher-than-average price on the high-end building services, as they have stricter requirements on the quality of the projects. Therefore, good relationship with high-quality clients and high business

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## INDUSTRY OVERVIEW

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development capability are generally considered as the most significant competitive strengths for the players in the Macau market. The chart below demonstrates the revenue and market share of the top 10 players in the MVAC installation market of Macau in 2016:

Ranking	Company (EN)	2016 Revenue of MVAC System Installation (MOP million)	2016 Market Share
1	Company J	111.5	8.0%
2	Company K	86.8	6.2%
3	Botop Macau	46.4	3.3%
4	Company L	45.9	3.3%
5	Company M	30.3	2.2%
6	Company N	19.3	1.4%
7	Company O	11.1	0.8%
8	Company P	7.3	0.5%
9	Company Q	7.1	0.5%
10	Company R	6.0	0.4%
<b>Top 10 total</b>		371.7	26.6%

*Note:* The average exchange rate used in 2016 between MOP and HK\$ is 0.97: 1.

*Source:* Frost & Sullivan

### Entry barriers

- *Relationship with main contractors*

For the subcontractors in the MVAC installation industry, it is significant for them to maintain a good relationship with main contractors which can bring in stable project resources. However, new entrants who have insufficient industry experience and thus no brand reputation are difficult to earn the trust from main contractors at the beginning and it tends to take plenty of time for them and cost to establish a long-term and stable cooperation relationship with main contractors.

- *Shortage of skilled labour*

The lack of experienced and skilled labour in the MVAC installation market of Hong Kong and Macau currently is mainly due to (i) the regional aging problem; (ii) the slow population growth; and (iii) the restricted policy for migrant labour. The insufficiency in experienced and skilled labour may become an entry barrier for the new entrants as the experienced and skilled labour is more likely to join a well-recognised MVAC installation player with long operating history.

- *High labour cost*

The average salary of construction workers in Hong Kong and Macau is much higher than that in mainland China. However, given the rigid local migrant labour policies, the players in Hong Kong and Macau are difficult to hire cheaper foreign labour. The high labour cost is expected to pose a great financial burden on the newcomers.

### OVERVIEW

Our Group is principally engaged as a subcontractor in the provision of supply, installation and fitting-out services of MVAC system in Hong Kong and Macau. This section summarizes certain aspects of laws and regulations in Hong Kong and Macau which are material to our business and operation.

### HONG KONG

#### A. Contractors Registration Regime

##### 1. *Registration under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) (the “Buildings Ordinance”) in relation to MVAC system*

Under section 2 of the Buildings Ordinance, building works include any kind of building construction, site formation works, ground investigation in scheduled areas, foundation works, repairs, demolition, alteration, addition and every kind of building operation, as well as drainage works. A contractor carrying out building works in Hong Kong must register with the Building Authority as a general building contractor, a specialist contractor, or a minor works contractor.

To undertake ventilating system works under the Building (Ventilating Systems) Regulations (Chapter 123J of the Laws of Hong Kong) in respect of the construction, inspection and certification of ventilation systems that embodies the use of ducting or trunking, which passes through any wall, floor or ceiling of the building in which the ventilating system is installed across building compartments, a contractor shall be registered as a Registered Specialist Contractor in the Ventilation Works Sub-register under the Buildings Ordinance and such contractor is required to provide continuous supervision to the carrying out of the works in accordance with his supervision plan.

As at the Latest Practicable Date, our Group was not registered with the Buildings Department as a registered contractor. As advised by the Legal Counsel, for building works where our Group is involved as a subcontractor, if the main contractor or any one of its subcontractors of the relevant project is a contractor registered with the Buildings Department under the appropriate category to supervise the works and liaise with the Building Authority, our Group itself is not required to also be registered with the Buildings Department as a registered contractor or to obtain any requisite licences, permits or approvals for undertaking the building works except the business registration.

##### 2. *Subcontractor registration scheme*

The CIC has implemented a registration scheme for trade subcontractors in building and engineering works, namely the Primary Register of the SRS. Subcontractors shall be registered in one of the 52 trades under the SRS which cover E&M works and other supporting services in order to tender for and carry out capital works and maintenance works contracts in the public sectors in Hong Kong as subcontractors.

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## REGULATORY OVERVIEW

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As at the Latest Practicable Date, Wing Fung HK, a member of our Group, was a registered subcontractor in the List of Registered Subcontractor on the SRS. For details, please refer to the section headed “Business — Legal and regulatory compliance — Licences and permits”.

To apply for registration in a trade on the Primary Register of the SRS, a corporate subcontractor shall comply with the following major entry requirements:

<b>Criteria</b>	<b>Major items</b>
Project undertaken or comparable experience:	completion of at least one job within the last five years as a main contractor or subcontractor in the trades and specialties for which registration is applied, or comparable experience acquired by the applicant or its directors within the last five years; or
Qualifications on Hong Kong Government registration scheme:	listings on one or more government registration schemes relevant to the trades and specialties for which registration is sought; or
Qualifications/working experiences on board of directors:	<ul style="list-style-type: none"><li>• the applicant or its director having been employed by a registered subcontractor under the SRS for at least five years with experience in the trades and (where applicable) the specialties for which registration is sought, and having completed the prescribed training modules for subcontractors (or equivalent) conducted by the CIC; or</li><li>• the applicant or its director having registered as registered skilled worker under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) for the relevant trade and (where applicable) the specialty with at least five years of relevant experience, and having completed the prescribed training modules conducted by the CIC.</li></ul>

An approved registration is valid for two years from the approval date. A registered subcontractor under the SRS shall apply for renewal within three months before expiry of the current registration by submitting an application in specified form and providing information and supporting documents to show continued compliance with the entry requirements. An approved renewal is valid for two years from the expiry of the current registration.

Subcontractors registered under the SRS should observe the Codes of Conduct for Registered Subcontractor as set out in the Rules and Procedures for the Primary Register of

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## REGULATORY OVERVIEW

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the SRS (the “**Codes of Conduct**”). Under the Code of Conduct, subcontractors are required:

- (a) not to knowingly violate any law or regulation;
- (b) not to cause bribery and corruption;
- (c) not to employ illegal workers;
- (d) to ensure safety of its staff, others around the working areas and the general public;
- (e) to provide its staff or recruit staff with the proper safety training and education; and
- (f) to comply with the law to avoid causing nuisance to the environment and the public.

The CIC may take regulatory actions against a registered subcontractor on the Primary Register of the SRS for failing to comply with the Codes of Conduct. These regulatory actions include: (i) issue of warning notice to the registered subcontractor; (ii) directing the registered subcontractor to submit an improvement plan within a specified period; and (iii) suspension of registration for a specified period or revocation of registration and in both cases, the name of the registered subcontractor will be removed from the Primary Register of the SRS. A registered subcontractor whose registration has been revoked shall not be eligible for reregistration for a period of two years from the date of revocation.

### ***3. Undertaking contracts in relation to public work***

A contractor who wishes to undertake contracts in relation to public work must apply to be admitted to either of the below lists registered with the WBDB:

- one or more of the 50 categories of the “**Specialist List**”; or
- the Contractor List for Public Works, which comprises contractors who are approved for carrying out public works in one or more of the five work categories, namely buildings, port works, roads and drainage, site formation and waterworks.

To register as a contractor included on the Specialist List for Air-conditioning Installation (the “**Specialist Contractors for Air-conditioning Installation**”) with the WBDB, a registrant shall satisfy the applicable financial, technical and management criteria.

Contractors registered with the WBDB as Specialist Contractors for Air-conditioning Installation are eligible to tender for and carry out public works in Hong Kong concerning the supply, installation and maintenance of air-conditioning installations comprising

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## REGULATORY OVERVIEW

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chillers, refrigeration systems, heat rejection plant, pipeworks, water handling equipment, air ducts, air handling equipment, thermal insulation, control and monitoring system, etc. subject to certain tender limits.

As at the Latest Practicable Date, our Group was not registered as an approved contractor with the WBDB. As advised by the Legal Counsel, similar to the registration under the Buildings Ordinance, as long as the main contractor or any one of its subcontractors of the project where our Group is involved in as a subcontractor has been registered with the WBDB under the Specialist List or the Contractor List for Public Works, our Group itself is not required to be similarly registered as an approved contractor with the WBDB or to obtain any requisite licences, permits or approvals for undertaking the building works except the business registration to carry out the building works.

### **B. Laws and Regulation in Relation to Labour, Health and Safety**

#### **1. *The 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 which every proprietor shall take care of the safety and health at work of all persons employed by it at an industrial undertaking and shall, so far as is reasonably practicable:

- provide plant and work systems that do not endanger safety or health;
- make arrangement for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- provide all necessary information, instruction, training, and supervision for ensuring safety and health;
- regarding any workplace under the employer’s control, (1) maintain the workplace in a condition that is safe and without risks to health; and (2) provide and maintain safe access to and egress from the workplaces that are safe and without any such risks; and
- provide and maintain a safe and healthy work environment.

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

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) the duty to

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comply with miscellaneous safety requirements; and (vi) provision of first aid facilities, etc. Contravening any of these rules shall be an offence and a contractor committing the relevant offence without reasonable excuse could be liable to a fine up to HK\$200,000 and imprisonment up to 12 months.

### ***2. The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)***

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

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

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

The Commissioner for Labour may also issue (i) improvement notice against contravention of this Ordinance or the Factories and Industrial Undertakings Ordinance requiring employer to remedy the contravention within specific period/refrain from continuing or repeating the contravention or (ii) suspension notice directing specific activity not to be undertaken, or the premises, plant or substance not to be used, while the notice remains in force. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 (plus a further fine of HK\$50,000 for each day if contravention is knowingly and intentionally continued) respectively and imprisonment of up to 12 months.

**3. *The 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.

**4. *The 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\$34.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance (except those specified under section 7 of the Minimum Wage Ordinance). A provision of a contract of employment that purports to extinguish or reduce any right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

**5. *Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (“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.

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

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

Pursuant to section 40 of the Employees’ Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees’ Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees).

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An employer who fails to comply with this ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 and to imprisonment for two years.

### **6. *Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (“Employment Ordinance”)***

A principal contractor is subject to the provisions on subcontractor’s employees’ wages in the Employment Ordinance. Section 43C of the Employment Ordinance provides that if any wages become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and superior subcontractor (where applicable) jointly and severally. A principal contractor’s and superior subcontractor’s (where applicable) liability shall be limited to (i) the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building work; and (ii) the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due).

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

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware.

A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractors shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000).

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

### **7. *Immigration Ordinance***

Pursuant to section 38A of the Immigration Ordinance (Chapter 115 of the Laws of Hong Kong), 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

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charge of a construction site) should take all practicable steps to (i) prevent having illegal immigrants from being on site or (ii) prevent illegal workers who are not lawfully employable from taking employment on site.

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

### 8. *Mandatory provident fund*

#### *Mandatory Provident Fund Schemes Ordinance*

Under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), employers are required to enrol their regular employees (except for certain exempt persons) who are 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\$6,500 per month, respectively, before 1 November 2013, HK\$25,000 and HK\$7,100 per month, respectively, from 1 November 2013 to 30 May 2014, or HK\$30,000 and HK\$7,100 per month, respectively, on or after 1 June 2014), an employer shall 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 per month before 1 June 2014 or HK\$1,500 per month on or after 1 June 2014. An employer shall also be required to contribute an amount equivalent to 5% of an employee’s relevant income to the MPF scheme, subject to the maximum level of income (HK\$25,000 per month before 1 June 2014 or HK\$30,000 per month on or after 1 June 2014).

#### *Industry scheme*

Industry schemes (the “**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 either on a day-to-day basis or for a fixed period of less than 60 days.

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

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

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

The Mandatory Provident Fund Schemes Ordinance does not stipulate that employers in these two industries have to join the Industry Schemes. However, the Industry Schemes provide convenience to the employers and employees in the construction and catering industries as 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.

### **9. *Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) (“CWRO”)***

The principal objective of the CWRO is to establish a system for registration of construction workers and to regulate construction workers who personally carry out construction work on construction sites. Under sections 3(1) and 5 of the CWRO, the principal contractors/subcontractors/employers/controllers of construction sites are required to employ only registered construction workers to personally carry out construction work on construction sites.

#### *Employment of registered construction workers*

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

#### *Keeping and submission of site daily attendance report*

Under section 58 of the CWRO, a principal contractor/controller of a construction site is required to:

1. establish and maintain a daily record in the specified form that contains information on registered construction workers employed by him and, in the case of a controller being the principal contractor, by a subcontractor of the controller (section 58(7)(a) of the CWRO); and

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## REGULATORY OVERVIEW

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2. furnish the Registrar of Construction Workers in such manner as directed by the Registrar of Construction Workers with a copy of the record:
  - i. for the period of 7 days after any construction work begins on the site; and
  - ii. for each successive period of 7 days,

within 2 business days following the last day of the period concerned (section 58(7)(b) of the CWRO).

### ***10. Security of Payment Legislation for the Construction Industry (“SOPL”)***

The Hong Kong Government is currently formulating the legislation framework for SOPL, new legislation for the construction industry to address unfair payment terms, payment delays and disputes. SOPL is intended to encourage fair payment, rapid dispute resolution and increase cash flow in the contractual chain. The Hong Kong Government will then finalise the framework of the legislation and prepare the will for submission to the Legislative Council in Hong Kong.

When it comes into force, all public sector construction contracts will be caught by the legislation, whereas in the private sector, only certain contracts relating to a “new building” (as defined by the Buildings Ordinance) which has a value in excess of HK\$5 million for construction contracts and HK\$500,000 for professional services and supply only contracts will be caught by SOPL. However, where SOPL applies to the main contract, it will automatically apply to all subcontracts in the contractual chain.

The new legislation will, among others,:

- prohibit “pay when paid” and similar clauses in contracts. Payers will not be able to rely on such clauses in dispute resolution forums;
- prohibit payment periods of more than 60 calendar days for interim payments or 120 calendar days for final payments;
- enable amounts due for construction work or materials or plant supplies to be claimed as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and either party can refer the matter to adjudication for decision; and
- give parties who have not been paid amounts admitted as due the right to suspend works until payment is made.

It is possible that some of our contracts will be caught by the new SOPL legislation and where such contracts are subject to SOPL we will have to ensure that their terms comply with the legislation. SOPL is designed to assist contractors throughout the contractual chain to ensure cash-flow and access to a swift dispute resolution process.

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As at the Latest Practicable Date, the implement date of SOPL has not been announced.

### ***11. Competition Ordinance (Chapter 619 of the Laws of Hong Kong)***

The Competition Ordinance prohibits conduct that prevents, restricts or distorts competition in Hong Kong and provides for the establishment of the Competition Commission with investigation powers and the Competition Tribunal with adjudicative powers. The Competition Ordinance includes, among others, the First Conduct Rule to prohibit anti-competitive conduct in Hong Kong.

The First Conduct Rule provides that an undertaking must not (a) make or give effect to an agreement; (b) engage in a concerted practice; or (c) as a member of an association of undertakings, make or give effect to a decision of the association, of the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong. Examples of serious anti-competition conducts include (i) fixing, maintaining, increasing or controlling the price of the supply of goods or services; (ii) fixing, maintain, controlling, preventing, limiting or eliminating the production or supply of goods or services; and (iii) bid-rigging practices.

Where there is a contravention, the Competition Tribunal may impose a pecuniary penalty up to 10% of the annual turnover obtained by the undertaking concerned in Hong Kong for each year the infringement lasted, with a maximum of three years, and make any other order it deems appropriate including disgorgement orders, awards of damages to aggrieved parties, interim injunctions during investigations or proceedings and injunctions and disqualification orders against directors.

## **C. Laws and Regulation in Relation to Environmental Issues**

### ***1. Air Pollution Control Ordinance***

The Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licences and permits.

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

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### **2. Noise Control Ordinance**

The Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) controls, among others, the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out general construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling between 7 a.m. and 7 p.m. on any day, not being a general holiday, construction noise permits are required from the Noise Control Authority in advance.

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in any place are not allowed between 7 p.m. and 7 a.m. or at any time on general holidays, unless prior approval has been granted by the Noise Control Authority through the construction noise permit system. Certain equipment is also subject to restrictions when its use is allowed. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Noise Control Authority. Percussive pile-driving is allowed on weekdays only with prior approval, in the form of a construction noise permit from the Noise Control Authority. Any person who is in contravention of the aforesaid provisions, according to the Noise Control Ordinance, shall be liable (a) on first conviction to a fine of HK\$100,000; (b) on second or subsequent conviction, to a fine of HK\$200,000, and, in any case, to a fine of HK\$20,000 for each day during which the offence continues.

### **3. Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) (“WDO”)**

The WDO controls the production, storage, collection, treatment, reprocessing, recycling and disposal of wastes. At present, livestock waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste is generally controlled through a permit system. A contractor shall observe and comply with the WDO and its subsidiary regulations, particularly the Waste Disposal (Charges for Disposal of Construction Waste) Regulations (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal (Chemical Waste) (General) Regulations (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 prescribed facilities. A main contractor who undertakes construction work with a value of HK\$1 million or above will be required to, within 21 days after being awarded the contract, make an application to the Director of Environmental Protection to establish a billing account to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract.

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

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Under the WDO, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of Environmental Protection Department. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for six months for the first offence, HK\$500,000 and to imprisonment for six months for a second or subsequent offence; and HK\$10,000 for each day during which the offence continues.

### MACAU

#### A. Regulation in Relation to Construction and Engineering Business in Macau

The Land, Public Works and Transport Bureau (DSSOPT) is the primary regulator and supervisory institution of the construction and engineering business industry in Macau with major functions to issue construction and maintenance licenses of buildings of any kinds in Macau; to assume all jobs about awarding contracts, directing and inspecting on such works; and to enforce the related laws and regulations.

DSSOPT promotes regulations for land use and assists in other public organizations by analyzing the proposals of private and public constructions.

Regarding construction works, DSSOPT promotes coast protection, conservation and maintenance, infrastructure and sanitation network development, public buildings and monuments construction, and licensing for urban buildings and use of electrical installations.

Construction business is subject to Decree-Law no. 79/85/M (General Regulation of Urban Construction) and Law no. 1/2015 (Regime of Qualifications of Urban Construction and Urban Planning Practitioners).

##### ***1. Decree Law No. 79/85/M — General Construction Works Regulation (further amended by Administrative Regulation No. 24/2009)***

In accordance with Decree-Law no. 79/85/M (further amended by Administrative Regulation No. 24/2009), the execution of construction works may only be carried out by construction companies or individuals that are duly registered with DSSOPT and in respect of licensed and approved projects. In general, for the registration of construction companies or individual constructors, DSSOPT will assess, at its discretion, their capacity, notably relying on (i) the technical means at their disposal and (ii) the past experience regarding the execution of construction works.

If the main contractor or the first trade contractor of the works has obtained a work license or made a prior notice in relation to an approved project, the subcontractors or trade contractors who are involved in any part of such works are not required to obtain any work license or make prior notice.

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In accordance with the definition set out in Decree-Law no. 79/85/M, for the effect of the application of this Decree-Law, civil construction works means the execution of new buildings, as well as the works of reconstruction, restoration, repair, modification, or expansion in the existing buildings, the demolition of buildings and any other works that result in the alteration of topography.

The provision and installation of MVAC systems does not fall within the ambit of “civil construction works” under the Decree-Law no. 79/85/M and is not subject to the registration requirements under the Decree-Law no. 79/85/M.

### **2. Law no. 1/2015 — Urban Construction and Planning Qualification Regime**

The qualifications of the technicians involved in the construction business are made in accordance with Law no. 1/2015, which was effective from 1 July 2015, by means of which those technicians, which include engineers and architects, are required to be duly licensed and registered in the Architect, Engineer and Urban Academy (CAEU), a public authority in Macau.

For the registration in the CAEU, holders of engineering or architecture degree must present the relevant documents, participate in an internship and be approved in an admission exam.

Once obtained the respective professional certificate and title, upon registration before the CAEU, those technicians must proceed with the registration with DSSOPT for the purposes of being allowed to render the services of (i) draft of projects, (ii) direction of works and/or (iii) supervision of works.

The mentioned registration, being accepted, is valid to the end of the following civil year after its request, and is subject to mandatory renewal.

Registration before DSSOPT may be requested by private sector technicians, individual commercial enterprises with at least a registered technician or companies of the sector duly registered in Macau with at least a registered technician.

The validity of the registration before DSSOPT and its renewal is subject to the maintenance of all the legal requirements, otherwise the said registration and/or renewal may be suspended or cancelled.

In addition, for the purposes of the registration before DSSOPT, the applicants must be covered by a valid and effective professional liability insurance that covers the losses arising from the rendering of the relevant services.

Under articles 47 to 51 of Law no. 1/2015, the provision of design, guidance and supervision services to construction works requires the practice of civil engineers, mechanical engineers, electromechanical engineers or fire engineers.

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The Group did not carry out construction, design or installation works in Macau after Law no. 1/2015 was enacted. The maintenance services provided by the Group in Macau for the existing constructions is not subject to Law no. 1/2015. The Group does not require specific permits and licenses under any applicable laws in Macau in relation to the conduct of our business.

### **B. Laws and Regulation in Relation to Environmental**

In accordance with section 1 of article 8 of Law no. 2/91/M (the Environmental Law), everyone is entitled to air quality suiting basic health and well-being, whether in public spaces, residential areas, workplace and others.

Under section 3 of article 8 of the Environmental Law, any installation, machine or means of transportation which activity may affect the air quality must be equipped with a device or other mean that can ensure compliance with legal emission limits under the penalty of being banned.

In relation to water quality, under section 1 of article 23 of the Environmental Law, it is forbidden to discharge in marine jurisdictions any substances, liquid or solid residues that may, somehow, pollute the water, beaches, shoreline, as well as flora and fauna, such as oil products or oil containing mixtures, or other chemical substances set out in applicable international agreements or conventions.

### **C. Laws and regulation in Relation to Labour**

The labour legal frameworks of Macau are regulated under Law no. 7/2008 (Law of Employment Relations) and Law no. 21/2009 (Law of Non-residents Labour Issues).

To import non-resident unskilled workers, all companies operating in Macau must apply to the Macau Human Resources Office (since the Administrative Regulation no.12/2016 became effective on 28 May 2016, to the Macau Labour Department) for labour quotas. The employment of non-resident skilled workers is also regulated and subject to authorization by the Macau Human Resources Office, which grants such employment authorizations on a case-by-case basis. Skilled non-residents may apply for residency through the Macau Trade and Investment Promotion Institute as specialised workers. There are no quota-based restrictions for Macau residents. Businesses are free to employ Macau residents in any position without any type of quota, as all Macau residents have the right and freedom to work in Macau.

#### *Mandatory Social Security Fund*

Macau employers must register their employees under the mandatory Social Security Fund.

Macau employers are required to pay social security contributions for each of its resident employees and pay a special duty for each of its non-resident employees on a quarterly basis.

### **D. Laws and Regulations in Relation to Taxation**

The following are general descriptions of certain issues relating to Macau tax law and are based upon laws, regulations and practices in effect as at the Latest Practicable Date.

Subsequent legislative or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective investor. In addition, practices currently in force may change.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to an investor. The following general descriptions do not purport to be a comprehensive description of the Macau tax aspects of the investment in shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Shares under applicable tax laws of other applicable jurisdictions and the specific Macau tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Shares in such other jurisdictions.

#### *Complementary tax*

Income received in Macau is taxable under Macau's complementary tax provisions, irrespective of the beneficiary being an individual or a corporation, its particular line of business, its nationality or domiciliation, without prejudice to the particular deductions and allowances each taxpayer enjoys.

Companies are required to declare their annual profit and such profit is subject to complementary tax. If dividend is declared, taxable profit is based on taxable profit (after dividends have been paid). The Law no. 11/2016 (the Government Budget of Financial Year 2017) extends the exempted portion of income to MOP600,000.00 a year and determines that the excess of taxable income be taxed at 12%. These measures implemented through the Government Budget of Financial Year 2017 are extraordinary and there can be no assurances that the exemption limit will increase, decrease or stay at its present level.

These rates apply to the declared taxable profit (gross income less allowable deductions) from all income generating sources, except professional tax and property income, taxed separately under different regulations. Accordingly, dividends received by individuals or corporate shareholders are income for the purposes of complementary tax and, likewise, will be subject to complementary tax as above described.

Non-Macau residents and companies not incorporated in Macau will usually not be registered with the FSB as taxpayers and therefore will not submit their income tax returns in Macau. The accuracy of income statements may be challenged by the Macau taxation authorities, which will then compute the amounts due on the basis of prior results or estimations. In such event, appeals are available for unsatisfied parties.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### OVERVIEW

Our Group is principally engaged as a subcontractor in the provision of supply, installation and fitting-out services of MVAC system for buildings in Hong Kong and Macau. The history of our Group can be traced back to July 1996 when Wing Fung HK was established by Mr. Chung and Ms. Chung with their personal fund to provide engineering services in relation to MVAC system in Hong Kong. In March 2007, the business of our Group was expanded to Macau and Botop Macau was established by Mr. Chung and Ms. Chung to undertake projects in Macau. For background and relevant industry experience of Mr. Chung, please refer to the section headed “Directors and senior management” in this prospectus. Ms. Chung is the sister of Mr. Chung and one of our Controlling Shareholders. Although Ms. Chung has been a shareholder of Wing Fung HK and Botop Macau since their respective establishment, as she has not been involved in the day-to-day business operations of our Group and she has other commitments apart from the business of our Group, Ms. Chung has no current intention to act as a Director of the Company.

Our Group has expanded its business throughout the years and provided services in relation to the supply, installation and fitting-out of MVAC system to both private and public sectors. After more than two decades of business operations, we have developed our reputation as one of the major providers of engineering services in relation to the supply, installation and fitting-out of MVAC system in Hong Kong and Macau.

### BUSINESS MILESTONES

The key milestones in the development of our Group are as follows:

<b>Year</b>	<b>Major development and achievement</b>
1996	Incorporation of Wing Fung HK
2007	Incorporation of Botop Macau
2013	Wing Fung HK was accredited with ISO 9001:2008 (quality management) quality management system standard for its quality management system
2015	Registration of Wing Fung HK under the SRS of the CIC
2016	Our Group was awarded a contract with a contract sum of more than HK\$150 million

### CORPORATE HISTORY

#### Our Company

Our Company was incorporated in the Cayman Islands on 29 September 2016 with limited liability under the Companies Law. Upon incorporation, the authorised share capital of our Company was USD50,000 divided into 50,000 ordinary shares of USD1.00 each. One subscriber share of our Company with a par value of USD1.00 each was allotted and issued, credited as fully-paid, to the initial subscriber, an Independent Third Party on 29 September 2016, which was subsequently transferred to Wing Fung BVI on the same day at par. Upon completion of the said share transfer and up to immediately before the Reorganisation, our Company was a wholly-owned subsidiary of Wing Fung BVI. Our Company is principally engaged in investment holding. Please refer to the paragraph headed “Reorganisation” in this section below for changes in our Company’s shareholding.

#### Wing Fung Investment

Wing Fung Investment was incorporated in the BVI with limited liability on 22 September 2016 and is authorised to issue a maximum of 50,000 shares with a par value of USD1.00 each. On 1 December 2016, one share of Wing Fung Investment was issued and allotted, credited as fully-paid, to our Company. Upon the said allotment and up to the Latest Practicable Date, Wing Fung Investment has been a wholly-owned subsidiary of our Company. Wing Fung Investment is principally engaged in investment holding.

#### Wing Fung HK

Wing Fung HK was incorporated with limited liability in Hong Kong on 25 July 1996 and is principally engaged in the provision of supply, installation and fitting-out services of MVAC system for buildings in Hong Kong. Upon its incorporation, six and four shares were issued and allotted as fully paid to Mr. Chung and Ms. Chung, respectively. On 1 April 2003, 29 and 61 shares of Wing Fung HK were issued and allotted, credited as fully paid, to Mr. Chung and Ms. Chung, respectively. On 5 September 2003, a further 600 shares of Wing Fung HK were issued and allotted, credited as fully-paid, to Ms. Chung. Upon the said allotment and up to immediately before the Reorganisation, Wing Fung HK was owned as to 5% and 95% by Mr. Chung and Ms. Chung, respectively.

In anticipation of the Listing, on 15 December 2016, our Company acquired from Mr. Chung and Ms. Chung 35 and 665 shares in Wing Fung HK, respectively (being the entire issued shares in Wing Fung HK) at a total consideration of HK\$6,846,855. For details, please refer to the paragraph headed “Reorganisation — 2. Acquisition of Wing Fung HK by our Company” in this section below. Upon completion of such transfer, Wing Fung HK became wholly-owned by our Company.

#### Botop Macau

Botop Macau was incorporated with limited liability in Macau on 5 March 2007 with a share capital of MOP25,000 and is principally engaged in the supply, installation and fitting-out services of MVAC system for buildings in Macau. Upon its incorporation, one

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## HISTORY, DEVELOPMENT AND REORGANISATION

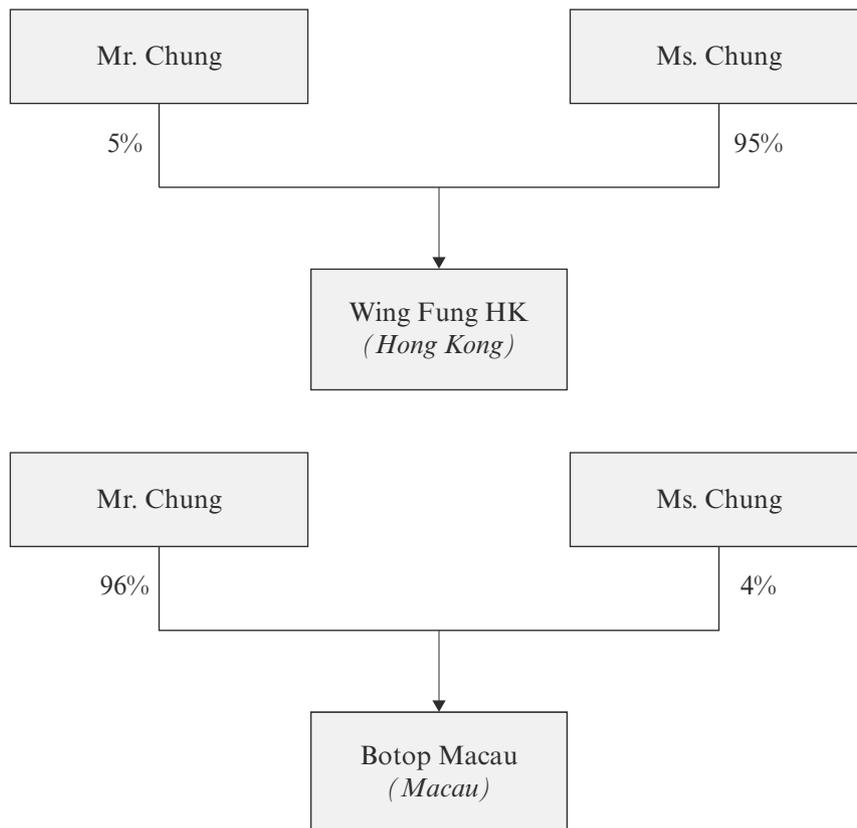
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share quota of MOP24,000 and one share quota of MOP1,000 were issued and allotted as fully paid to Mr. Chung and Ms. Chung, respectively. Upon the said allotment and up to immediately before the Reorganisation, Botop Macau was owned as to 96% by Mr. Chung and 4% by Ms. Chung.

On 16 December 2016, Wing Fung Investment acquired from Mr. Chung and Ms. Chung one share quota of MOP24,000 and one share quota of MOP1,000 in Botop Macau, respectively at a total consideration of MOP25,000, being the then entire paid-up share capital of Botop Macau. Upon completion of such transfer, Botop Macau was 100% owned by Wing Fung Investment. For details of the acquisition, please refer to the paragraph headed “Reorganisation — 4. Acquisition of Botop Macau by Wing Fung Investment” in this section below.

### REORGANISATION

The following diagrams set out the corporate structure of our Group immediately before the Reorganisation:



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## HISTORY, DEVELOPMENT AND REORGANISATION

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In preparation for the Listing, our Group underwent the Reorganisation to rationalise our Group structure through the following steps:

### **1. Incorporation of our Company and offshore special purpose vehicles**

On 22 September 2016, Wing Fung BVI was incorporated under the laws of the BVI and is authorised to issue a maximum of 50,000 shares with a par value of USD1.00 each. On 28 September 2016, 7,887 and 2,113 shares of Wing Fung BVI were issued and allotted, credited as fully paid, to Mr. Chung and Ms. Chung, respectively. Upon the said allotment and up to the Latest Practicable Date, Wing Fung BVI has been owned as to 78.87% and 21.13% by Mr. Chung and Ms. Chung, respectively. The shareholdings of Mr. Chung and Ms. Chung in Wing Fung BVI were determined with reference to their then respective shareholdings in Wing Fung HK and Botop Macau and the unaudited net asset value of Wing Fung HK and Botop Macau as at 30 June 2016, being approximately HK\$6,846,855 and HK\$29,524,243, respectively.

On 29 September 2016, our Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability. The initial authorised share capital of our Company was USD50,000 divided into 50,000 shares with a par value of USD1.00 each. One share of our Company with a par value of USD1.00 each was issued and allotted, credited as fully paid, to the initial subscriber, which was subsequently transferred to Wing Fung BVI on the same day. Upon the said share transfer, our Company became a wholly-owned subsidiary of Wing Fung BVI.

On 22 September 2016, Wing Fung Investment was incorporated under the laws of the BVI with limited liability. On 1 December 2016, one share of Wing Fung Investment was issued and allotted, credited as fully-paid, to our Company. Upon the said allotment and up to the Latest Practicable Date, Wing Fung Investment has been a wholly-owned subsidiary of our Company.

### **2. Acquisition of Wing Fung HK by our Company**

On 15 December 2016, our Company acquired from Mr. Chung and Ms. Chung the entire issued share capital of Wing Fung HK at an aggregate consideration of HK\$6,846,855, which was satisfied by our Company issuing and allotting 749 shares of our Company with a par value of USD1.00 each, credited as fully paid, to Wing Fung BVI on the same date. The consideration was determined after taking into account of the unaudited net asset value of Wing Fung HK as at 30 June 2016. After the completion of the acquisition, Wing Fung HK became a direct wholly-owned subsidiary of our Company.

### **3. Subscription of shares of our Company by the First Pre-IPO Investor**

On 15 December 2016, our Company as issuer and Mr. Chung as guarantor entered into the First Pre-IPO Subscription Agreement with the First Pre-IPO Investor, pursuant to which the First Pre-IPO Investor subscribed 100 shares of our Company with a par value of USD1.00 each at the subscription price of

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## HISTORY, DEVELOPMENT AND REORGANISATION

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HK\$10,000,000. The First Pre-IPO Investment was completed on 28 December 2016 and the new shares were allotted and issued to the First Pre-IPO Investor on the same date. For further details of the First Pre-IPO Investment, please refer to the paragraph headed “Pre-IPO Investments” below. After completion of the First Pre-IPO Investment on 28 December 2016, the shareholding of our Company was as follows:

Name of Shareholders	Number of shares held in our Company	%
Wing Fung BVI	750	88.24
First Pre-IPO Investor	100	11.76
	850	100.00

#### 4. Acquisition of Botop Macau by Wing Fung Investment

On 16 December 2016, Wing Fung Investment acquired from Mr. Chung and Ms. Chung the entire registered capital of Botop Macau at an aggregate consideration of MOP25,000, which was satisfied by way of cash. The consideration was determined with reference to the total registered capital of Botop Macau as at 16 December 2016. After the completion of the acquisition, Botop Macau became an indirect wholly-owned subsidiary of our Company and our Company became the holding company of our Group.

#### 5. Subscription of shares of our Company by the Second Pre-IPO Investor

On 15 December 2016, our Company as issuer and Mr. Chung as guarantor entered into the Second Pre-IPO Subscription Agreement with the Second Pre-IPO Investor, pursuant to which the Second Pre-IPO Investor subscribed 150 shares of our Company with a par value of USD1.00 each at the subscription price of HK\$15,000,000. The Second Pre-IPO Investment was completed on 13 February 2017 and the new shares were allotted and issued to the Second Pre-IPO Investor on the same date. For further details of the Second Pre-IPO Investment, please refer to the paragraph headed “Pre-IPO Investments” below. After completion of the Second Pre-IPO Investment on 13 February 2017, the shareholding of our Company was as follows:

Name of Shareholders	Number of shares held in our Company	%
Wing Fung BVI	750	75.00
First Pre-IPO Investor	100	10.00
Second Pre-IPO Investor	150	15.00
	1,000	100.00

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### 6. Increase in authorised share capital and redenomination of share capital

Pursuant to the resolutions of our Shareholders passed on 22 March 2017, the authorised share capital of our Company was increased from USD50,000 divided into 50,000 ordinary shares of a par value of USD1.00 each to the aggregate of (i) USD50,000 divided into 50,000 ordinary shares of a par value of USD1.00 each; and (ii) HK\$1,000,000,000 divided into 10,000,000,000 ordinary shares of a par value of HK\$0.10 each.

On 22 March 2017, 78,000 ordinary shares of our Company of a par value of HK\$0.10 each were issued and allotted to Wing Fung BVI, the First Pre-IPO Investor and the Second Pre-IPO Investor in proportion to their then existing shareholdings in our Company. Immediately after the issue of shares, our Company repurchased 1,000 issued shares of our Company with a par value of USD1.00 each, being the entire issued shares of our Company with a par value of USD1.00 each and cancelled 50,000 authorised but unissued shares with a par value of USD1.00 each, being the entire authorised shares of our Company of a par value of USD1.00 each.

Immediately following the increase of authorised share capital and redenomination of share capital of our Company, the authorised share capital of our Company became HK\$1,000,000,000 divided into 10,000,000,000 shares of a par value of HK\$0.10 each.

### 7. Share subdivision

Pursuant to the resolutions of our Shareholders passed on 10 April 2017, each of the issued and unissued ordinary shares of our Company with a par value of HK\$0.10 was subdivided into 10 ordinary Shares with a par value of HK\$0.01 each. Immediately following the share subdivision, the authorised share capital of our Company became HK\$1,000,000,000 divided into 100,000,000,000 ordinary Shares of HK\$0.01 each, and the issued share capital of our Company became HK\$7,800 divided into 780,000 Shares of HK\$0.01 each. The shareholding of our Company immediately following the share subdivision was as follows:

<b>Name of Shareholders</b>	<b>Number of Shares held</b>	<b>% shareholding</b>
Wing Fung BVI	585,000	75.00
First Pre-IPO Investor	78,000	10.00
Second Pre-IPO Investor	<u>117,000</u>	<u>15.00</u>
<b>TOTAL</b>	<u><u>780,000</u></u>	<u><u>100.00</u></u>

### **8. Transfer of the Pre-IPO Investors Shares to Wing Fung BVI**

On 24 October 2017, Wing Fung BVI purchased 78,000 Shares from the First Pre-IPO Investor at a consideration of HK\$10,000,000 and 117,000 Shares from the Second Pre-IPO Investor at a consideration of HK\$15,000,000. The transfer of the Pre-IPO Investors Shares from the Pre-IPO Investors to Wing Fung BVI represents an exit of the Pre-IPO Investments. For further details, please refer to the paragraphs headed “Pre-IPO Investments — Exit of the Pre-IPO Investments” below. Following the completion of the transfer of the Pre-IPO Investors Shares on 24 October 2017, our Company became wholly-owned by Wing Fung BVI.

### **PRE-IPO INVESTMENTS**

On 15 December 2016, our Company entered into the First Pre-IPO Subscription Agreement with the First Pre-IPO Investor, pursuant to which, the First Pre-IPO Investor agreed to subscribed for and our Company agreed to allot and issue 100 shares of our Company with a par value of USD1.00 each to the First Pre-IPO Investor at a total consideration of HK\$10,000,000. The First Pre-IPO Investment was completed and the funds were irrevocably received by our Company on 28 December 2016.

On 15 December 2016, our Company also entered into the Second Pre-IPO Subscription Agreement with the Second Pre-IPO Investor, pursuant to which, the Second Pre-IPO Investor agreed to subscribed for and our Company agreed to allot and issue 150 shares of our Company with a par value of USD1.00 each to the Second Pre-IPO Investor at a total consideration of HK\$15,000,000. The Second Pre-IPO Investment was completed and the funds were irrevocably received by our Company on 13 February 2017.

The proceeds from the Pre-IPO Investments were applied by our Company as payment to our subcontractors and suppliers, general working capital and settlement of part of the listing expenses. As at the Latest Practicable Date, the net proceeds from the Pre-IPO Investments have fully been utilised.

### **Background of the Pre-IPO Investors**

The Pre-IPO Investors were introduced to Mr. Chung by one of our customers in 2016. As the Pre-IPO Investors held a positive view in the MVAC installation industry and the potential growth of the business of our Group after Listing, they decided to invest in our Group. Each of the Pre-IPO Investors is a segregated portfolio of a common legal entity (i.e. Global Equity Value Fund SPC, an exempted company with limited liability and registered as a segregated portfolio company in the Cayman Islands under the Companies Law) managed by Frotivoti Investment Management Limited, a company incorporated in the Cayman Islands with limited liability. At the material time, Frotivoti Investment Management Limited owned all the management shares in Global Equity Value Fund SPC and was ultimately owned by three individuals, two of which were previously appointed as our non-executive Directors according to the respective Pre-IPO Subscription Agreements.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### Details of the Pre-IPO Investments

The below table summarises the details and the principal terms of the Pre-IPO Subscription Agreements:

	<b>First Pre-IPO Investment</b>	<b>Second Pre-IPO Investment</b>
Basis of determination of the consideration	The consideration was determined based on arm's length negotiations with reference to the unaudited net asset value of Wing Fung HK and Boto Macau as at 30 June 2016 and the business prospects of our Group	
Effective cost per Share (taking into account of the Capitalisation Issue)	HK\$0.23	HK\$0.23
Approximate percentage of discount to the Offer Price	Approximately 42.5% based on the mid-point of the Offer Price range of HK\$0.40	Approximately 42.5% based on the mid-point of the Offer Price range of HK\$0.40

### Exit of the Pre-IPO Investments

On 24 October 2017, Wing Fung BVI entered into a sale and purchase agreement with each of the Pre-IPO Investors, pursuant to which Wing Fung BVI purchased 78,000 Shares from the First Pre-IPO Investor at a consideration of HK\$10,000,000, and 117,000 Shares from the Second Pre-IPO Investor at a consideration of HK\$15,000,000 (collectively the “**Share Purchase**”). The consideration for the Share Purchase was determined on an arm's length basis with reference to the amount of investment made by the respective Pre-IPO Investors in the Company, and having taken into account the then progress of the application for the Listing and the delay in the Listing timetable resulted from the Share Purchase, although no weight was given to the net asset value of the Group at the time of the Share Purchase. The Share Purchase were completed and the funds were irrevocably paid by Wing Fung BVI on 24 October 2017 and were funded by dividend payment distributed by our Company. For further details of our application of waiver from strict compliance with Rule 12.11 of the GEM Listing Rules in relation to the Share Purchase and our dividend distribution, please refer to the paragraph headed “Waivers from strict compliance with the GEM Listing Rules and exemption from compliance with the Companies (WUMP) Ordinance — I. Waiver from strict compliance with Rule 12.11 of the GEM Listing Rules” and “Financial information — Dividend” respectively in this prospectus. Upon completion of the Share Purchase, our Company became wholly-owned by Wing Fung BVI.

The Share Purchase represents an exit of the Pre-IPO Investments by the Pre-IPO Investors. The Pre-IPO Subscription Agreements did not contain any provision which govern the exit of the Pre-IPO Investments. All the rights granted to the Pre-IPO Investors

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## HISTORY, DEVELOPMENT AND REORGANISATION

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pursuant to the Pre-IPO Subscription Agreements were terminated on 24 October 2017 and the two non-executive Directors nominated by the Pre-IPO Investors also resigned as directors of the Board on 24 October 2017.

While the Pre-IPO Investors were looking for long term returns on their investment upon successful Listing when they entered into the Pre-IPO Investment, which also explains the reason for waiving their dividend entitlement in April 2017, the exit of the Pre-IPO Investments by way of the Share Purchase was prompted by the need for internal restructuring of the investment arrangement of the Pre-IPO Investors. The Share Purchase was a commercial decision come up by the Pre-IPO Investors, the Company and Wing Fung BVI, after taken into account the aforesaid circumstances of the Pre-IPO Investors and the then progress of the application for the Listing. Accordingly, the dividend distribution by the Company in October 2017 and the waiver of the Pre-IPO Investors' entitlement to such dividend was part of the commercial negotiation concerning the Share Purchase between the Pre-IPO Investors, the Company and Wing Fung BVI in order to provide the funding required by Wing Fung BVI to achieve the Share Purchase. Our Directors are of the view that the capital raised by the Pre-IPO Investments, which had been fully utilised as at the Latest Practicable Date, had enhanced the business and operations of the Group and with Wing Fung BVI consolidating its shareholding in our Company, the Share Purchase is commercially beneficial to our Company and our potential Shareholders. As a result of the Share Purchase, being a divestment of the Pre-IPO Investments, the first trading day of the Shares is subject to a 120 day delay pursuant to Guidance Letter HKEx-GL43-12.

### DEED OF ACTING IN CONCERT

As shown in the shareholding structure of our Group immediately prior to the Reorganisation, Mr. Chung and Ms. Chung were respectively interested in, and entitled to exercise the voting rights attaching to the entire equity interest in Wing Fung HK and Botop Macau. Immediately after completion of the Reorganisation, our Company has become the ultimate holding company of our Group, and Mr. Chung and Ms. Chung, through Wing Fung BVI, were interested in, and entitled to exercise the control of the entire issued Shares of our Company and our Company was in turn interested in 100% equity interest in Wing Fung HK and Botop Macau.

Pursuant to a deed (the “**Deed of Acting in Concert**”) dated 29 May 2017 and entered into among Mr. Chung and Ms. Chung, Mr. Chung and Ms. Chung acknowledged, confirmed and agreed that since the respective incorporation of Wing Fung HK, Botop Macau and Wing Fung BVI (the “**Relevant Companies**”) and until any of Mr. Chung and Ms. Chung ceases to be an ultimate shareholder of the Relevant Companies or the date of termination of the Deed of Acting in Concert:

- (1) they have been acting in concert and they shall continue to act in concert in respect of the Relevant Companies for the purpose of consolidating their control over the Relevant Companies;
- (2) they have controlled, and shall continue to control, directly or indirectly, each of the Relevant Companies on a collective basis and make collective decision in respect of the commercial decisions of the Relevant Companies;

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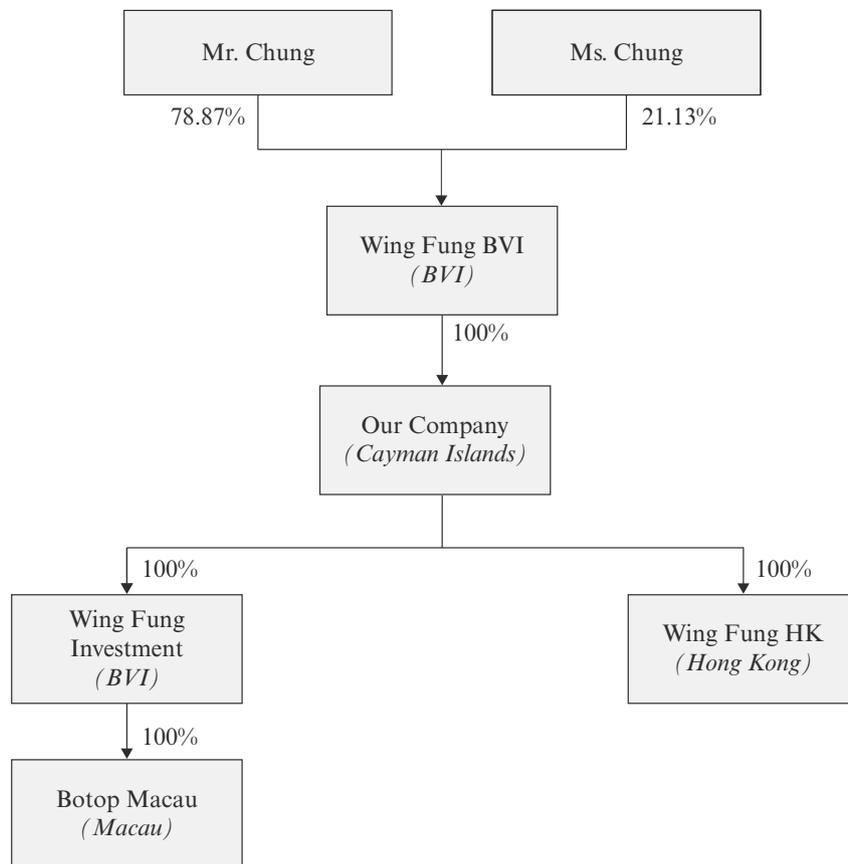
## HISTORY, DEVELOPMENT AND REORGANISATION

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- (3) they have given, and shall continue to give, unanimous consent, approval or rejection on any other material issues and decisions in relation to the businesses of the Relevant Companies;
- (4) they have consulted, and shall continue to consult, each other in order to reach unanimous consensus among themselves in respect of all decisions and resolutions passed or proposed to be passed in all meetings of the Relevant Companies; and
- (5) they have cooperated, and shall continue to cooperate, with each other to obtain and maintain the consolidated control of the Relevant Companies.

### CORPORATE STRUCTURE

The following diagram shows the corporate structure of our Group after the Reorganisation but before the completion of the Capitalisation Issue and the Share Offer:



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## HISTORY, DEVELOPMENT AND REORGANISATION

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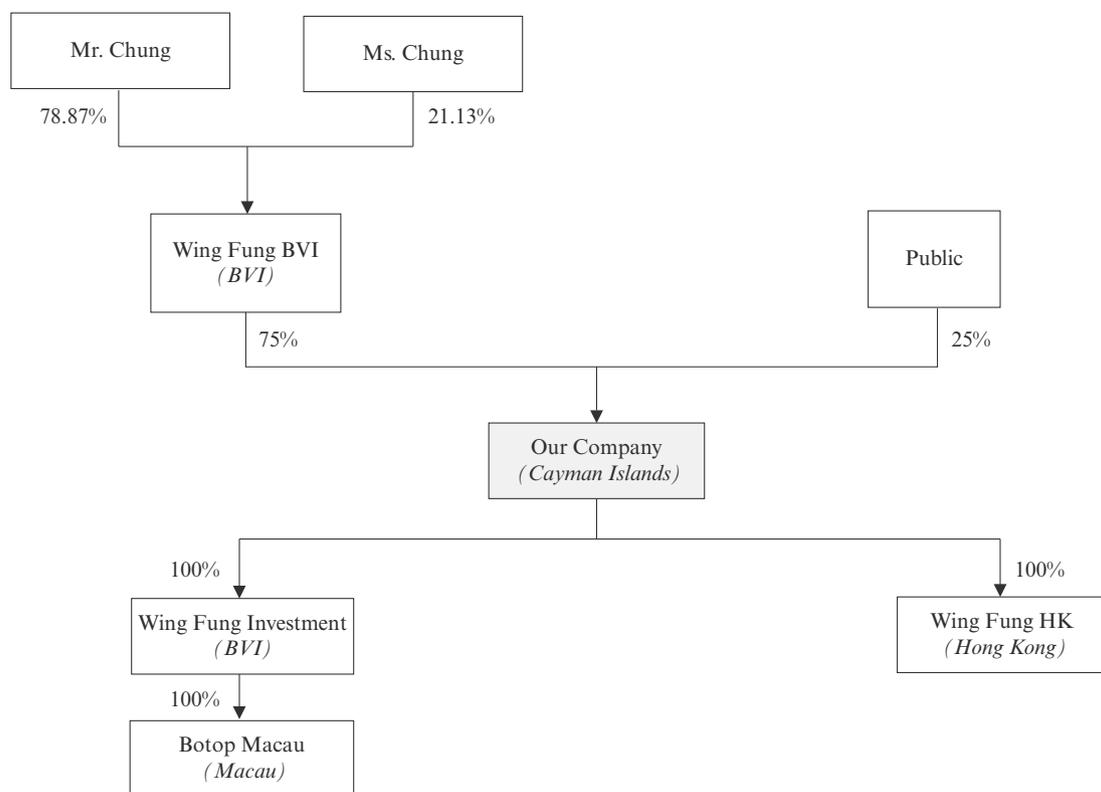
### CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 31 January 2018, our Directors were authorised to capitalise an amount of HK\$4,297,200 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 429,720,000 Shares for allotment and issue to our sole Shareholder, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and the Capitalisation Issue was approved.

### SHARE OFFER

Assuming the Share Offer becomes unconditional, our Company will offer 143,500,000 new Shares under the Share Offer. For further details of the Share Offer, please refer to the section headed “Structure and conditions of the Share Offer” in this prospectus.

The following diagram illustrates the shareholding and corporate structure of our Group immediately following the completion of the Capitalisation Issue and the Share Offer:



**OVERVIEW**

We are principally engaged as a subcontractor for the provision of supply, installation and fitting-out services of MVAC system for buildings in Hong Kong and Macau. Our total revenue amounted to approximately HK\$128.6 million, HK\$134.4 million and HK\$125.2 million for the years ended 31 December 2015 and 2016 and the eight months ended 31 August 2017, respectively. Revenue generated from our operations in Hong Kong accounted for approximately 28.0%, 66.5% and 67.3% of our total revenue for the years ended 31 December 2015 and 2016 and the eight months ended 31 August 2017, while revenue generated from our operations in Macau accounted for approximately 72.0%, 33.5% and 32.7% of our total revenue during the same period. According to the Frost & Sullivan Report, we ranked the 5<sup>th</sup> and the 3<sup>rd</sup> in the MVAC installation market in Hong Kong and Macau with a market share of approximately 1.2% and 3.3% of the total industry revenue in 2016, respectively. The total revenue of the MVAC installation market accounted for approximately 9.1% and 10.7% of the total revenue of the overall building services industry in Hong Kong and Macau, respectively in the same year.

The function of MVAC systems mainly covers (i) the mechanical ventilation that regulates the inflow and outflow of air within buildings/spaces by channelling treated air into the buildings/spaces while extracting exhaust air out; and (ii) the air-conditioning which controls and maintains the temperature and humidity of air within buildings/spaces.

During the Track Record Period, we have undertaken 23 projects in Hong Kong and Macau, of which 17 were completed. As at 31 August 2017, we had 7 projects on hand with a total outstanding contract sum of approximately HK\$153.5 million. After the Track Record Period and up to the Latest Practicable Date, we have been awarded 3 new projects with a total contract sum of approximately HK\$103.9 million. Further details of our projects are set out in the paragraphs headed “Our projects” in this section.

Our customers principally consist of main contractors and subcontractors of various types of building projects including infrastructural, commercial and residential building projects in Hong Kong and Macau. We secure new contracts mainly through tender invitations from our customers. Further details of our customers are set out in the paragraphs headed “Customers” in this section.

Generally, we do not maintain any inventories during the Track Record Period as our materials and equipment are purchased and consumed on a project-by-project basis. During the Track Record Period, suppliers of goods and services to our Group mainly include: (i) suppliers of air-conditioning equipment and materials; (ii) suppliers of processing services on our equipment and materials; and (iii) machinery rental service providers. Further details of our suppliers are set out in the paragraphs headed “Suppliers” in this section.

In executing our projects, our Group is generally responsible for the planning of the engineering works, arrangement of direct labour and subcontractors, sourcing of materials and equipment, work supervision and quality control, and ensuring compliance with the customers’ requirements. We principally subcontract the installation and fitting-out works of MVAC systems to our subcontractors and we leverage on the expertise of our in-house

project team to deliver quality work in conformity with customer's expectation and prescribed timeframe. Further details of our subcontractors are set out in the paragraphs headed "Subcontractors" in this section.

According to the Frost & Sullivan Report, the MVAC installation market size in Hong Kong is expected to increase from HK\$7.3 billion in 2016 to HK\$11.3 billion in 2021 at a CAGR of 9.1%. It is also anticipated that the MVAC installation market size in Macau will increase from MOP1,395.2 million in 2016 to MOP2,339.7 million in 2021 at a CAGR of 10.9%. The market drivers of MVAC installation market size in Hong Kong and Macau include (i) the increasing population density in Hong Kong and Macau; (ii) the rising awareness of public health issues in Macau; and (iii) the commencement of major construction projects in Hong Kong. Relying on our experience in the industry, our Directors believe that we are well-positioned to capture the growing MVAC installation market in Hong Kong and Macau.

## **COMPETITIVE STRENGTHS**

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

### **Established track record and reputation**

We are a subcontractor in the provision of supply, installation and fitting-out services of MVAC system for buildings in Hong Kong and Macau with over 20 years and 10 years of experience in undertaking relevant projects in Hong Kong and Macau, respectively. During the Track Record Period, we have undertaken 23 projects covering various types of buildings including infrastructural, commercial and residential building projects e.g. offices, hotels, hospitals, data centers, shopping malls, and educational and training institutions in Hong Kong and Macau. According to the Frost & Sullivan Report, we ranked the 5<sup>th</sup> and the 3<sup>rd</sup> in the MVAC installation market in Hong Kong and Macau with a market share of approximately 1.2% and 3.3% of the total industry revenue in 2016, respectively. Taking into account the long operating history and track record of our Group, our Directors believe that our Group has established a reputation in the MVAC installation market in both Hong Kong and Macau, which allows our Group to gain trust of our existing customers and gives us a competitive edge when tendering for new business opportunities which are crucial to our business operations and future business development.

### **Experienced management team**

Our management team has extensive industry knowledge and project experience in the MVAC system services industry in Hong Kong and Macau. In particular, Mr. Chung, our Group's co-founder, the chairman of the Board and our executive Director, has over 43 years of experience in the E&M engineering service industry which enable our Group to have a better understanding of the market dynamics and industry practice for the MVAC system installation market. For details of the qualification and experience of our Directors and senior management, please refer to the section headed "Directors and senior management" in this prospectus. Their

qualifications and experience facilitate the preparation of competitive tenders and efficient and timely execution and management of our projects. Our Directors believe that the combination of our management team's expertise and industry knowledge have been and will continue to be our Group's valuable assets and strive our Group towards greater success.

#### **Stable relationships with our major customers, suppliers and subcontractors**

We have established stable business relationships with our major customers, suppliers and subcontractors. For our five largest customers during the Track Record Period, we have been providing services to them for a period ranging from approximately 1 year to over 10 years. Our Directors believe that as we consistently deliver our services on time and to the satisfaction of our customers, we have established good relationship with our customers and are therefore often invited to submit tenders. For the two years ended 31 December 2016, the eight months ended 31 August 2017 and from 1 September 2017 to the Latest Practicable Date, we submitted a total of 28, 33, 34 and 7 tenders, respectively. Furthermore, for our five largest suppliers during the Track Record Period, we have procured equipment and materials from them for a period ranging from approximately 1 year to over 5 years. Maintaining good relationship with our suppliers is our strength and edge in negotiating prices and maintaining stable source of supply of our equipment and materials. In addition, we have cooperated with our five largest subcontractors during the Track Record Period for a period ranging from approximately 1 year to over 5 years. Considering the good relationship with our subcontractors, our Directors believe that our Group can maintain the quality of service, ensure the delivery of works on schedule and control our Group's costs with favourable terms.

#### **Effective tendering process and cost control management**

We have been operating for many years in the MVAC system services industry and have developed an effective and systematic tender review process. The tender review process involves multiple stages to ensure an accurate estimation of the potential costs of the projects, effective allocation of resources and competitive quotation to our customers while maintaining an acceptable profit margin. Our Directors consider that it is of utmost importance to predict project costs accurately as our fees are generally quoted as lump-sum contracts such that unexpected adverse fluctuation in our costs or budget overrun may result in diminished profit margin or even a loss. Our Directors confirm that we did not experience any material loss-making projects as a result of material inaccurate estimation or cost overruns during the Track Record Period and up to the Latest Practicable Date.

#### **Commitment to deliver quality works and services, and safety and environmental assurance**

We place considerable emphasis to maintain safety standard and quality control as they can directly affect our reputation, service quality and profitability, which are our customers' key assessment criteria in selecting their subcontractors.

We have adopted a set of comprehensive occupational health and safety measures to prevent the occurrence of accidents. Through promoting safety awareness at the front line, we manage to maintain low accident rates when compared with the industry average. For details of our workplace accidents and accident rates and the industry average, please refer to the paragraphs headed “Occupational health and safety” in this section.

Further, our management system has been certified to be in accordance with the standard required under ISO 9001 : 2008 (quality management) since August 2013. Our Directors believe that our effective quality management systems as well as good compliance track record would improve our overall service quality and profitability.

### **BUSINESS STRATEGIES**

We strive to achieve sustainable growth and further enhance our overall competitiveness in the MVAC system services industry in Hong Kong and Macau. To achieve this, our Directors plan to continue to leverage our competitive strengths and implement the following strategies:

#### **Acquisition of performance bond for new projects**

According to the Frost & Sullivan Report and as confirmed by our Directors, it is common for the customers to require the directors and/or shareholders of the contractors to provide performance guarantee as security for the contractors’ due performance and observance of the contract.

For the four years ended 31 December 2017, we have been awarded 8, 2, 6 and 6 new projects with total contract sum of approximately HK\$167.0 million, HK\$49.6 million, HK\$270.5 million and HK\$146.4 million, respectively. In light of the historical awarded contract sum and to cater for the future growth of the MVAC installation market in Hong Kong and Macau as identified in the Frost & Sullivan Report, our Directors plan to undertake more MVAC installation projects of larger scale in terms of contract sum in the future, which might require the provision of performance bonds by us.

As a conservative estimation having taken into account of (i) the historical yearly average of total contract sum awarded to our Group for the four years ended 31 December 2017, i.e. approximately HK\$158.4 million which reflects the recent scale of projects awarded to our Group; (ii) the expected annual growth rates of the MVAC installation market in Hong Kong and Macau from 2017 to 2020 as identified in the Frost & Sullivan Report; (iii) the ratio of the contract sum of projects that required personal guarantee of Mr. Chung and/or performance bonds to the total contract sum of all projects awarded to our Group for the four years ended 31 December 2017 of approximately 27.0%; and (iv) the amount of performance guarantee of 5% of the contract sum referencing to the current requirements by the customers, a total of approximately HK\$7.2 million is required to be placed by our Group in the form of cash collaterals to the bond issuer to satisfy the performance bond requirements of our potential customers on the new projects expected to be awarded to us after Listing and

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up to 31 December 2020. Therefore, we expect to spend the same amount of our net proceeds from the Share Offer in this regard. The corresponding calculation is summarised below:

Historical yearly average of total contract sum awarded for the four years ended 31 December 2017 ( <i>HK\$ in million</i> )	158.4		
		<b>For the year ending 31 December</b>	
		<b>2018</b>	<b>2019</b>
			<b>2020</b>
Hong Kong MVAC installation market growth	9.9%	9.0%	8.2%
Macau MVAC installation market growth	9.6%	11.9%	13.6%
Average MVAC installation market growth	9.8%	10.5%	10.9%
Expected annual contract sum to be awarded ( <i>HK\$ in million</i> )	173.8	192.0	213.0
Ratio of the contract sum of projects that required personal guarantee of Mr. Chung and/or performance bonds to the total contract sum of all projects awarded for the four years ended 31 December 2017	27.0%	27.0%	27.0%
Amount of performance guarantee	5.0%	5.0%	5.0%
Annual amount of performance bond ( <i>HK\$ in million</i> )	2.3	2.6	2.9
Total amount of performance bond required by our Group ( <i>HK\$ in million</i> )	1.8	2.6	2.9
	(Upon Listing and up to 31 December 2018)		

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We have not taken into account the release of performance bonds of the new projects to be awarded to us upon their completion in estimating the total amount of net proceeds to be utilised by us to purchase the performance bond after Listing and up to 31 December 2020 as our Directors are of the view that our performance guarantee in such new projects might not be able to be released by relevant customers by that time in light of (i) the duration of the 22 projects awarded to our Group for the four years ended 31 December 2017 which range from 3 months to 36 months with an average of approximately 17 months and, if taken into consideration of the defect liability period of 12 months, from 15 months to 48 months with an average of approximately 29 months and (ii) the uncertainty of the actual length of our performance guarantee in a project as the defect liability period of a project shall only commence upon the completion of the main contractor's construction project instead of our MVAC installation work and therefore it would be beyond our control.

Our Directors believe that the use of net proceeds from the Share Offer to purchase performance bonds will not only allow us to satisfy the performance guarantee requirement without imposing significant pressure on our cash flow, but also allow us to become eligible to tender for projects of larger contract value which generally have higher capital requirements.

Based on the Frost & Sullivan Report and as confirmed by our Directors, performance guarantee is a usual method for main contractors to control subcontractors' project quality in the building services industry in Hong Kong and Macau. In any event that our customers do not require us to purchase performance bonds and/or require us to purchase performance bonds in a lesser amount than we expected after Listing, we intend to allocate such unallocated amount of proceeds for our general working capital use in order for us to undertake any new project in larger scale in the future.

As discussed in the paragraphs headed "Risk factors — Risks relating to our business — Operating cash inflows and outflows in connection with our projects may be irregular, thus may affect our net cash flow position" in this prospectus, we incurred cash outflow to our suppliers and our own direct labour when or before our works commence but the progress payments will generally only be paid to us in the next few months for our works completed in a particular month. The operating cash inflow and outflow for a particular project are therefore mismatched and may fluctuate as our works proceed. In addition, a portion of contract value is usually withheld by our customers as retention money and will be released to us only after expiry of the defect liability period. The larger the scale of the project undertaken by our Group, the higher pressure on our cash flow position. As such, in any event that our customers do not require us to purchase performance bonds and/or require us to purchase performance bonds in a lesser amount than we expected after Listing, we intend to allocate such unallocated amount of proceeds for our general working capital use in order for us to undertake any new project in larger scale without adversely affecting our liquidity position in the future.

**Employment of additional staff and provision of relevant training**

We intend to employ 3 chartered senior engineers, 2 quantity surveyors, 4 assistant engineers, 2 safety supervisors and 2 administrative staff to strengthen our project team and supporting staff.

We principally subcontract the installation and fitting-out works of MVAC systems to our subcontractors and our in-house project team is generally responsible for planning, supervising and controlling the quality of work performed by our subcontractors to ensure compliance with the customers' requirements. As the number and size of projects that can be executed by our Group concurrently at any given time is limited by our resources including the capacity and the availability of our manpower, the bottleneck of our profitability would be caused by the insufficiency of our skilled labour in our operation.

As at 31 December 2015, 31 December 2016, 31 August 2017 and the Latest Practicable Date, our Group had 13, 10, 7 and 7 projects on-going covering different locations in Hong Kong and Macau. In addition, based on the approximate work duration of each project as disclosed in the paragraphs headed "Our projects" in this section, the number of overlapping projects in a single month ranges from 11 to 14 for the year ended 31 December 2015, 10 to 14 for the year ended 31 December 2016 and 6 to 8 for the eight months ended 31 August 2017. Depending on the size of projects and according to the Frost & Sullivan Report, the standard composition of a project team for a particular MVAC project requires different level of engineers, surveyors, site foremen and safety supervisors of approximately 10 persons. As at 31 December 2015, 31 December 2016, 31 August 2017 and the Latest Practicable Date, our Group had 8, 10, 13 and 16 engineers and 5, 4, 4 and 4 site supervisors/foremen respectively. Our Group did not have any surveyor nor designated qualified safety supervisors during the Track Record Period and as at the Latest Practicable Date. As such, the composition of our project team is not up to the industry standard and therefore our Group is in much need of employing additional staff to satisfy our upcoming project needs in the future. Moreover, our customers will assess our capacity from time to time and before inviting us to submit tender for their jobs to ensure that we have sufficient manpower to perform their works within stipulated time. Our Directors are therefore of the view that we will be able to obtain more tender invitations from our customers by expanding our work force.

Furthermore, the progress of our projects and therefore the demand for our workers are principally determined by our customers and is out of our Group's control and hence it is imperative for our Group to have an adequate number of skilled labour that is readily available. Although our Group will use our best endeavours to organise our work schedules with our customers to avoid overlapping work schedules, our Company could not take the risk for not being able to deliver the required services on time considering that any delay or underperformance in our work could affect the timetable for the entire construction schedule of the relevant project, as a result of

which our Group may be claimed for damages resulting from such delay. Sufficiency of manpower is therefore important in ensuring timely performance of our contractual obligations at all times.

As at the Latest Practicable Date, our Group had only 2 senior engineers. It is expected that the 2 senior engineers will all be occupied with Project #22, Project #24, Project #25, Project #26 and Project #27 after Listing which are expected to be completed in December 2018, August 2018, June 2019, March 2020 and July 2018 respectively. In light of (i) the fact that we have been awarded relatively larger scale projects after the Track Record Period with an average single contract sum of approximately HK\$34.6 million (as compared to the historical average single contract sum of the projects awarded to our Group for the three years ended 31 December 2016 of approximately HK\$30.4 million); and (ii) our plan to undertake more MVAC installation projects of larger scale in terms of contract sum after Listing as detailed in the paragraphs headed “Business strategies — Acquisition of performance bond for new projects” above in this section, we intend to employ 3 additional senior engineers to oversee the new projects expected to be awarded to our Group after Listing. In addition, in view of the expected increase in number of our senior engineers from 2 to 5 after Listing and the existing 9 engineers but only 5 assistant engineers as at the Latest Practicable Date, we intend to employ 4 additional assistant engineers to support the expanded force of our project team correspondingly. Though we have experienced the maximum number of overlapping projects in a single month during the Track Record Period of 14 with our existing manpower, our Directors are of the view that by recruiting additional engineers, the performance of our Group can be further strengthened to a certain extent. In particular, during the Track Record Period, our engineers were deeply involved in different areas of the project execution from the supporting in preparation and submission of quotations and tender documents, to the procurement of materials and equipment and further to the monitoring of daily work progress in different project locations. Our Directors are of the view that additional engineers can share the workload of the existing engineers and allow each engineer to concentrate in particular aspect in the project execution. For instance, some of the newly recruited engineers will be assigned specifically for procurement function with the aim to further reduce the cost of our services by obtaining and comparing more quotations from potential suppliers. In addition, as Mr. Chung was highly involved in both customer relationship management as well as tendering during the Track Record Period, the newly recruited engineers can also relieve the workload of Mr. Chung by providing additional support in preparation of tender proposals so as to increase the number of our tender submissions and our tender success rate and allow Mr. Chung to focus on maintaining existing client relationship and expanding new client network.

As at the Latest Practicable Date, our Group did not have a designated quantity surveyor. During the Track Record Period, the work of quantity survey including estimation of costs during the tendering procedures, cost monitoring during the project execution stage, etc. were shared among our executive Directors and our site supervisors and site foremen. In light of our plan to undertake more MVAC installation projects of larger scale after Listing and the fact that any erroneous or inaccurate estimation of project costs may adversely affect our profitability, our Group

intends to recruit 2 qualified quantity surveyors who possess a degree in quantity surveying and are registered with Royal Institution of Chartered Surveyors or Hong Kong Institute of Surveyors.

As at the Latest Practicable Date, the occupational health and work safety of our projects were monitored by 3 of our engineers who had completed safety supervisor training courses organised by relevant authorities in Hong Kong. In light of (i) the increase in our accident rate from 2015 to 2016; and (ii) the expected increase in the number of projects to be undertaken by our Group after Listing, we intend to recruit 2 safety supervisors who are qualified as Registered Safety Officer in the Labour Department of Hong Kong in order to further enhance the effectiveness of our safety control measures.

In light of the expected expansion of our project team and operation, we intend to employ 2 administrative staff for our Hong Kong office to further support our administrative function and share certain workload of our existing staff. We also believe that the hiring of supporting administrative staff will enhance our internal control given that the implementation of internal control procedures requires significant administrative works such as ensuring proper day-to-day record keeping and monitoring of systems. Furthermore, the additional administrative staff will also assist us in complying with necessary regulatory filing requirements such as forms to be filed under the Companies Ordinance and notices to be given under the IRO and minimise the risks of any non-compliance in the future.

We intend to spend approximately HK\$16.3 million of our net proceeds from the Share Offer for the payroll of the new staff after Listing from April 2018 to 31 December 2020.

We also consider that a team of strong workforce equipped with appropriate knowledge of and experience in the provision of MVAC system supply and installation services is crucial to our continuing success. Therefore, we intend to spend approximately HK\$0.1 million to sponsor our staff to participate in training and seminar in relation to technical aspects of MVAC system and occupational health and safety organised by external parties and training institutions after Listing from April 2018 to 31 December 2020.

We also intend to spend approximately HK\$1.0 million of our net proceeds from the Share Offer to purchase building information modeling (BIM) software and provide relevant training for our staff. Building information modeling (BIM) software, which provides 3D building information modeling services, enables building visualisation and preview of architectural structures. The use of such software allows us for more informed decision making during different stages of our operation from preparation of tender documents to project implementation.

Based on the foregoing, the total expected expenditure for strengthening of our manpower will be approximately HK\$17.4 million after Listing from April 2018 to 31 December 2020.

**Leasing of a new office and employment of additional staff in Macau**

In light of (i) the current progress of the residential and commercial development project in Macau i.e. Project #24, being our largest contract on hand in terms of outstanding contract sum of approximately HK\$89.3 million as at 31 August 2017; (ii) the award of a new hotel and entertainment complex project in Macau i.e. Project #27 with the awarded contract sum of approximately HK\$38.8 million after the Track Record Period; (iii) that the MVAC installation market size in Macau is expected to increase from MOP1,395.2 million in 2016 to MOP2,339.7 million in 2021 at a CAGR of 10.9% due to the rising population density and the rising awareness of public health issues in Macau according to the Frost & Sullivan Report; and (iv) the relatively limited gross floor area of our previous office in Macau of approximately 10.28 sq. m and the additional travelling time and cost spent to manage our operation in the Macau since the expiry of the relevant tenancy agreement in October 2017, our Directors believe that the development of the Macau office is necessary and additional administrative staff are required to handle the expected increasing workload in Macau in the long run. We intend to lease a new office in Macau with a gross floor area of over 100.0 sq. m after Listing. Based on the existing quotation available to us, the monthly rental for an office of similar size is approximately HK\$25,000 and hence the expected total rental cost for the new Macau office is approximately HK\$825,000 after Listing from April 2018 to 31 December 2020. In addition, based on the current quotation obtained from the contractor, the expected total cost for the leasehold improvement in the new Macau office is approximately HK\$320,000. We also expect that the cost for new furniture and fixtures is approximately HK\$80,000. Furthermore, taking into account of the remuneration package of the existing administrative staff for our operation in Macau of HK\$15,000 per month, double-pay and salary increment in each year, the expected total cost for 2 additional administrative staff in Macau is approximately HK\$1.2 million after Listing from April 2018 to 31 December 2020. Therefore, we plan to utilise a total of approximately HK\$2.4 million of our net proceeds from the Share Offer for the development of our new Macau office after Listing from April 2018 to 31 December 2020.

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

**SCOPE OF BUSINESS**

We, through Wing Fung HK and Botop Macau, our operating subsidiaries, principally offer supply, installation and fitting-out services of MVAC systems as a subcontractor for various building projects in Hong Kong and Macau. Our supply, installation and fitting-out services of MVAC systems cover various types of premises including the followings:

- offices
- hotels
- hospitals

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- data centers
- shopping malls
- educational and training institutions

MVAC system mainly serves the following functions:

- Mechanical ventilation: regulates the inflow and outflow of air within buildings/spaces by channelling treated air into the buildings/spaces while extracting exhaust air out; and
- Air-conditioning: controls and maintains the temperature and humidity of air within buildings/spaces.

MVAC system mainly comprises mechanical ventilation fan and air-conditioning equipment including chiller, air handling unit, fan coil unit, water pumps, cooling tower, air-conditioner with system pipework, ductworks, electrical and control works.

### OUR PROJECTS

#### Completed projects during the Track Record Period

During the Track Record Period, we completed 17 projects in Hong Kong and Macau excluding the defect liability period. The following table sets out a full list of our projects completed during the Track Record Period:

Project No.	Particulars and location	Sector	Type of works	Approximate work duration		Awarded contract sum (Note 1) (HK\$'000)	Revenue recognised for the year ended 31 December			Aggregate revenue recognised during the Track Record Period (HK\$'000)
				From	To		2015 (HK\$'000)	2016 (HK\$'000)	Revenue recognised for the eight months ended 31 August 2017 (HK\$'000)	
<b>Hong Kong</b>										
1.	An institute in Tseung Kwan O, the New Territories	Public	MVAC installation	Oct 2014	Nov 2016	24,351	13,570	5,171	—	18,741
2.	A design-build-operate project of a data centre for cooling and power module in Tseung Kwan O, the New Territories	Private	MVAC installation	Jul 2013	Jan 2015	2,729	301	—	—	301
3.	A design-build-operate project of a data centre for cooling and power module in Tseung Kwan O, the New Territories	Private	MVAC installation	Sep 2013	Dec 2015	10,342	663	—	—	663
4.	A hotel in Sunny Bay, Lantau Island	Private	MVAC installation	Jul 2015	Dec 2016	48,611	16,857	40,252	—	57,109
5.	A sludge treatment facility in Tuen Mun, the New Territories	Public	Fitting-out works	Feb 2016	May 2016	432	—	433	—	433
6.	A design-build-operate project of a commercial building for district cooling system in Kai Tak, Kowloon	Public	MVAC installation	Feb 2012	Nov 2016	7,732	—	2,348	—	2,348

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Project No.	Particulars and location	Sector	Type of works	Approximate work duration		Awarded contract sum (Note 1) (HK\$'000)	Revenue recognised for the year ended 31 December			Aggregate revenue recognised during the Track Record Period (HK\$'000)
				From	To		2015 (HK\$'000)	2016 (HK\$'000)	Revenue recognised for the eight months ended 31 August 2017 (HK\$'000)	
<b>Hong Kong</b>										
7.	A design-build-operate project of a commercial building for district cooling system in Kai Tak, Kowloon	Public	MVAC installation	Nov 2013	Nov 2016	5,049	—	1,047	—	1,047
8.	A design-build-operate project of a commercial building for district cooling system in Kai Tak, Kowloon	Public	MVAC installation	Oct 2012	Nov 2016	8,050	—	1,340	—	1,340
9.	Commercial buildings in Central	Private	Fitting-out works	May 2011	Jul 2016	2,658	—	613	—	613
10.	A design-build-operate project of a data centre for cooling and power module in Tseung Kwan O, the New Territories	Private	MVAC installation	Jun 2016	Aug 2017	5,950	—	5,843	396	6,239
<b>Macau</b>										
11.	A hotel and entertainment complex in Estrada do Istmo, Cotai, Macau	Private	MVAC installation	Jun 2014	Nov 2015	17,556	4,034	—	—	4,034
12.	A hotel and entertainment complex in Avenida Marginal Flor de Lotus, Taipa, Macau	Private	MVAC Installation	Jul 2014	Jun 2017	6,254	4,066	611	1,162	5,839
13.	A hotel and entertainment complex in Avenida da Nave Desportiva, Taipa, Ilhas, Macau	Private	MVAC installation	Oct 2014	Feb 2017	24,090	21,813	4,396	2,120	28,329
14.	A hotel and entertainment complex in Avenida da Nave Desportiva, Taipa, Ilhas, Macau	Private	MVAC installation	Oct 2014	Feb 2017	34,689	37,097	9,060	860	47,017
15.	A hotel and entertainment complex in N. Senhora da Esperança, Taipa, Ilhas, Macau	Private	MVAC installation	Dec 2014	May 2016	28,799	24,393	5,354	—	29,747
16.	A hotel and entertainment complex in Rua Cidade De Sintra, Nape, Macau	Private	Fitting-out works	Jun 2015	Dec 2015	1,009	1,215	—	—	1,215
17.	A hotel and entertainment complex in Avenida da Nave Desportiva, Taipa, Ilhas, Macau	Private	Fitting-out works	Oct 2016	Dec 2016	534	—	547	—	547

*Note:*

1. The awarded contract sum is based on the original tender documents or contract between our customer and us and does not include additions and modifications due to subsequent variation orders. As such, final revenue recognised from a contract may differ from the awarded contract sum.

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### Projects on hand as at 31 August 2017

As at 31 August 2017, we had a total of 7 projects on hand. The following table sets out a list of our projects on hand as at 31 August 2017:

Project No.	Particulars and location	Sector	Type of works	Project commencement date	Actual/Expected project completion date (Note 1)	Awarded contract sum (Note 2)	Revenue recognised for the year ended 31		Revenue recognised for the eight months ended 31	Aggregate revenue recognised during the Track Record Period	Outstanding contract sum as at 31 August 2017 (Note 3)	Expected revenue recognised for the four months ended 31 December 2017	Expected revenue to be recognised for the year ending 31 December 2018
							2015	2016	August 2017	2017	2017	2017	2018
(HK\$'000)													
<b>Hong Kong</b>													
18.	A hotel, shopping centre and commercial buildings complex redevelopment in Tsim Sha Tsui, Kowloon	Private	MVAC installation	Oct 2015	Dec 2017	29,964	4,583	11,956	12,030	28,569	1,395	4,201	—
19.	An institute in Pokfulam, Hong Kong Island	Private	MVAC installation	Nov 2016	Mar 2018	58,750	—	16,950	34,850	51,800	6,950	2,987	3,963
20.	A hospital in Kai Tak, Kowloon	Public	MVAC installation	Oct 2016	Mar 2018	53,704	—	3,451	36,131	39,582	14,122	5,402	8,720
21.	A hospital in Happy Valley, Hong Kong Island	Private	Fitting-out works	Jun 2017	Mar 2018	2,275	—	—	420	420	1,855	1,000	855
22.	Commercial development in Kowloon Bay, Kowloon	Private	MVAC installation	Aug 2017	Dec 2018	40,000	—	—	454	454	39,546	157	39,389
23.	A hospital in Happy Valley, Hong Kong Island	Private	Fitting-out works	Sep 2017	Dec 2017	257	—	—	—	—	257	257	—
<b>Macau</b>													
24.	Residential and commercial development at Taipa, Macau	Private	MVAC installation	Mar 2016	Aug 2018	151,116	—	24,994	36,790	61,784	89,332	26,886	62,466

*Notes:*

- The expected project completion date for a particular contract is provided based on our management's best estimation, which is subject to variation and without taking into account of the defect liability period.
- The awarded contract sum is based on the original tender documents or contract between our customer and us and does not include additions and modifications due to subsequent variation orders. As such, final revenue recognised from a contract may differ from the awarded contract sum.
- Outstanding contract sum represents the amount of contract sum that had not been recognised as our revenue as at 31 August 2017. Such amount does not include additions and modifications due to subsequent variation orders.

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### Projects awarded after the Track Record Period and up to the Latest Practicable Date

After the Track Record Period and up to the Latest Practicable Date, we had a total of 3 new projects awarded as a subcontractor. The following table sets out a list of our projects awarded after the Track Record Period and up to the Latest Practicable Date:

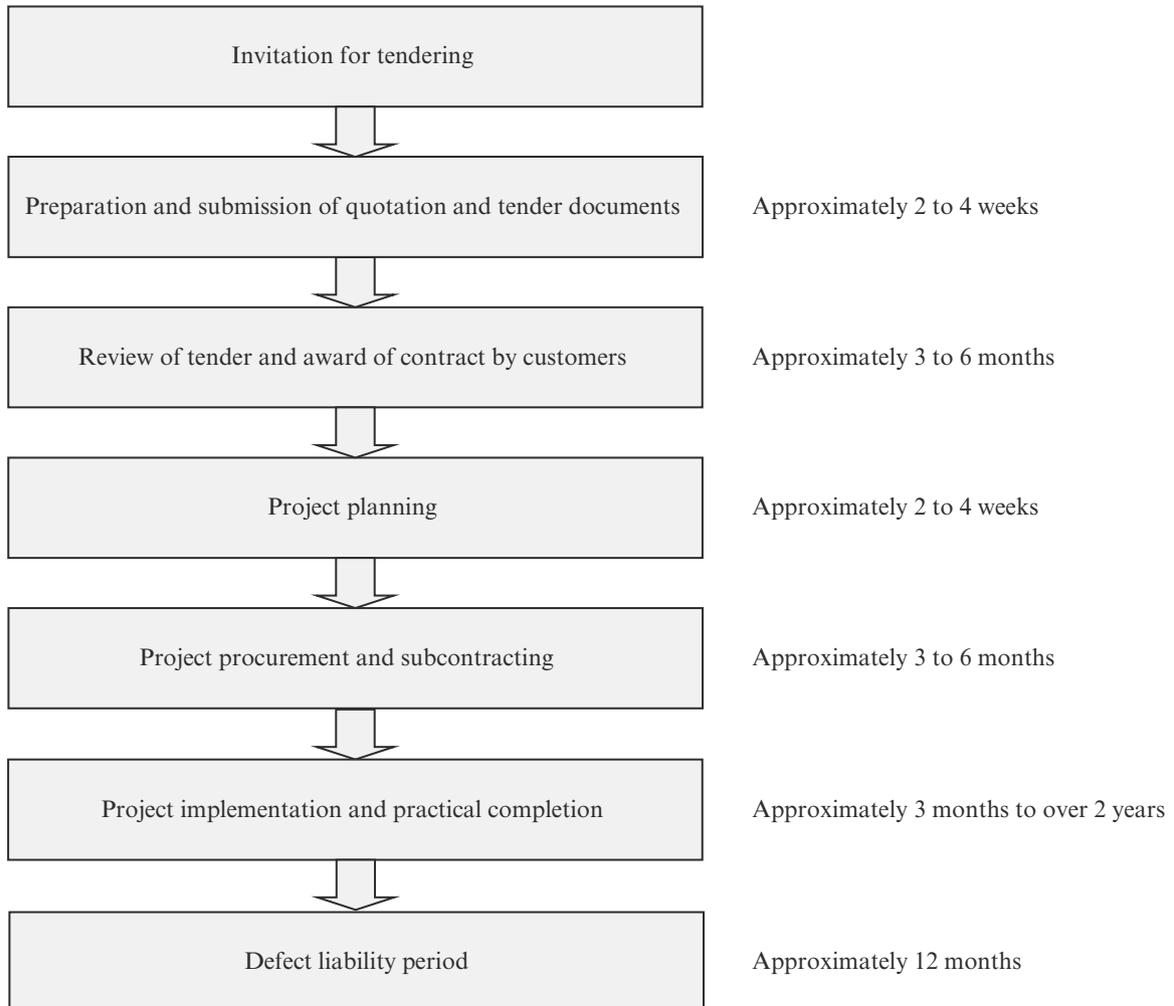
Project No.	Particulars and location	Sector	Type of works	Project commencement date	Expected project completion date (Note 1)	Awarded contract sum (Note 2) (HK\$'000)	Expected revenue to be recognised for the year ended/ending 31 December			
							2017 (HK\$'000)	2018 (HK\$'000)	2019 (HK\$'000)	2020 (HK\$'000)
<b>Hong Kong</b>										
25.	Shopping centre and residential development in Tseung Kwan O, the New Territories	Private	MVAC installation	Jan 2018	Jun 2019	30,840	—	20,556	10,284	—
26.	A Shopping centre in Tai Wai, the New Territories	Private	MVAC Installation	Jun 2018	Mar 2020	34,245	—	10,892	18,682	4,671
<b>Macau</b>										
27.	A hotel and entertainment complex in Av. do Aeroporto, Macau	Private	MVAC Installation	Jan 2018	Jul 2018	38,800	—	38,800	—	—

*Notes:*

1. The expected project completion date for a particular contract is provided based on our management's best estimation, which is subject to variation and without taking into account of the defect liability period.
2. The awarded contract sum is based on the original tender documents or contract between our customer and us and does not include additions and modifications due to subsequent variation orders. As such, final revenue recognised from a contract may differ from the awarded contract sum.

**OPERATION FLOW**

Set out below is a flowchart summarising the principal steps of our workflow of a typical project in Hong Kong or Macau:



### **Invitation for tendering**

We generally secure new contracts through tender invitations from our customers. We are provided with the tender documents which contain the work specifications and drawings.

### **Preparation and submission of quotation and tender documents**

Once we received the tender documents from our customers, our Directors will preliminarily assess whether we would submit tenders for the potential projects taking into consideration (i) the size, the technical complexity and the schedule of the potential projects; (ii) the availability of our resources; and (iii) our previous experience in relevant projects.

When our Directors decide to submit tenders for the potential projects, we will prepare and submit a tender proposal to our customers which sets out the tender price, schedule of rates, bills of quantities, equipment schedule and tentative programs, etc. We may have a chance to conduct site visit if necessary. We will generally obtain preliminary quotations from potential suppliers and subcontractors in order to ascertain the expected cost of the project. Tender proposals to be submitted will be finally reviewed and approved by our executive Directors.

Generally, it takes about 2 to 4 weeks from receiving the tender invitation to submission of tender.

### **Review of tender and award of contract by customers**

Based on our submitted tender, our customers may clarify the particulars of our tender and negotiate on the commercial and technical terms with us. Once our customers decide to award us the contract, we will be informed in the form of letter of award or letter of intent. We may then enter into a formal engagement agreement with the customer. Generally, the customer takes approximately 3 to 6 months for the tender selection process. Our Directors confirm that our Group did not have any disputes/unresolved issue in relation to the engagement with our customers as at the Latest Practicable Date.

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*Tenders submitted*

The following table sets out the number of tenders submitted and contracts awarded to our Group for each of the two years ended 31 December 2016, the eight months ended 31 August 2017 and from 1 September 2017 to the Latest Practicable Date:

	<b>For the year ended</b>		<b>For the</b>	<b>From 1</b>
	<b>31 December</b>	<b>2016</b>	<b>eight</b>	<b>September</b>
	<b>2015</b>		<b>months</b>	<b>2017 to the</b>
			<b>ended 31</b>	<b>Latest</b>
			<b>August 2017</b>	<b>Practicable</b>
			<i>(Note 2)</i>	<b>Date</b>
				<i>(Note 3)</i>
Number of tenders submitted	28	33	34	7
Number of contracts awarded <i>(Note 1)</i>	4	3	6	0
Success rate (%)	14.3	9.1	17.6	0

*Notes:*

1. The number of contracts awarded for a particular year corresponds to the year when we submitted our tender and such figure is therefore different from the actual number of contracts awarded to our Group in the same year.
2. For the eight months ended 31 August 2017, there were 34 tender applications submitted by our Group. Out of the said 34 tender applications, we received 20 tender results and the tender results of the remaining 14 tender applications are yet to be known, as at the Latest Practicable Date.
3. From 1 September 2017 to the Latest Practicable Date, there were 7 tender applications submitted by our Group. Out of the said 7 tender applications, we received 2 tender results which were not successful and the remaining 5 tender applications are yet to be known.

Our tender success rate for the year ended 31 December 2016 was lower than that for the prior year principally because we were occupied with various projects which took up most of our labour resources during the year ended 31 December 2016. Nevertheless, our Group kept receiving invitation letters for tenders and in order to maintain our presence in the market and to remain on our customers' contractors list, we continued to submit tenders to our customers to express our interests. Under such circumstances, we took a relatively cautious approach in costs estimation by factoring a higher profit margin, which may render our tender price less competitive than the tenders submitted by some of our competitors during the year ended 31 December 2016. Given that the 5 out of 7 tender applications submitted after the Track Record Period up to the Latest Practicable Date were still under evaluation by our potential customers, we recorded 0% tender success rate during the said period.

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### *Projects awarded*

The following table sets out the number of contracts awarded to us for each of the two years ended 31 December 2016, the eight months ended 31 August 2017 and from 1 September 2017 to the Latest Practicable Date and the corresponding aggregate amount of original contract sum in respect of such contracts:

	<b>For the year ended</b>		<b>For the</b>	<b>From 1</b>
	<b>31 December</b>	<b>2016</b>	<b>eight</b>	<b>September</b>
	<b>2015</b>	<b>2016</b>	<b>months</b>	<b>2017 to the</b>
	<b>2015</b>	<b>2016</b>	<b>ended 31</b>	<b>Latest</b>
	<b>2015</b>	<b>2016</b>	<b>August 2017</b>	<b>Practicable</b>
	<b>2015</b>	<b>2016</b>	<b>August 2017</b>	<b>Date</b>
Number of contracts awarded <i>(Note 1)</i>	2	6	3	3
Corresponding aggregate amount of original contract sum in respect of such contracts <i>(HK\$ million)</i> <i>(Note 2)</i>	49.6	270.5	42.5	103.9

*Notes:*

1. Number of contracts awarded includes all successful contracts for a particular year/period during which our engagement was confirmed by way of formal engagement agreement, letter of intent or letter of award, regardless of whether or not our tender was submitted during the same year/period.
2. Such amount excludes any subsequent changes due to variation orders.

### **Project planning**

Once our engagement is confirmed, we will form a project team which usually comprises a project manager, an engineer, an assistant engineer, a foreman and certain number of technical staff and workers. During the planning stage, the project manager is responsible for overall project planning which includes allocating resources for execution of the projects and liaising with our customers. The rest of the project team is responsible for obtaining quotations, sourcing and arranging equipment and materials from suppliers and subcontractors and conduct relevant documentary work.

In general, it takes approximately 2 to 4 weeks for our project team to conduct the project planning.

### **Project procurement and subcontracting**

Taking into account the availability of our in-house manpower resources, labour-intensiveness of the work involved and cost effectiveness, we generally do not carry out the labour-intensive work such as installation work and fitting-out works and subcontract such labour work to our subcontractors. Based on the subcontracting fee, the availability of

subcontractor's resources, schedule of work and our previous experience in subcontracting to respective subcontractors, we select our subcontractors from our internal list of approved subcontractors. In general, we obtain quotations from subcontractors at the stage of preparing our tender, and we will follow-up the quotations with such subcontractors and negotiate on pricing and other terms once we are awarded with the contract. We generally engage the subcontractors on a project-by-project basis and do not enter into long term agreement with them. For further details of our subcontracting arrangement, please refer to the paragraphs headed "Subcontractors" in this section.

The equipment and materials and related services that we purchase mainly include pipes, ducts, insulation processing services, hoses and metal hardware. In general, our customers will provide the specifications of materials for us to procure. Majority of the equipment and materials are sourced from our suppliers in Hong Kong and Macau. We usually select our suppliers from our internal list of approved suppliers. In general, we obtain quotations from suppliers at the stage of preparing our tender, and we will follow-up the quotations with such suppliers and negotiate on pricing and other terms once we are awarded with the contract. We generally procure the equipment and materials from our suppliers on a project-by-project basis and do not keep inventory. For certain suppliers, our project team will place order with them with specified delivery time and quantity and the suppliers will be responsible for delivering the equipment and materials to the Hong Kong work site directly. For projects in Macau, the suppliers will be responsible for delivering the materials to the wharf in Hong Kong and either the supplier or our Group will arrange transportation for shipping and delivering the materials to the work site in Macau. Certain minor materials and components, such as tiny metal and spare parts, are provided by the subcontractors directly and the costs of such minor materials and components are included in the subcontracting fee. To ensure the quality of equipment and materials, our engineers and foremen are responsible for conducting quality control on the equipment and materials once they are delivered to the work site. For further details of our suppliers, please refer to the paragraphs headed "Suppliers" in this section.

In general, it takes approximately 3 to 6 months for our project team to conduct the project procurement of equipment and materials and arrangement of subcontractors.

### **Project implementation and practical completion**

During the implementation of the site work, our project manager, with the assistance of our project team, will monitor work progress and project performance, predict the risks in delaying the work schedule and follow-up comments from our customer. Our engineer, assistant engineer and foreman will carry out site inspection to monitor the work progress and review the quality of works done on a regular basis to ensure that the work performance fulfil our customers' requirements and the execution of the projects is in a cost effective manner. All the costs incurred during the project execution will be recorded in the accounting system of our Group, and the cost variance analysis will be conducted by the engineer and reviewed by the project manager. Our project team will be responsible for preparing documents such as site daily records and safety reports. Subcontractors are

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required to report the project progress to the project team on an on-going basis. According to the work progress, we will prepare payment application to the customer on a monthly basis.

In general, our customer will assign representative in supervising and monitoring our work progress. Our project team will be required to report to our customer's representative from time to time and join the site progress meeting regularly to follow-up the issues of the project.

Upon the completion of installation work by our subcontractors, our project team will perform relevant system testing and rectify any defect before handing over to our customers. Once the main contractor's whole construction project (including our work done) is completed, a practical completion certificate may be issued by the ultimate customer of the project to the main contractor. During the Track Record Period and up to the Latest Practicable Date, our Group had not encountered any disputes with our customers in ascertaining the status and completion of a project (whether verbal or otherwise).

Generally, it takes approximately 3 months to over 2 years to complete a project depending on the project size and customer's schedule.

### **Defect liability period**

After the practical completion of the whole construction project, our customers normally require a defect liability period which generally lasts for 12 months. During this period, we are responsible for rectifying any defects or imperfections in relation to our works done at our own costs. At the end of the defect liability period, a certificate of completion of making good defects may be issued by the ultimate customer of the project to our customer to officially release our duty in the project and the remaining retention money will be released to us.

## **MACHINERY**

We do not require any specific asset and equipment in carrying out our daily operation and hence we have not purchased any major asset and equipment.

## **CUSTOMERS**

### **Characteristics of our customers**

Our direct customers principally consist of main contractors and subcontractors of various types of building projects including infrastructural, commercial and residential building projects in Hong Kong and Macau.

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### Major customers

For the two years ended 31 December 2016 and the eight months ended 31 August 2017, the percentage of our total revenue attributable to our largest customer amounted to approximately 68.3%, 31.5% and 57.6%, respectively. For the two years ended 31 December 2016, the percentage of our total revenue attributable to our five largest customers combined amount to approximately 99.1% and 99.6%, respectively, and our five largest customers accounted for all of our revenue for the eight months ended 31 August 2017. We have maintained a stable relationship with our major customers. Our five largest customers during the Track Record Period have maintained business relationship with us for a period ranging from approximately less than 1 year to over 10 years. In addition, among the 7 five largest customers of our Group during the Track Record Period, 4 of which, or the holding company of which, are listed in Hong Kong and the rest are private companies. On the basis that (i) we did not experience material delay in the settlement by these 3 private companies in the past; (ii) there was no recent history of default of these 3 private companies; and (iii) the fact that all of the trade receivables outstanding as at 31 August 2017 of these 3 private companies were settled as at the Latest Practicable Date, our Directors believe that the credit quality of these 3 private companies is high.

Set out below is a breakdown of our revenue by our five largest customers (including its subsidiaries, joint venture or affiliated entities which our Directors consider them as under the same group) during the Track Record Period and their respective background information:

*For the year ended 31 December 2015*

Rank	Customer	Background	Years of business relationship	Payment method	Revenue derived from the customer	
					HK\$ '000	%
1.	Customer Group A	Comprises Customer A1, Customer A2 and Customer A3, which are under common ownership. Customer Group A is principally engaged in provision of mechanical and electrical engineering services, trading of building materials, and trading of environmental products and provision of related engineering and consultancy services in Hong Kong, Mainland China and Macau. The holding company of Customer Group A is listed in Hong Kong and had a total of 1,655 employees as at 30 June 2017 and recorded approximately HK\$3,700.1 million of revenue for the year ended 30 June 2017 according to its annual report for the year ended 30 June 2017.	Over 10 years	Cheque	87,885	68.3
2.	Customer B	Principally engaged in the provision of electrical, mechanical and building services. The holding company of Customer B is listed in Hong Kong and had a total of 1,808 employees as at 31 March 2017 and recorded approximately HK\$6,127.1 million of revenue for the year ended 31 March 2017 according to its annual report for the year ended 31 March 2017.	Over 5 years	Cheque	16,857	13.1

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Rank	Customer	Background	Years of business relationship	Payment method	Revenue derived from the customer	
					HK\$'000	%
3.	Customer Group C	Comprises Customer C1 and Customer C2, which are under common ownership. Customer C2 owns 55% of an unincorporated joint venture which is our customer of Project #11. Customer Group C is principally engaged in construction business, project consultancy services, thermoelectricity business, infrastructure project investments, toll road operation and facade contracting business. The holding company of Customer Group C is listed in Hong Kong and had a total of 11,084 employees as at 31 December 2016 and recorded approximately HK\$46,207.5 million of revenue for the year ended 31 December 2016 according to its annual report for the year ended 31 December 2016.	Over 5 years	Cheque	15,788	12.3
4.	Customer Group D	Comprises Customer D1, Customer D2 and Customer D3, which are under common ownership. Customer Group D is principally engaged in environmental engineering projects, building services, transport systems, E&M maintenance, automation, niche high-tech products and contracting and manufacturing projects and had a total of over 2,700 employees according to its company website.	Over 10 years	Cheque	5,030	3.9
5.	Customer E	Principally engaged in design, supply, installation, commissioning and maintenance of E&M systems and owns 45% of an unincorporated joint venture which is our customer of Project #11 and the group of its related companies had altogether over 300 technicians according to its company website.	3 years	Cheque	1,815	1.4
Five largest customers combined:					127,375	99.1
Others:					1,217	0.9
<b>Total:</b>					<b>128,592</b>	<b>100.0</b>

*For the year ended 31 December 2016*

Rank	Customer	Background	Year(s) of business relationship	Payment method	Revenue derived from the customer	
					HK\$'000	%
1.	Customer Group F	Comprises Customer F1 and Customer F2, which are under common ownership. Customer Group F is principally engaged in trading of plastic and chemical products, the provision of building related contracting services, including engineering contracting services in the air-conditioning industry and provision of maintenance services, superstructure construction works and foundation piling works and sub-structure works for both public and private sectors in Hong Kong and Macau. The holding company of Customer Group F is listed in Hong Kong and had a total of approximately 1,630 employees as at 31 December 2016 and recorded approximately HK\$4,570.7 million of revenue for the year ended 31 December 2016 according to its annual report for the year ended 31 December 2016.	1 year	Cheque	42,376	31.5

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Rank	Customer	Background	Year(s) of business relationship	Payment method	Revenue derived from the customer	
					HK\$'000	%
2.	Customer B	Principally engaged in the provision of electrical, mechanical and building services. The holding company of Customer B is listed in Hong Kong and had a total of 1,808 employees as at 31 March 2017 and recorded approximately HK\$6,127.1 million of revenue for the year ended 31 March 2017 according to its annual report for the year ended 31 March 2017.	Over 5 years	Cheque	40,252	30.0
3.	Customer Group A	Comprises Customer A1, Customer A2 and Customer A3, which are under common ownership. Customer Group A is principally engaged in provision of mechanical and electrical engineering services, trading of building materials, and trading of environmental products and provision of related engineering and consultancy services in Hong Kong, Mainland China and Macau. The holding company of Customer Group A is listed in Hong Kong and had a total of 1,655 employees as at 30 June 2017 and recorded approximately HK\$3,700.1 million of revenue for the year ended 30 June 2017 according to its annual report for the year ended 30 June 2017.	Over 10 years	Cheque	35,501	26.4
4.	Customer Group C	Comprises Customer C1 and Customer C2, which are under common ownership. Customer C2 owns 55% of an unincorporated joint venture which is our customer of Project #11. Customer Group C is principally engaged in construction business, project consultancy services, thermoelectricity business, infrastructure project investments, toll road operation and facade contracting business. The holding company of Customer Group C is listed in Hong Kong and had a total of 11,084 employees as at 31 December 2016 and recorded approximately HK\$46,207.5 million of revenue for the year ended 31 December 2016 according to its annual report for the year ended 31 December 2016.	Over 5 years	Cheque	8,622	6.4
5.	Customer Group D	Comprises Customer D1, Customer D2 and Customer D3, which are under common ownership. Customer Group D is principally engaged in environmental engineering projects, building services, transport systems, E&M maintenance, automation, niche high-tech products and contracting and manufacturing projects and had a total of over 2,700 employees according to its company website.	Over 10 years	Cheque	7,067	5.3
Five largest customers combined:					133,819	99.6
Others:					547	0.4
<b>Total:</b>					<b>134,366</b>	<b>100.0</b>

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*For the eight months ended 31 August 2017*

Rank	Customer	Background	Year(s) of business relationship	Payment method	Revenue derived from the customer	
					HK\$'000	%
1	Customer Group F	Comprises Customer F1 and Customer F2, which are under common ownership. Customer Group F is principally engaged in trading of plastic and chemical products, the provision of building related contracting services, including engineering contracting services in the air-conditioning industry and provision of maintenance services, superstructure construction works and foundation piling works and sub-structure works for both public and private sectors in Hong Kong and Macau. The holding company of Customer Group F is listed in Hong Kong and had a total of approximately 1,630 employees as at 31 December 2016 and recorded approximately HK\$4,570.7 million of revenue for the year ended 31 December 2016 according to its annual report for the year ended 31 December 2016.	1 year	Cheque	72,094	57.6
2	Customer Group C	Comprises Customer C1 and Customer C2, which are under common ownership. Customer C2 owns 55% of an unincorporated joint venture which is our customer of Project #11. Customer Group C is principally engaged in construction business, project consultancy services, thermoelectricity business, infrastructure project investments, toll road operation and facade contracting business. The holding company of Customer Group C is listed in Hong Kong and had a total of 11,084 employees as at 31 December 2016 and recorded approximately HK\$46,207.5 million of revenue for the year ended 31 December 2016 according to its annual report for the year ended 31 December 2016.	Over 5 years	Cheque	36,131	28.9
3	Customer Group A	Comprises Customer A1, Customer A2 and Customer A3, which are under common ownership. Customer Group A is principally engaged in provision of mechanical and electrical engineering services, trading of building materials, and trading of environmental products and provision of related engineering and consultancy services in Hong Kong, Mainland China and Macau. The holding company of Customer Group A is listed in Hong Kong and had a total of 1,655 employees as at 30 June 2017 and recorded approximately HK\$3,700.1 million of revenue for the year ended 30 June 2017 according to its annual report for the year ended 30 June 2017.	Over 10 years	Cheque	15,010	12.0
4	Customer Group D	Comprises Customer D1, Customer D2 and Customer D3, which are under common ownership. Customer Group D is principally engaged in environmental engineering projects, building services, transport systems, E&M maintenance, automation, niche high-tech products and contracting and manufacturing projects and had a total of 2,700 employees according to its company website.	Over 10 years	Cheque	1,558	1.2
5	Customer G	A sole proprietorship established in 1970 in Hong Kong and principally engages in fitting-out works in relation to radiation protection to the best knowledge of our Directors.	Less than 1 year	Cheque	420	0.3
Five largest customers combined:					125,213	100.0
Others:					—	—
<b>Total:</b>					<u>125,213</u>	<u>100.0</u>

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

### **Customer concentration**

For the two years ended 31 December 2016, the percentage of our total revenue attributable to our five largest customers combined amount to approximately 99.1% and 99.6%, respectively, and our five largest customers accounted for all of our revenue for the eight months ended 31 August 2017. The percentage of our total revenue attributable to our largest customer amounted to approximately 68.3%, 31.5% and 57.6%, respectively for the same periods. According to the Frost & Sullivan Report, it is common for construction subcontractors to rely on a few customers in Hong Kong and Macau in light of the combined effect of (i) the limited area of Hong Kong and Macau which in turn leads to the restricted number of building services projects; and (ii) the extremely rigid requirement for the qualification as a main contractor and therefore limited number of main contractors in Hong Kong and Macau. Moreover, our Group undertakes sizable projects with large contract sum such that a small number of projects can contribute to a substantial amount of our revenue. Such sizeable projects generally have contract period of 1 to 2 years. Therefore, if we decide to undertake sizeable projects with large contract sum, the relevant customer may easily become our largest customer in terms of revenue contribution to us for more than one financial year. Our Directors consider that despite the customer concentration, our Group's business model is sustainable due to the following factors:

- We have been actively tendering for projects. In the event that any of our major customers substantially reduce the number of contracts placed with us or terminates its business relationship with us, our Directors consider that we would have extra capacity to handle other potential projects from other customers in view of our competitive strengths as set out in the paragraphs headed "Competitive strengths" above in this section.
- We experienced a strong demand for our services during the Track Record Period as evidenced by the number of tender invitations that we received from our customers during the Track Record Period. Please refer to the paragraphs headed "Operation flow — Review of tender and award of contract by customers — Tenders submitted" in this section for further details.

### **Marketing activities**

During the Track Record Period, we secured new businesses mainly through direct invitation for tender by customers. Our Directors consider that due to our proven track record and our well-established relationship with our existing customers, we are able to leverage our existing customer base, reputation and our years of experience in provision of supply, installation and fitting-out services of MVAC system such that we do not rely heavily on marketing and promotional activities. Mr. Chung, our executive Director, is

generally responsible for liaising and maintaining our relationship with customers and attract them to provide new business opportunities to our Group by maintaining our service quality, professional image and reputation from time to time.

### **Pricing strategy**

Our fees are determined based on a cost-plus pricing model in general with markup determined on a project-by-project basis. We predict our cost of undertaking a project and percentage of markup with reference to various factors, including (i) the project specifications; (ii) the predicted project cost including mainly equipment and material costs, direct labour costs and subcontracting fees based on the preliminary quotation from our suppliers and subcontractors; (iii) the prevailing market conditions; (iv) tender records and experience from similar projects; (v) the availability of our Group's resources and manpower; (vi) our relationship with the customers; and (vii) the completion date requested by customers.

Equipment and materials costs and subcontracting cost are the major factors in our pricing consideration. Any material deviation of the actual cost from our predicted cost may lead to significant cost overruns. In order to manage the risk of cost overruns, our Group has the following measures:

- (i) a detailed estimation of time and costs expected to be incurred in a project is prepared by our engineers and reviewed by our project manager before tender submission to our customers;
- (ii) our project team will also obtain preliminary quotations from potential subcontractors and suppliers in order to ascertain the costs expected to be incurred, based on which we prepare our tenders;
- (iii) our project team will negotiate with suppliers for the discount of purchasing equipment and materials and a fixed purchase price of equipment and materials will be agreed with suppliers to mitigate the variation of the price of equipment and materials during the project period; and
- (iv) a fixed scope of work will be agreed with customers, based on which our Group's tender is prepared. Any request for variation in the scope of work from our customers will be accepted on the basis that a variation order is agreed upon. Our engineers will prepare budgets with expected time and costs on such requests for material variation orders, which would be proceeded upon obtaining the approvals from our project managers.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any project with material irrecoverable cost overruns.

**Major terms of engagement with our customers**

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

- Duration* : Generally not a specific period but we have to follow the construction programme of the main contractor of the project.
- Scope of work* : The types and scope of work with customer's drawings, specifications and requirements.
- Contract sum* : Generally a fixed amount but is further subject to any variation orders or additional works to be performed by us.
- Bills of quantities or schedule of rates* : Most of our contracts would include the bills of quantities or schedule of rates which generally contain the description of the types of work, specifications, quantities of works to be done and the unit rates for each type of works under the project. Nevertheless, such schedule of rates is for reference only and the contract sum is generally a fixed amount.
- Payment terms* : The credit period we agree with our customers ranges from 30 to 45 days in general from our application of interim payment to our customer or, if applicable, our issuance of invoice.
- Variation orders* : Customers may require us to execute additional or modification works outside the scope of works we initially agreed with our customers. Any request for variation in the scope of works from our customers will be accepted on the basis that a variation order is agreed upon. The prices for carrying out different types of variation orders are set out in a schedule of unit rates in the agreement.
- Retention money* : Our customers may hold up a certain percentage of each interim payment made to us as retention money. In general, our customers may retain up to 10% of each interim payment (subject to a ceiling of 5% of the total contract sum) as retention money for a project. 50% of the retention money withheld is normally released to us upon practical completion of the main contractor's whole construction project and the remaining retention money is normally released upon the expiry of the defect liability period.

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*Liquidated damages* : A contract may contain clauses on liquidated damages to protect our customers against any non-completion and significant delay in completion of works subcontracted to us. However, under certain circumstances such as project inspection and testing instructed by the customers, our customers may grant us time extension without the payment of liquidated damages to our customers.

During the Track Record Period and up to the Latest Practicable Date, no material liquidated damages had been claimed by our customers against us.

*Indemnities* : We are generally required to indemnify our customers for liabilities in respect of, among others, bodily injury or death of our workers and our subcontractors' workers arising out of the performance of our service under the contracts which are not covered by the insurance company of our customers; and breach of contracts by us. Our Directors confirm that we had not committed any breach of contracts during the Track Record Period and up to the Latest Practicable Date.

*Termination* : The contract may be terminated by our customers if we, among other things,

- fail to fulfill our obligations under the contract; or
- fully suspend the works before completion without reasonable cause; or
- fail to proceed regularly and diligently with the works; or
- become bankrupt or make a composition or arrangement with our creditors or have a winding up order made or a resolution for voluntary winding up passed,

by giving advance notice of intention. During the Track Record Period and up to the Latest Practicable Date, we did not experience early termination of contracts by our customers.

- Defect liability period* : We are responsible for remedying any defects or imperfections discovered in relation to our works done for generally 12 months upon completion of the main contractor's construction project. Please refer to the paragraphs headed "Operation flow — Defect liability period" in this section above for further details.
- Performance guarantee* : For certain contracts, we are required to provide performance bonds at specified amount with a financial institution or personal guarantee made in favour of our customers, which will remain in effect until the end of defect liability period of the project. Our customers may utilise the performance bond or the personal guarantee to make good any loss or damages sustained as a result of any breach of the contract with them due to us, including any liquidated damages. During the Track Record Period and up to the Latest Practicable Date, there was no claim by customer against our performance bonds and personal guarantees.

### **Credit policy**

The credit period we agree with our customers ranges from 30 to 45 days in general from our application of interim payment to our customer or, if applicable, our issuance of invoice. In practice, we generally submit interim payment applications for work done in the preceding month in the middle of a month. The customer will issue an interim certificate to certify our work done within 30 days from our payment application. The customer will then make payment based on the certified amount less the retention money within 45 days from the issuance of the certificate. In addition, some of our customers may require us to further issue invoices to them after their issuance of payment certificates and therefore it may take an even longer period for the settlement.

In order to mitigate our risk in relation to the collectability of our trade receivables and retention receivables, we have implemented the following measures:

- Customer acceptance procedures are performed on our customers, including (i) checking our internal record regarding the payment history of the existing customer; and (ii) conducting independent search on the background of customer through various channel such as internet search.
- Our project manager may conduct cash flow analysis to predict the amount of the greatest advanced payment during the period of the project and assess the sustainability of internal cash flow of our Group.

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- Material overdue payments are monitored continuously and evaluated on a case-by-case basis as to the appropriate follow-up actions having regard to the customer's normal payment processing procedures, our relationship with the customer, its financial position as well as the general economic environment.
- Follow-up actions generally include but not limited to issuing payment reminders, actively liaising with customers, and, if necessary, taking legal actions.

Please also refer to the paragraphs headed “Financial information — Description of certain items of consolidated statements of financial position — Trade and other receivables, deposits and prepayments” in this prospectus for a further discussion and analysis on our trade receivables and our trade receivables turnover days during the Track Record Period.

### **Seasonality**

Our Directors believe that the supply, installation and fitting-out services of MAVC system industry in Hong Kong and Macau do not exhibit any significant seasonality.

### **Contra charge arrangement with our customers**

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

During the Track Record Period, our Group had the contra charge arrangement with certain customers for convenience purposes. The contra charge amounts with the customers would generally include payments for the purchase of materials. Upon our request, our customers might procure these materials from other suppliers and make payments on our behalf, and such expenses would be settled by the deduction from the customers' payment for our services accordingly.

During the Track Record Period, we had no dispute with our customers as regards to the contra charge arrangement with them which would have had a material impact on our business, financial condition or results of operations.

In respect of the accounting treatment, the contra charge amount with our customers is booked as an expense item with the same amount being correspondingly recorded as trade payable. Such expense item and trade payable do not respectively offset the contract revenue and trade receivable from the same customer. Such accounting treatment to separately account for the contra charge amounts as well as the related trade payables from the contract revenue as well as the related trade receivables is consistent with the requirements set out in paragraph 32 of HKAS 1 (Revised) “Presentation of Financial Statements” and paragraph 42 of HKAS 32 “Financial Instruments: Presentation”. In this regard, our Group's receivables, payables and their related turnover days are not affected by the contra charge arrangement with our customers in any material respects. In light of

the accounting treatment as discussed above, our Directors consider that the contra charge arrangement with our customers has no material impact on our relevant projects' gross profit margin.

For each of the two years ended 31 December 2016 and the eight months ended 31 August 2017, the contra charge amounts with our customers amounted to approximately HK\$3.4 million, HK\$13.8 million and HK\$9.8 million respectively, representing approximately 3.1%, 12.8% and 9.8% of our total actual cost of services (before net movement of amounts due from (to) customers for contract works) for the same periods respectively.

## **SUPPLIERS**

### **Characteristics of our suppliers**

During the Track Record Period, suppliers of goods and services to our Group mainly include (i) suppliers of air-conditioning equipment and materials; (ii) suppliers of processing services on our equipment and materials; and (iii) machinery rental service providers.

In general, we order the relevant air-conditioning equipment and materials and services, including pipes, ducts, insulation processing services, hoses and metal hardware on a project-by-project basis and do not keep any inventory. As such, we do not enter into any long-term supply agreements with our suppliers. We are usually responsible for sourcing air-conditioning equipment for our projects and we are allowed to choose our own suppliers for our projects. During the Track Record Period, we did not encounter any material difficulty in sourcing equipment and materials and services from our suppliers.

Our Directors consider that the possibility of a material shortage or delay in supply is low given the abundance of suppliers of the same kind in the market. Our Directors confirm that no issue regarding the legality of the source of supply of equipment and materials had arisen and we did not experience any material difficulties or delays in performing our projects caused by material shortage or delay in the supply of goods and services that we required during the Track Record Period.

Please refer to the paragraphs headed "Financial information — Description of selected items in consolidated statements of profit or loss and other comprehensive income — Cost of services" in this prospectus for a discussion of the trend in our purchases from our suppliers during the Track Record Period. During the Track Record Period, all of our suppliers were located in Hong Kong and Macau and all of our purchases were denominated in HK\$ and MOP.

### **Basis of selection of suppliers**

We maintain an internal list of approved suppliers. In general, our customers will provide the specifications of materials for us to procure. We usually select our suppliers from our internal list of approved suppliers. We carefully evaluate the performance of our suppliers and select them based on a number of factors such as their prices, quality of goods

and services supplied, past performances and timeliness of delivery. The internal list will be reviewed and updated by our Group on a yearly basis. As at the Latest Practicable Date, we had a total of 122 approved suppliers in our internal list.

**Prices of supplies**

Prices are determined by reference to quotations of suppliers as agreed between us and the suppliers on an order-by-order basis. A fixed purchase price of equipment and materials will be agreed between the suppliers and us taking into consideration the future price trend of equipment and materials in order to control the future variation of the price of equipment and materials as well as our project costs. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material fluctuations in the costs of equipment and materials that had a material impact on our business, financial condition or results of operations. Our Directors believe that the price fluctuations of equipment and materials would remain stable. Please refer to the paragraphs headed “Financial information — Key factors affecting our results of operations and financial condition — Subcontracting charges and materials and equipment costs” in this prospectus for the sensitivity analysis illustrating the impact of hypothetical fluctuations in our actual materials and equipment costs on our profit before tax during the Track Record Period.

**Major suppliers**

For the two years ended 31 December 2016 and the eight months ended 31 August 2017, the percentage of our purchases from our largest supplier amounted to approximately 11.9%, 7.7% and 10.0% of our total purchases, respectively, while the percentage of our purchase from our five largest suppliers combined amounted to approximately 42.1%, 26.3% and 41.3% of our total purchases, respectively. We have maintained a stable relationship with most of our major suppliers. Our five largest suppliers during the Track Record Period have maintained business relationship with us for a period ranging from approximately 1 to over 5 years.

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

*For the year ended 31 December 2015*

Rank	Supplier	Background	Type of goods or services purchased by us from the supplier	Year(s) of business relationship	Payment method	Purchases by us from the supplier	
						HKS'000	%
1	Supplier A	A Hong Kong company engaged in supply of pipes and fittings systems primarily for Hong Kong and Macau, with secondary market extending to China and South East Asia and had 88 employees according to its company website	Pipes and fittings	Over 5 years	Cheque/bank transfer	5,098	11.9
2	Supplier B <i>(Note)</i>	A Hong Kong company established since 23 August 2005 and engaged in supply of processed ductworks	Processed ductworks	3 years	Cheque/bank transfer	3,411	8.0
3	Supplier C	A Hong Kong company established in 1995 and engaged in supply of building products and represents reputable overseas manufacturers as their sole agents in Hong Kong and Mainland China according to its company website	Supply of pre-insulated pipes	3 years	Cheque/bank transfer	3,227	7.5
4	Supplier D	A Hong Kong company established over 30 years and engaged in supply of building products and processing services and had around 60 employees	Building products and processed ductworks	2 years	Cheque	3,157	7.4
5	Supplier E	A Hong Kong company established over 10 years and engaged in supply of E&M materials and had around 20 employees	Air-conditioning materials	Over 5 years	Cheque/bank transfer	3,103	7.3
Five largest suppliers combined:						17,996	42.1
Others:						24,779	57.9
<b>Total purchases:</b>						<b>42,775</b>	<b>100.0</b>

*Note:* Supplier B is a company incorporated in Hong Kong which carries on supply and delivery of processed ductworks. As at the Latest Practicable Date, there were two ongoing legal proceedings between our Group and Suppliers B. For details of the relevant legal proceedings, please refer to the paragraphs headed “Litigation and claims” in this section. As at the Latest Practicable Date, our Group did not conduct any transaction with Supplier B. Except for Supplier B, all the other four largest suppliers have maintained good business relationship with our Group. Our Directors confirm that there are other suppliers in our list of approved suppliers that provide similar products as Supplier B and our Directors are of the view that we can easily source similar products from other suppliers.

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*For the year ended 31 December 2016*

Rank	Supplier	Background	Type of goods or services purchased by us from the supplier	Year(s) of business relationship	Payment method	Purchases by us from the supplier	
						HK\$'000	%
1	Supplier E	A Hong Kong company established over 10 years and engaged in supply of E&M materials and had around 20 employees	Air-conditioning materials	Over 5 years	Cheque/bank transfer	2,504	7.7
2	Supplier F	A Hong Kong company engaged in supply of pipes and fittings. The holding company of it is listed in Hong Kong and had a total of 173 employees as at 31 December 2016 and recorded approximately HK\$619.2 million of revenue for the year ended 31 December 2016 according to its annual report for the year ended 31 December 2016	Pipes and fittings	Over 5 years	Cheque	1,689	5.2
3	Supplier G	A Hong Kong company established in 1954 and engaged in supply of a wide range of steel materials and products for the manufacturing and construction industries both in Hong Kong and overseas according to its company website	Steel products	Over 5 years	Cheque	1,587	4.8
4	Supplier A	A Hong Kong company engaged in supply of pipes and fittings systems primarily for Hong Kong and Macau, with secondary market extending to China and South East Asia and had 88 employees according to its company website	Pipes and fittings	Over 5 years	Cheque/bank transfer	1,422	4.3
5	Supplier H	A Hong Kong company established since 1970's and engaged in supply of heating, ventilation, air conditioning and refrigeration industry with 5 shops in Hong Kong according to its company website	Insulating materials	Over 5 years	Cheque	1,390	4.2
Five largest suppliers combined:						8,592	26.3
Others:						24,129	73.7
<b>Total purchases:</b>						<b>32,721</b>	<b>100.0</b>

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*For the eight months ended 31 August 2017*

Rank	Supplier	Background	Type of goods or services purchased by us from the supplier	Year(s) of business relationship	Payment method	Purchases by us from the supplier	
						HKS'000	%
1	Supplier I	A Macau company established in 2007 and engaged in supply of processed air duct-related products and provision of MVAC works and had 30 employees in the factory in PRC	Processed ductworks	3 years	Cheque	3,084	10.0
2	Supplier J	A Hong Kong company established in 2015 and engaged in trading of hardware and air pressure hose and has a factory in PRC	Processed ductworks	1 year	Cheque	2,940	9.5
3	Supplier A	A Hong Kong company engaged in supply of pipes and fittings systems primarily for Hong Kong and Macau, with secondary market extending to China and South East Asia and had 88 employees according to its company website	Pipes and fittings	Over 5 years	Cheque/bank transfer	2,652	8.6
4	Supplier K	A Hong Kong company engaged in trading of stainless steel supplies since 1988. The holding company of it is listed in Hong Kong and had a total of approximately 4,300 employees as at 31 December 2016 and recorded approximately HK\$3,125.7 million of revenue for the year ended 31 December 2016 according to its annual report for the year ended 31 December 2016	Stainless steel products	1 year	Cheque	2,040	6.6
5	Supplier G	A Hong Kong company established in 1954 and engaged in supply of a wide range of steel materials and products for the manufacturing and construction industries both in Hong Kong and overseas according to its company website	Steel products	Over 5 years	Cheque	2,007	6.5
Five largest suppliers combined:						12,722	41.3
Others:						18,066	58.7
<b>Total purchase:</b>						<b>30,788</b>	<b>100.0</b>

Supplier I, Supplier J and Supplier K, which were our principal suppliers for Project #19 and Project #24, had become our five largest suppliers for the eight months ended 31 August 2017 as the same projects were two of the three largest projects in terms of revenue contribution to our Group for the same period.

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

### General terms of engagement with our suppliers

Our Group generally does not enter into long term agreements with our suppliers and will only make purchase orders on a project basis.

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The purchase order contains the schedule of rates with unit price and quantity for each purchased items. The purchase order also includes the place and time of delivery, payment term and warranty period. The credit term offered usually ranged from 30 to 60 days against delivery in general. The warranty period is usually one year from the date of practical completion of the relevant project undertaken by our Group in which the materials and/or equipment purchased are used.

### **Inventories**

We do not maintain any inventories during the Track Record Period as our equipment and materials are purchased and consumed on a project-by-project basis.

### **SUBCONTRACTORS**

Taking into account the availability of our in-house manpower resources, labour-intensiveness of the work involved and cost effectiveness, we generally do not carry out the labour-intensive work such as installation work and fitting-out work and we will subcontract such labour work to one or more subcontractors based on the size and nature of the project. Nevertheless, we are accountable to our customers for the works performed in a project, including those carried out by our subcontractors. Our customers generally consent to our use of subcontractors for a project and do not limit which subcontractor to be used by us. According to the agreements we entered into with our subcontractors, we are entitled to hold our subcontractors liable for damages suffered by our Group as a result of their breach of laws, regulations or rules at the worksite.

### **Basis of selection of subcontractors**

We maintain an internal list of approved subcontractors. We select our subcontractors for a project by taking into account their availability of resources and manpower, experience, track record, service quality, safety performance, timeliness of delivery, reputation and fee quotations. The internal list of approved subcontractors is reviewed and updated by our executive Directors on a yearly basis. As at the Latest Practicable Date, we had a total of 49 approved subcontractors in our internal list.

### **Major subcontractors**

For the two years ended 31 December 2016 and the eight months ended 31 August 2017, the percentage of our Group's subcontracting charges incurred attributable to our Group's largest subcontractor amounted to approximately 15.7%, 15.2% and 11.0% of our Group's total subcontracting charges incurred, respectively, while the percentage of our Group's subcontracting charges incurred attributable to our Group's five largest subcontractors combined amounted to approximately 47.5%, 58.4% and 47.6% of our Group's total subcontracting charges incurred, respectively, for the same period. For our five largest subcontractors during the Track Record Period, we have developed business relationship with them ranging from approximately 1 to over 5 years.

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Set out below is a breakdown of our Group's total subcontracting charges incurred to major subcontractors of our Group and their respective background information:

*For the year ended 31 December 2015*

Rank	Subcontractor	Background	Type of services provided by the subcontractor to us	Year(s) of business relationship	Payment method	Total subcontracting charges incurred	
						HK\$ '000	%
1	Subcontractor A	A Macau company which principally provides MVAC works	MVAC works	3 years	Cheque	8,843	15.7
2	Tai Tak Group	Comprises Tai Tak HK and Tai Tak Macau which principally provides MVAC works	MVAC works	Over 5 years	Cheque	5,285	9.4
3	Subcontractor B	A Macau company which principally provides fuel gas system installation and MVAC works	MVAC works	3 years	Cheque	5,282	9.4
4	Subcontractor C	A Hong Kong company which principally provides engineering services	MVAC works	4 years	Cheque	5,150	9.1
5	Cheuk Yat Engineering	A Macau company which principally provides MVAC works and consultancy services	MVAC works	4 years	Cheque	2,213	3.9
Five largest subcontractors combined:						26,773	47.5
All other subcontractors:						29,599	52.5
<b>Total subcontracting charges incurred:</b>						<b>56,372</b>	<b>100.0</b>

*For the year ended 31 December 2016*

Rank	Subcontractor	Background	Type of services provided by the subcontractor to us	Year(s) of business relationship	Payment method	Total subcontracting charges incurred	
						HK\$ '000	%
1	Subcontractor D	A Hong Kong company which principally provides building services and fitting out	MVAC works	2 years	Cheque	9,798	15.2
2	Tai Tak Group	Comprises Tai Tak HK and Tai Tak Macau which principally provides MVAC works	MVAC works	Over 5 years	Cheque	9,678	15.0
3	Subcontractor A	A Macau company which principally provides MVAC works	MVAC works	3 years	Cheque	6,817	10.6
4	Subcontractor C	A Hong Kong company which principally provides engineering services	MVAC works	4 years	Cheque	6,692	10.3
5	Subcontractor E	A Hong Kong company which principally provides MVAC works	MVAC works	2 years	Cheque	4,718	7.3
Five largest subcontractors combined:						37,703	58.4
All other subcontractors:						26,892	41.6
<b>Total subcontracting charges incurred:</b>						<b>64,595</b>	<b>100.0</b>

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*For the eight months ended 31 August 2017*

Rank	Subcontractor	Background	Type of services provided by the subcontractor to us	Year(s) of business relationship	Payment method	Total subcontracting charges incurred	
						HK\$'000	%
1	Subcontractor F	A Hong Kong company which principally provides MVAC works	MVAC works	2 years	Cheque	6,644	11.0
2	Subcontractor A	A Macau company which principally provides MVAC works	MVAC works	3 years	Cheque	6,483	10.8
3	Tai Tak Group	Comprises Tai Tak HK and Tai Tak Macau which principally provides MVAC works	MVAC works	Over 5 years	Cheque	6,025	10.0
4	Subcontractor G ( <i>note</i> )	A Macau company which principally provides MVAC works and processed ductworks	MVAC works	2 years	Cheque	5,113	8.5
5	Subcontractor H	A Hong Kong company which principally provides MVAC works	MVAC works	1 year	Cheque	4,348	7.2
Five largest subcontractors combined:						28,613	47.6
All others subcontractors:						31,546	52.4
<b>Total subcontracting charges incurred:</b>						<b>60,159</b>	<b>100.0</b>

*Note:* Subcontractor G was also a supplier of our Group providing processed ductworks. The purchase amount of our Group from it amounted to approximately HK\$1.4 million for the year ended 31 December 2015.

Among the top five subcontractors of our Group during the Track Record Period, Tai Tak Group, which comprises Tai Tak HK and Tai Tak Macau, and Cheuk Yat Engineering are our connected persons who provide installation services of MVAC system. Based on the quotations obtained from the independent subcontractors for similar types of subcontracting services in the same project or other projects, where appropriate, our Directors consider that the transactions with these connected subcontractors during the Track Record Period were on normal commercial terms and terms that were comparable to those available from Independent Third Parties in all material aspects and in the ordinary course of our business. Tai Tak HK is a company incorporated in Hong Kong and jointly controlled by Mr. Chung Chu Sum, who is Mr. Chung's brother. Tai Tak Macau is a company incorporated in Macau and wholly owned by Mr. Chung Chu Sum. Cheuk Yat Engineering is a company incorporated in Macau and controlled by Mr. Chung Cheuk Him, who is Mr. Chung's nephew-in-law and a previous employee of Wing Fung HK. We engaged these subcontractors principally due to their service quality, experience and track record in providing installation services of MVAC system. For the two years ended 31 December 2016 and the eight months ended 31 August 2017, the total subcontracting charges paid to these subcontractors amounted to approximately HK\$7.5 million, HK\$10.8 million and HK\$6.0 million, respectively, accounting for 13.3%, 16.8% and 10.0% of our total actual subcontracting charges incurred (before net movement of amounts due from

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(to) customers for contract works) during the same periods. Our Directors confirm that as at the Latest Practicable Date, no new subcontracting arrangement was engaged with the two connected subcontractors after the Track Record Period.

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

### **Major terms of engagement with our subcontractors**

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

- |                           |   |  |
|---------------------------|---|--|
| <i>Contract period</i>    | : | Generally not a specific period but the subcontractors have to follow the construction programme of the main contractor of the project.  |
| <i>Scope of work</i>      | : | In general, a subcontractor is required to perform its work in accordance with the specifications required by our customer.  |
| <i>Subcontracting fee</i> | : | Generally a fixed lump sum amount but is further subject to any variation orders or additional works to be performed by the subcontractors with our prior consent.   |
| <i>Payment terms</i>      | : | The credit period we agree with our subcontractors ranges from 25 to 35 days from the application of interim payment by our subcontractors in general.   |
| <i>Retention money</i>    | : | We generally entitled to retain 5–10% of each interim payment as retention money, subject to a ceiling of up to 5–10% of the total contract sum for the project. Half of the retention money will be released 30 days after receiving the practical completion certificate issued by the owner of the project to our customer, and the rest of the retention money will be released upon the expiry of the defect liability period of the project. For certain subcontractors, all of the retention money will be released in one go after the expiry of the defect liability period of the project. |

*Safety and prohibition of illegal workers* : Our subcontractors are required to carry out the works in accordance with all relevant safety, health and environmental laws, rules and regulations as well as the safety rule of the main contractor and of our Group. Our subcontractors are also prohibited from hiring illegal workers. In the event of any non-compliance, the relevant subcontractor shall indemnify our Group against any expenses, penalties and other losses arising from such non-compliance.

### **Control over subcontractors**

We may be liable to our customers for the performance of our subcontractors and we may also be liable to any claims and litigations arising from accidents of the subcontractors' employees engaged in our projects. Therefore, we carry out regular assessment and measures regarding quality control, occupational and safety management and environmental compliance on our subcontractors during the course of a project. During the implementation of a project, our engineering staff conduct regular site inspection to review and monitor work progress, supervise workmanship and work quality of our subcontractors. Our employees who are responsible for safety also conduct daily site visit to ensure general compliance by our subcontractors in all respects particularly regarding safety requirements. For further information regarding our measures in relation to quality control, safety and environmental compliance, please refer to the paragraphs headed "Quality control", "Occupational health and safety" and "Environmental compliance" in this section.

### **Contra charge arrangement with our subcontractors**

During the Track Record Period, our Group had the contra charge arrangement with certain subcontractors. The contra charge amounts with our subcontractors would generally include payments for the payrolls of the labour of our subcontractors and material costs. Such arrangement is requested by certain of our customers to avoid any delay of payroll payment to the labour in the work site. We generally enter into employment contracts with such labour and make direct payment of their payrolls. Our payment on behalf of our subcontractors would then be settled by the deduction from our payment to our subcontractors for their subcontracting services accordingly.

During the Track Record Period, we had no dispute with our subcontractors as regards the contra charge arrangement with them which would have had a material impact on our business, financial condition or results of operations.

In respect of the accounting treatment, when any payment are incurred by our Group for the payrolls and material costs on behalf of our subcontractors under the contra charges arrangement, these payments are first capitalised and recognised as the amount due from customers for contract work in our balance sheet at the same time. When the works of relevant subcontractors are completed, our Group will pay such subcontractors the subcontracting fees net of all payment incurred by our Group under contra charge arrangement. Such net payment will be further capitalised and recognised as the amount

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due from customers for contract work in our balance sheet at the same time. When the payment certificates are received by our Group from the customers subsequently, we will recognise the corresponding revenue and reclassify the capitalised cost from the balance sheet to the subcontracting expenses in the profit and loss statements based on the percentage of completion of the projects. In this regard, our Group's direct labour costs and materials and equipment costs are not affected by the contra charge arrangement with our subcontractors in any material respects. In light of the accounting treatment as discussed above, our Directors consider that the contra charge arrangement with our subcontractors has no material impact on the composition of our cost of services.

### QUALITY CONTROL

To maintain consistent quality services for our customers, we have established formal quality management system and hold the following quality management certification:

Certification	Awarding organisation or authority	Holder	Original Certification Date	Expiry Date
ISO 9001:2008	Hong Kong Quality Assurance Agency	Wing Fung HK ( <i>Note</i> )	29 August 2013	14 September 2018

*Note:* The scope covers supply and installation of heating, ventilation and air-conditioning systems.

### Quality control on our services

Our project team closely monitors the progress of each project to ensure that our services (i) meet our customer's requirements; (ii) are completed within the time stipulated in the contract and the budget allocated for the project; and (iii) comply with all relevant and applicable rules and regulations. We normally assign one engineer and one site foreman at each of the construction sites to monitor the works done by our own staff and our subcontractors. Our project team also communicates frequently with Mr. Chung during the implementation of projects.

For our quality control measures over our subcontractors, please refer to the paragraphs headed "Subcontractors — Control over subcontractors" of this section.

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

### Quality control on materials and equipment

We closely monitor the quality of purchased equipment and materials. To ensure the quality of supplies, prior to ordering, our project team will ensure that the materials are sourced from our approved suppliers to ensure overall quality of equipment and materials. All ordered materials are sent directly to the relevant construction sites for inspection by our site foremen. During the inspection, we will check (i) whether the quantity is correct; (ii)

whether there is any observable defect; and (iii) for equipment purchased, whether it functions normally. Any defective materials or materials that fall short of the product specifications would be returned to the suppliers for replacement. Our customers would also inspect the materials used by us at project sites and verify the specifications from time to time.

## **OCCUPATIONAL HEALTH AND SAFETY**

### **Occupational health and work safety measures**

Due to the nature of works in the construction industry, workers at the sites are prone to safety hazards. Generally, the main contractors of projects have established the workplace safety and health procedures which all of their subcontractors, including us and our subcontractors, are required to comply with on-site. In order to provide a safe and healthy working environment for our employees and our subcontractors and to ensure compliance with the applicable laws and regulations in Hong Kong and Macau, we implement our work safety measures at the commencement and during the implementation period of each project, such measures include, among others:

- effective promotion and communication of safety procedures are maintained through, among others, (i) preparing daily safety report and detailed record of accident statistics; (ii) participating in regular external safety meetings with customers and subcontractors; and (iii) distributing safety brochures issued by the main contractors or relevant authorities such as Labour Department of Hong Kong to our site staff and subcontractors;
- our employees who are responsible for safety shall (i) report and investigate accidents and dangerous occurrence, determine the causes and recommend means of preventing recurrence; (ii) arrange safety training for different levels of employees and promote awareness of accident prevention; (iii) give instructions to site workers and subcontractors on correct and safe working practices; and (iv) take disciplinary actions against employees violating safety regulations and/or our safety requirements;
- all site personnel will attend induction training which is held by the main contractors, including core topics such as safety plan, relevant health and safety regulations, emergency, rescue and typhoon procedure, hazards of the site, accident reporting and first aid procedures. Other matters pertinent at the time of induction, such as working at height, lifting operations, blasting and excavations will also be included. All supervisory personnel and operators will attend refresher courses at intervals of not exceeding six months.

### **Procedure of recording and handling accidents and our safety compliance record**

Generally, the safety officer of the main contractor is responsible to prepare and submit investigation report of any occupational accident happened at project site to Labour Department of Hong Kong or Labour Affairs Bureau of Macau. As a subcontractor, we require our workers or employees of our subcontractors to report any accident to us and we will report to the same to the main contractors. To ensure proper recording and handling of work injuries, we follow a general procedure as below:

- Fact finding and follow-up actions
  - Our employees who are responsible for safety will investigate the accident by visiting and photo-taking the accident scene, examining the equipment and/or material involved and taking statements from the injured worker, witness(es) of the accident and other personnel in relation to the project.
  - Remedial actions will be taken by our project team to remove imminent danger and to prevent occurrence of similar accidents in the future. Our employees who are responsible for safety will also carry out follow-up inspection to ensure that remedial works are implemented.
- Reporting
  - Our employees who are responsible for safety will report to the main contractor and prepare a work injury report. If it is an employee injury reportable case, main contractor will submit it to the Labour Department of Hong Kong or Labour Affairs Bureau of Macau within the period as specified under the relevant laws and regulations.
  - In Hong Kong, “Reportable accidents” means workplace accidents that are required to be reported to the Labour Department of Hong Kong. For any accident that results in total or partial incapacity of an employee, the accident should be reported in writing within 14 days after the date of accident. For accidents that involve death or fatal injury to an employee, the accident has to be notified to the Labour Department of Hong Kong within 7 days after the accident.
  - In Macau, pursuant to article no. 25 of Decree Law no. 40/95/M, which is further amended by Law no. 6/2015, employers or its representatives have to report to Labour Affairs Bureau of Macau all cases of occupational accidents or occupational diseases which have occurred in their respective place of work, within a period of 24 hours from the time of occurrence of such event or from the time the employers have knowledge of the occurrence of such event. In the event of accident that does not result in death or hospitalisation of the victim, reporting can be effected within 5 working days of the occurrence, regardless of the consequences.

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- Settlement or litigation
  - We will collect documents including, among others, sick leave certificate, medical report, recruitment contract and payroll slip, and further hand over to the main contractor for insurance claim.
  - Settlement of any claim will be handled by the main contractor.

The table below sets out the nature of the nine accidents occurred during the Track Record Period and up to the Latest Practicable Date:

	<b>Date of accidents</b>	<b>Location</b>	<b>Particulars of accidents</b>	<b>Status and compensation</b>
1	30 May 2015	Macau	The injured suffered from injury of her lower jaw when she tripped on several wooden boards.	Fully settled at MOP8,789 by Botop Macau
2	16 March 2016	Hong Kong	The injured suffered from injury of left index finger when he was building working platform in the course of work.	The claim was discontinued by the injured
3	28 March 2016	Hong Kong	The left ring finger of the injured was struck by an object when he was fixing a hose.	Fully settled at HK\$71,654.48 by the main contractor
4	28 June 2016	Hong Kong	The injured suffered from injury of waist when using equipment in the course of work.	Fully settled at HK\$8,967.84 by the main contractor
5	12 August 2016	Hong Kong	The injured suffered from injury of left leg when he was transporting equipment in the course of work.	Fully settled at HK\$4,600 by the subcontractor ( <i>Note</i> )
6	2 September 2016	Hong Kong	The injured suffered from injury of right middle finger when he was transporting equipment in the course of work.	Fully paid at HK\$108,094.16 by Wing Fung HK and will be fully settled by the main contractor

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	<b>Date of accidents</b>	<b>Location</b>	<b>Particulars of accidents</b>	<b>Status and compensation</b>
7	10 September 2016	Hong Kong	The injured suffered from injury of right waist when he was walking down the stairs.	Fully settled at HK\$72,408.53 by the main contractor
8	17 January 2017	Hong Kong	The injured suffered from fracture of his finger as his finger was trapped between objects when he was using the hydraulic scissors platform.	Compensation amount is being assessed by Labour Department of Hong Kong
9	18 September 2017	Macau	The injured suffered from injury of left ring finger when he was operating a working platform.	To be settled by the subcontractor ( <i>Note</i> )

*Note:* The injured worker was an employee of our subcontractor. To the best knowledge of our Directors, no employees' compensation claim has been made by the injured worker in respect of this accident.

Three of the nine accidents mentioned above involved the employees of our subcontractors while the remaining six accidents involved our employees as at the date of the accidents. To the best knowledge of our Directors, no accident occurred to workers of self-employed during the Track Record Period and up to the Latest Practicable Date.

Of the nine accidents occurred during the Track Record Period and up to the Latest Practicable Date, seven of them gave rise to employees' compensation claims and may give rise to potential personal injury claims. To the best knowledge of our Directors, no employees' compensation claim has been made by the injured worker in respect of the remaining two accidents up to the Latest Practicable Date.

For further details of outstanding litigation and potential claims relating to employees' compensation claims under the Employees' Compensation Ordinance or personal injuries claims under common law, please refer to the paragraphs headed "Litigation and claims" in this section.

Save as disclosed above and to the best of our Directors' knowledge and belief, during the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our Group did not experience any significant incidents or accidents in relation to workers' safety and we also have not suffered from any removal or suspension of our registration as a registered subcontractor under the SRS due to accidents or breaches of workplace safety regulations.

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### Analysis on accident rates

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

	Construction industry in Hong Kong (Note 1)	Construction industry in Macau (Note 2)	Our Group (Note 3)	
			Hong Kong	Macau
<b>From 1 January to 31 December 2015</b>				
Industrial accident rate per 1,000 workers in construction industry	39.1	25.5	Nil	6.6
Industrial fatality rate per 1,000 workers in construction industry	0.2	0.2	Nil	Nil
<b>From 1 January to 31 December 2016</b>				
Industrial accident rate per 1,000 workers in construction industry	34.5	23.6	51.3	Nil
Industrial fatality rate per 1,000 workers in construction industry	0.1	0.2	Nil	Nil
<b>From 1 January 2017 to 31 August 2017</b>				
Industrial accident rate per 1,000 workers in construction industry	Not available	Not available	4.7	Nil
Industrial fatality rate per 1,000 workers in construction industry	Not available	Not available	Nil	Nil

*Notes:*

1. The statistics are extracted from the Occupational Safety and Health Statistics Bulletin Issue No.17 (August 2017) published by Occupational Safety and Health Branch of the Labour Department of Hong Kong.
2. The statistics are extracted from the Labour Affairs Bureau of Macau.
3. Our Group's accident rates are calculated with reference to the number of injuries divided by the predicted number of site workers of our Group (both in-house workers and subcontractors) during the year and multiply the result by 1,000. Such predicted number of site workers of our Group during the year is based on estimation on monthly site workers deployed by our Group.

A comparison of the average accident rate of supply and installation of MAVC system services industry and that of our Group is not available given there is no relevant published data on the average accident rate of supply and installation of MAVC system services industry. The accident rate at our construction sites was lower than the construction industry average in Hong Kong and Macau for the year ended 31 December 2015.

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Our accident rate increased from nil for the year ended 31 December 2015 to 51.3 for the year ended 31 December 2016 in Hong Kong and was higher than the construction industry average in Hong Kong for the same period. Our Directors believe that such increase was primarily due to (i) the fact that no accident case was recorded for our operation in Hong Kong for the year ended 31 December 2015; and (ii) an increase in the total number of construction site workers employed by our Group (including the labour nominated by our subcontractors) in Hong Kong from 80 as at 31 December 2015 to 147 as at 31 December 2016 and the total number of project in Hong Kong undertook and contributed revenue to us from 5 projects for the year ended 31 December 2015 to 11 projects for the year ended 31 December 2016, which increased our exposure to accidents in the same period. Further, the said accidents occurred were concerned with injuries which are relatively minor in nature, including fractures to finger and leg, twist of waist and pinch of fingers. Therefore, our Directors consider that the increase in accident rate does not affect the adequacy and effectiveness of our safety control measures in place.

We experienced a decrease in our accident rate from 51.3 for the year ended 31 December 2016 to 4.7 for the eight months ended 31 August 2017 in Hong Kong principally due to (i) the fact that only one accident case was recorded for the eight months ended 31 August 2017; and (ii) a decrease in the number of projects in Hong Kong undertook and contributed revenue to us from 11 projects for the year ended 31 December 2016 to 6 projects for the eight months ended 31 August 2017, which reduced the risk of having accidents in the same period.

### ENVIRONMENTAL COMPLIANCE

In delivering our works, we aim to ensure that all services are conducted in an environmentally responsible manner. We are subject to certain environmental requirements pursuant to the laws in Hong Kong and Macau, such as noise. For details of the regulatory requirements, please refer to the section headed “Regulatory overview” in this prospectus.

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

### INSURANCE

Pursuant to section 40 of the Employees’ Compensation Ordinance, all employers are, subject to section 40(1B) of the Employees’ Compensation Ordinance, 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. We have obtained insurance cover in accordance with such requirement.

Pursuant to section 40(1B) of the Employees’ Compensation Ordinance, where a main contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover its liability and that of its subcontractor(s) under the Employees’ Compensation Ordinance and at common law. Where a main contractor has taken out a policy of insurance under section 40(1B) of the Employees’ Compensation Ordinance, the main contractor and a subcontractor insured

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under the policy shall be regarded as having complied with the relevant requirements of the Employees' Compensation Ordinance. As a subcontractor, our Group's liability in respect of the claims from employees of our Group and our Group's subcontractors arising out of and in the course of their employment will be covered by the insurance policy taken out by the relevant main contractor.

Our Directors confirm that during the Track Record Period, all our MVAC system installation projects in Hong Kong were covered and protected by the employees' compensation insurance and contractor's all risks insurance taken out by the main contractor 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 the works performed by them in the relevant construction site.

In Macau, pursuant to article 62 of Decree Law no. 40/95/M, which is further amended by Law no. 6/2015, employers are obliged to take out insurance to cover their liabilities for the working accident and occupational diseases of all of their employees with a local insurance provider. We have obtained insurance cover in accordance with such requirement.

Under Macau Laws, Botop Macau is not required and has not taken insurance in respect of either main contractor or other sub-contractors employees.

Our Directors confirm that during the Track Record Period, all our projects in Macau were covered and protected by the contractor's all risks insurance taken out by the main contractor for the entire construction project.

Certain types of risks, such as the risk in relation to the collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. For further details, please refer to the paragraphs headed "Risk Factors — Our Group may be affected by possible increase in insurance costs and reduction of insurance coverage by our insurers and certain risks involved in our business operation are generally not insured".

Our Directors believe that our current insurance policies which includes employee's compensation insurance are adequate and consistent with industry norm having regard to our current operations and the prevailing industry practice. For the two years ended 31 December 2016 and the eight months ended 31 August 2017, our insurance expenses were approximately HK\$9,000, HK\$58,000 and HK\$17,000 respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made, and had not been the subject of, any material insurance claim.

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### EMPLOYEES

As at 31 December 2015, 31 December 2016, 31 August 2017 and as at the Latest Practicable Date, we had a total of 105, 167, 114 and 99 employees, respectively. The following table sets out a breakdown of the number of our employees by functions and location as at the Latest Practicable Date:

	Hong Kong	Macau	Total
Directors	2	0	2
Administration, accounting and finance	5	2	7
Project Manager	1	0	1
Engineer	8	8	16
Site supervisor and foreman	2	2	4
Labour workers nominated by subcontractors	<u>55</u>	<u>14</u>	<u>69</u>
	<u>73</u>	<u>26</u>	<u>99</u>

During the Track Record Period, our Group was required by certain customers in Hong Kong to enter into direct labour relationship with workers for their particular projects. As such, we have agreed with our subcontractors in Hong Kong to employ certain of their nominated labour workers to be placed in the construction site to be managed by the subcontractors and our Group. For projects in Macau, the local main contractors shall enter into direct labour relationship with the foreign workers and we shall enter into direct labour relationship with the local workers. Although the direct labour relationship constitutes employment under Hong Kong and Macau laws as advised by the Legal Counsel and Macau legal advisors, our Group has classified the relevant cost as subcontracting charges according to relevant accounting standards. Please refer to the paragraphs headed “Contra charge arrangement with our subcontractors” in this section for further details.

#### Relationship with our staff

Our Directors consider that we have maintained good relationship with our employees. Our Directors confirm that we have not experienced any significant labour disputes with our employees, any disruption to our operations due to labour disputes or any difficulties in recruitment and retention of experienced core staff or skilled personnel during the Track Record Period. Our Directors confirm that our Group has complied with all applicable labour laws and regulations in Hong Kong and Macau.

#### Recruitment policy and training

Other than labour workers nominated by subcontractors, we generally recruit our employees through placing advertisements in the open market with reference to factors such as their experience, qualifications and expertise required for our business operations. We endeavour to use our best effort to attract and retain appropriate and suitable personnel to

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

We provide and encourage our employees to take part in various types of trainings including various external training courses.

### **Remuneration policy**

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

Our Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and our Directors confirm that our Group has made the relevant contributions in accordance with the aforesaid laws and regulations. Save as the aforesaid, our Group did not participate in any other pension schemes during the Track Record Period.

### **Requirements under the Immigration Ordinance and employment law of Macau**

In Hong Kong, pursuant to section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) should take all practicable steps to (i) prevent having illegal immigrants from being on site and (ii) prevent illegal workers who are not lawfully employable from taking employment on site. For further information, please refer to the paragraphs headed "Regulatory overview — Hong Kong — B. Laws and regulation in relation to labour, health and safety — 7. Immigration Ordinance" in this prospectus.

In Macau, the labour legal frameworks of Macau are regulated under Law no. 7/2008 (Law of Employment Relations) and Law no. 21/2009 (Law of Non-residents Labour Issues). To import non-resident unskilled workers, all companies operating in Macau must apply to the Macau Human Resources Office (since the Administrative Regulation no.12/2016 became effective on 28 May 2016, to the Macau Labour Department) for labour quotas. The employment of non-resident skilled workers is also regulated and subject to authorisation by the Macau Human Resources Office, which grants such employment authorisations on a case-by-case basis. For further information, please refer to the paragraphs headed "Regulatory overview — Macau — C. Laws and regulation in relation to labour" in this prospectus.

Our Directors confirm that we have not been involved in any employment of illegal workers (whether directly or indirectly via subcontracting to the best of our Director's knowledge, information and belief) in the past in respect of work sites over which we had or have control or of which we are or were in charge. We have not been subject to any

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prosecution of any offences under the Immigration Ordinance and employment law of Macau in relation to the aforesaid requirements in the past. We have implemented the following measures to prevent having illegal immigrants from being on site and to prevent illegal workers from taking employment on site:

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

### RESEARCH AND DEVELOPMENT

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

### MARKET AND COMPETITION

According to the Frost & Sullivan Report, the MVAC installation market in Hong Kong registered a fragmented status with low concentration ratio in 2016, with top 10 players taking up an accumulated share of 13.2%. According to Hong Kong Registered Ventilation Contractors Association, there were altogether 176 registered members with MVAC system installation business in Hong Kong and it was expected that the total number of the players competing in Hong Kong's MVAC installation market was around 350 in 2016. Due to the characteristics of the economic structure in Macau, the downstream of MVAC installation market in Macau is concentrated in tertiary industries, like hotels, casinos, tourism, etc., leading to limited business development opportunities for MVAC installation service provider and hence fewer market participants in Macau. Consequently, the MVAC installation market in Macau demonstrated higher market concentration ratio compared with Hong Kong market, with top 10 players taking up an accumulated share of 26.6% in 2016. It was expected that the total number of players competing in Macau's MVAC installation market was around 250 in 2016. According to the Frost & Sullivan Report, we ranked the 5<sup>th</sup> and the 3<sup>rd</sup> in the MVAC installation market in Hong Kong and Macau with a market share of approximately 1.2% and 3.3% in terms of the total industry revenue in 2016, respectively.

According to the market drivers of MVAC system installation market as identified in the Frost & Sullivan Report, our Directors believe that there will be more opportunities for our MVAC system installation business Hong Kong and Macau. With our established track record and reputation, experienced management team, stable relationships with our major customers, suppliers and subcontractors, effective tendering process and cost control management and commitment to deliver quality works and services, and safety and

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environmental assurance, details of which are set out in the paragraphs headed “Competitive strengths” in this section, our Directors believe that our Group is well-positioned to capture the growing demand for MVAC system installation services in Hong Kong and Macau.

Please refer to the paragraphs headed “Industry overview — Competitive landscape of MVAC installation market in Hong Kong and Macau” in this prospectus for further details of the competitive landscape of the MVAC installation market in Hong Kong and Macau.

### PROPERTIES

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

Address	Landlord	Gross floor area (sq. m)	Use of the property	Monthly rental	Key terms of the tenancy (note 2)
<b>Hong Kong</b>					
Units 913–14, 9/F, Worldwide Industrial Centre, 43–47 Shan Mei Street, Shatin, the New Territories	An independent third party	169.36	Workshop and ancillary office	HK\$30,000	2 years commencing from 21 December 2016 to 31 December 2018 (both days inclusive).
<b>Macau</b>					
Urbanização Jardim Nova Taipa, Bloco 21, 2 Andar D, Macau	An independent third party	154.35	Staff quarters	HK\$19,200	1 year commencing from 1 September 2017 to 31 August 2018 (both days inclusive).
Urbanização Jardim Nova Taipa, Apartamento 328	An independent third party	24.62	Car park	HK\$2,000	1 year commencing from 15 June 2017 to 14 June 2018 (both days inclusive).
Avenida de Guimarães No. 514, Edf Jardim Dragão Precioso, 10 Andar S, Taipa	An independent third party	105.91	Staff quarters	HK\$9,500	1 year commencing from 1 October 2017 to 30 September 2018 (both days inclusive).
Fracções autónomas designadas L5 do Urbanização Jardim Nova Taipa (Bloco 21-Orquídea)	An independent third party	12.21	Car park	HK\$1,900	1 year commencing from 1 December 2017 to 30 November 2018 (both days inclusive).

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*Notes:*

1. The gross floor area is an approximation based on manual measurement.
2. The rates, government rent, management fee and other outgoings are exclusive to monthly rental.

### **INTELLECTUAL PROPERTY**

As at the Latest Practicable Date, our Group has registered two trademarks as our Group's trademark in Hong Kong, which are intended to be used by our Group to foster our corporate image. We are also the registered owner of the domain name [www.wingfunggroup.com](http://www.wingfunggroup.com). Please refer to the section headed "B. Further information about the business — 2. Intellectual property rights of our Group" in Appendix V to this prospectus for further details of our intellectual property rights.

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

### **LEGAL AND REGULATORY COMPLIANCE**

#### **Licences and Permits**

As advised by the Legal Counsel, except for the business registration under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong), there are no licenses, permits or approvals required to be obtained for our Group to carry on our business as a subcontractor in the supply and installation of MVAC system in Hong Kong.

As advised by the legal advisors to our Company as to Macau laws, the Macau Commercial Code, the Macau Commercial Registry Code and the Macau Civil Code settle the general regime governing commercial corporations established in Macau. All corporations engaging commercial activities in Macau are liable to Corporate Income Tax and should be registered with the FSB for tax purposes. Other than that, there are no licenses, permits or approvals required to be obtained for our Group to carry on our business as a subcontractor of the relevant supply and installation of MVAC system in Macau.

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Based on our Directors' experience, some of our customers in Hong Kong, in particular main contractors of major public sector projects, prefer to engage subcontractors who are registered in the SRS. In view of this, we have first completed such registration since 2015. The following table summarises the details of such registration held by Wing Fung HK as at the Latest Practicable Date:

Name of registered subcontractor	Trades	Trade specialties	Date of first registration	Expiry date
Wing Fung HK	<ul style="list-style-type: none"><li>• Heating, ventilation and air-conditioning (“HVAC”)</li></ul>	<ul style="list-style-type: none"><li>• HVAC pipe work</li><li>• HVAC mechanical fitting</li><li>• HVAC control</li><li>• Sheet metal and ducting</li><li>• Insulation</li></ul>	16 November 2015	15 November 2022

The SRS was introduced by the CIC in order to build up a pool of capable and responsible subcontractors with specialised skills and strong professional ethics. The registration and the renewal of registration for the SRS are subject to the satisfaction of certain entry requirements which primarily concern the applicant's experience and/or qualification in the relevant works. For further details in relation to the SRS, please refer to the paragraphs headed “Regulatory overview — Hong Kong — A. Contractors Registration Regime — 2. Subcontractor registration scheme” in this prospectus. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had satisfied all requirements for the registration and the renewal of registration for the SRS. Our Directors confirmed that our Group had not experienced any material difficulties in obtaining and/or renewing the aforesaid registration and they were not aware of any circumstances that would significantly hinder or delay the renewal of the registration. On the basis that Wing Fung HK had completed more than one job in the relevant trade specialties in the last five years and thereby having satisfied the requirements for the renewal of registration of the SRS, our Directors do not foresee any material impediment in the renewal of the aforesaid registration by us.

### Non-compliance

Our Directors confirm that save as disclosed below, we have complied with the applicable laws and regulations in all material respects in Hong Kong and Macau (being the principal jurisdictions in which we operate) and we are not aware of any material and systemic non-compliance of our Group during the Track Record Period and up to the Latest Practicable Date.

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### *Non-compliance with the IRO in relation to Form IR56E and Form IR56F*

Relevant section of the IRO	Particulars of the non-compliance	Reason(s) for the non-compliance	Expected/actual fine/penalty	Remedial action and enhanced internal control measures
Section 52(4) and 52(5) of the IRO	Wing Fung HK has failed to submit (i) the required notice (Form IR56E) under the IRO within three months after the date of commencement of employment of numerous employees before the Track Record Period and around 220 employees during the Track Record Period; and (ii) the required notice (Form IR56F) under the IRO not later than one month before the cessation of employment of numerous employees before the Track Record Period and around 140 employees during the Track Record Period.	The non-compliances were not willful and was due to (i) the inadvertent oversight of the administrative staff responsible for employee records who were not familiar with such legal requirements under the IRO and (ii) additional time required by us to calculate the amount of the last salary for the labour workers nominated by subcontractors as such information was only made available to us on the last working day of such workers.	<p>Section 80 of the IRO provides that any person without reasonable excuse fails to comply with section 52(4) and 52(5) of the IRO shall be guilty of an offence and the maximum penalty of each offence is HK\$10,000.</p> <p>Under section 80(3) of the IRO, the time limit of prosecution of this kind of defaults is either in the year of assessment in respect of or during which the offence was committed or within six years after the expiration thereof.</p> <p>Accordingly, as advised by our Legal Counsel, given that there is no fraud involved in the non-compliances of Wing Fung HK, any complaints in respect of the non-compliances of Wing Fung HK with section 52(4) of the IRO prior to the year of assessment of 2011 shall be time-barred.</p> <p>As advised by our Legal Counsel, the non-compliance is minor and technical in nature, and since the Inland Revenue Department was aware of the employment affairs of Wing Fung HK from the employer's return of remuneration and pensions and the list of employee which had been duly filed by Wing Fung HK, the chance of prosecution is remote and even if prosecutions were being laid against Wing Fung HK, the actual fines would be much lower than the maximum fine stipulated and will not be very material to our Group financially.</p> <p>As advised by our Legal Counsel, the amounts of fine would normally be in the range of HK\$1,000 to HK\$3,000. As there were around 900 forms involved from the year of assessment of 2011 up to the Latest Practicable Date, the expected total fines (assuming the higher end of the usual range at HK\$3,000 per offence is applied) would be approximately HK\$2.7 million.</p>	<p>We have made enquiries with the Inland Revenue Department and understand that Wing Fung HK does not have to file any outstanding Form IR56E and Form IR56F as remedial action and Wing Fung HK shall not be penalised in this regard. Wing Fung HK has filed Forms IR56E and Form IR56F with the Inland Revenue Department in respect of employees who commenced or ceased employment with Wing Fung HK since February 2017, despite certain Forms IR56F in respect of labour workers nominated by subcontractors were filed out of time since the amount of last salary for such workers was only made available to Wing Fung HK on their last working day. We have made further enquiries with the Inland Revenue Department in this regard and understand that in practice, employers would not be penalised for such late filings provided that it was not willful and there was a sufficient reason for such late filings.</p> <p>We have included the requirements under section 52(4) and 52(5) of the IRO in our enhanced human resources policies.</p> <p>Since March 2017, our Group has designated our human resources personnels to be responsible for the preparation and submission of Form IR56E and Form IR56F to the Commissioner of Inland Revenue and we have designated our Chief Financial Officer to oversee the abovementioned procedures.</p>

### **Views of our Directors and the Sponsor**

Our Directors are of the view, with which the Sponsor concurs, that the abovementioned non-compliance incidents would not affect the suitability of our executive Directors under Rules 5.01 and 5.02 of the GEM Listing Rules or the suitability of listing of our Company under Rule 11.06 of the GEM Listing Rules having taken into account the fact that:

- (i) we have taken the above enhanced internal control measures to prevent the recurrence of the non-compliance incident;
- (ii) the above non-compliance incidents were unintentional, did not involve any fraudulent act on the part of our executive Directors or our Group and did not raise any question as to the integrity of our executive Directors;
- (iii) as advised by our Legal Counsel, the nature of the non-compliance incidents and the possible consequences were minor and not material to our Group; and
- (iv) upon ascertaining the legal requirements, we have complied with the requirements under the relevant ordinances and there has been no recurring of similar non-compliance incidents since the implementation of the enhanced internal control measures.

No provision was made in the financial statements of our Group in respect of the aforementioned non-compliances as our Directors have taken into consideration the following: (i) up to the Latest Practicable Date, our Directors were not aware of any prosecution instituted against us or any notices for any fine or penalties in relation to the above non-compliances; and (ii) as advised by our Legal Counsel, the likelihood of our Group or our officers being prosecuted as a result of the non-compliance incidents is remote.

*Non-compliance with the IRO in relation to the application for revision of tax returns and the CTR in relation to the application for revision of tax returns and tax enquiry from the FSB*

#### **Application for revision of tax returns**

During the Track Record Period, Wing Fung HK reported to the Inland Revenue Department (the “**IRD**”) its profits or losses based on the financial results shown in its statutory accounts which was audited by an independent local accounting firm (the “**HK Local Auditor**”) engaged by it. On the other hand, according to relevant laws and regulations in Macau, Botop Macau is not required to file statutory financial statements but to engage a Macau registered accountant or registered auditor (the “**Macau Local Auditor**”) to prepare and sign off on the tax returns submitted to the FSB.

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Prior to the preparation for the Listing, due to (i) the administrative convenience in view of the then relatively small scale of operations and hence the limited number of staff of the Wing Fung HK in particular the lack of technical knowledge of the then staff of the Group, whom is not a certified public accountant but possessed relevant experience in accounting and therefore was assigned to be responsible for, among others, the bookkeeping and the preparation of the management accounts of Wing Fung HK of whom prepared the management accounts of Wing Fung HK under cash basis instead of accrual basis without preparation of the relevant schedule with reference to the percentage of completion method in the consideration of time saving; and (ii) the overlook by the HK Local Auditor, certain erroneous accounting treatment, which was believed to be accounted for correctly at that time of point, was applied in the historical statutory financial statements. Such erroneous accounting treatment was mainly the cut-off issue in relation to the recognition of the revenue and the corresponding costs of the projects undertaken by Wing Fung HK, in particular, the revenue and corresponding cost of the projects were recognised under cash basis instead of accrual basis in accordance with general accepted accounting principles in Hong Kong.

On the other hand, for the purpose of the preparation of its management accounts and the submission of its tax return, the completed contract method was originally adopted by Botop Macau to recognise all of the revenue and profit associated with a project only after the project has been completed. Unlike the percentage-of-completion method, which attempts to recognise revenues and gross profit in the applicable project periods, under the completed contract method, revenue, expenses, and gross profit are recognised until the completion of the contract. If the project undertaken by Botop Macau remains incomplete at the end of its fiscal year, no revenue, expenses, and profit on that project is recognised on the income statement and all costs and billings are accumulated in respective balance sheet accounts in the current year.

The historical financial statements and the tax returns were considered and approved by the then directors of Wing Fung HK and Botop Macau before filing with the IRD and FSB respectively, taking into account of, among others, the audit and review by the HK Local Auditor and Macau Local Auditor on such historical financial statements at the relevant times.

In preparation for the Listing and during the course of preparation of our Group's financial information for the two years ended 31 December 2016, we noted certain difference between (i) the historical financial statements of Wing Fung HK for the two years ended 30 September 2015 and Botop Macau for the two years ended 31 December 2015; and (ii) the audited consolidated accounts of our Group for the Track Record Period (the "**Difference**").

In view of the Difference, Wing Fung HK had engaged the HK Local Auditor to revise its audited financial statements for the year ended 30 September 2015 with the revised comparative figure 2014 to recognise the project income and respective direct costs based on percentage of completion method which are consistent with those adopted by our Company as set out in the accountants' report included in Appendix I to this prospectus i.e. the HKFRS. In addition, Wing Fung HK also appointed a tax advisory firm, which is the tax

department of one of the four largest international auditing, tax and advisory firms (the “**HK Tax Representative**”) as its new tax representative to review its profits tax status and prepared the revised profits tax computations for the years concerned to apply for revision of the original assessments already issued by IRD. Wing Fung HK had also engaged an independent tax advisor, Alan Cheng & Co. which is a local CPA firm specialised in, among others, tax litigations, field audit and tax investigation (the “**HK Tax Advisor**”), to issue an opinion concerning the Hong Kong profits tax implications and the possibilities of penal actions taken by the IRD against Wing Fung HK in this regard.

Botop Macau also had engaged the Macau Local Auditor to revise its tax returns for the two years ended 31 December 2015 to recognise the projects income and respective direct costs based on percentage of completion method which are in consistent with those adopted by our Company as set out in the accountants’ report included in Appendix I to this prospectus i.e. the HKFRS and apply for revision of the original assessments already issued by FSB. Botop Macau had also engaged an independent tax advisor, Keng Ou CPAs which is a local CPA firm specialised in, among others, taxation and litigation (the “**Macau Tax Advisor**”), to issue an opinion concerning the tax implications and the possibilities of penal actions taken by the FSB against Botop Macau in this regard.

Based on the revised tax computations refiled by the HK Tax Representative on behalf of Wing Fung HK to the IRD in March 2017, it is expected that additional tax charges of approximately HK\$0.4 million and a tax rebate of approximately HK\$0.2 million would be incurred in respect of the relevant adjustments for the years ended 30 September 2014 and 2015, respectively.

Based on the revised tax computations refiled by the Macau Local Auditor on behalf of Botop Macau to the FSB in April 2017, it is expected that additional tax charges of approximately MOP0.7 million and MOP1.8 million would be incurred in respect of the relevant adjustments for the years ended 31 December 2014 and 2015, respectively.

The above-mentioned aggregate additional tax charges of Wing Fung HK and Botop Macau of approximately HK\$0.2 million and HK\$2.4 million have been already provided for in the audited consolidated accounts of our Group for the Track Record Period.

The IRD issued (i) additional tax assessment for the year of assessment 2014/15 and (ii) revised assessment and refund of tax for the year of assessment 2015/16 to Wing Fung HK in May 2017 based on the revised tax computations submitted. According to the additional tax assessment for the year of assessment 2014/15, the additional tax charges payable by Wing Fung HK amounts to approximately HK\$0.4 million which is consistent with the figures stated in the revised tax computations submitted to the IRD. Wing Fung HK is required to settle the additional tax demand by 21 June 2017. As at the Latest Practicable Date, such additional tax demand had been settled. According to the revised assessment and refund of tax for the year of assessment 2015/16, the total amount of tax refund is approximately HK\$0.5 million which comprises (a) the tax payable for the year of assessment 2015/16 of approximately HK\$0.2 million and (b) the provisional tax previously charged for the year of assessment 2016/17 of approximately HK\$0.3 million .

As at the Latest Practicable Date, response was yet to be received from the FSB. Nevertheless, our Group is prepared and is willing to settle the additional tax demand and possible penalty when requested.

### **Tax enquiry from the FSB**

In November 2016, Botop Macau received an enquiry letter from the FSB requesting it to provide (i) the copies of four tenancy agreements for the year of assessment 2013 and 2014; and (ii) the supporting documents proving two of its customers has filed and paid the professional taxes of certain foreign workers on behalf of it for the year of assessment 2014 (according to relevant regulations in Macau, employers are required to deduct professional taxes from their employees' salary incomes and remit these deductions to the tax authorities). We are required by FSB to submit our reply within 15 days from the date of the enquiry letter.

We have submitted our reply and supporting documents to the FSB including two of the four tenancy agreements and one of the two customers' confirmations to FSB in February 2017. Given that the two tenancy agreements were entered into by the employees of our Group, the relevant rental expense for the year of assessment 2013 and 2014 might not be tax deductible. We are unable to provide the remaining two tenancy agreements due to our incomplete record keeping. Moreover, we have been trying to contact another customer for its confirmation but in vain and therefore we are unable to provide another customer's confirmation to the FSB. Botop Macau had engaged the Macau Tax Advisor to issue an opinion concerning the tax implications and the possibilities of penal actions taken by the FSB against Botop Macau in this regard.

Based on our computation and further confirmed by the Macau Tax Advisor, it is expected that additional tax charges of approximately MOP0.1 million would be incurred in respect of the above-mentioned non-tax deductible rental expenses and the unavailability of the outstanding two tenancy agreements and customer confirmation. Given such additional tax charges is immaterial in nature, the management of our Group considered that no provision for such amount has to be made to the audited consolidated accounts of our Group for the Track Record Period.

### **View of the HK Tax Advisor on possibilities of penal actions**

Set out below is the summary of opinion issued by the HK Tax Advisor:

- The IRD may invoke Sections 80, 82 or 82A of IRO to take penal actions against taxpayer if there is additional tax exposure which had not been reported at the time of submission of original profits tax return by the taxpayer.
- Section 82 is invoked in the serious case with direct evidence that the taxpayer who wilfully with intent to evade tax. Sections 80(2) and 82A of IRO are other penalties and offences provisions which may be invoked by IRD against any taxpayer who is without reasonable excuse to make incorrect returns, statement and information. The distinction between Section 80(2) and Section 82A is that

Section 80(2) is a prosecution provision whilst Section 82A is not a prosecution provision and the penalty is in the form of additional tax administratively raised by IRD instead of fine.

- Given that (i) the errors identified were unintentional and such accounting errors were not aware until they were discovered during the preparation of Listing, (ii) once the errors were identified, Wing Fung HK immediately appointed the HK Tax Representative to review the tax position and submit the revised tax computations for the relevant years of assessment to the IRD. In the absence of direct evidence, the HK Tax Advisor strongly believe that the IRD will not invoke Section 82 of IRO against Wing Fung HK.
- Given that (i) the original tax returns for the years concerned were prepared and submitted by the HK Local Auditor based on the audited financial statements with clean auditor's report without any modified opinion; (ii) Wing Fung HK and its directors are laymen who relied on the advices of HK Local Auditor on technical matters concerning the adoption of accounting policies and principles, preparation and submission of profits tax returns for the years concerned; (iii) based on the available information it is the opinion of the Hong Kong Tax Advisor that at the time of signature, the directors of Wing Fung HK honestly believed that the original returns and original audited financial statements were true, correct and complete until the Reporting Accountants are appointed for the preparation of Listing and advised the erroneous adoption of the accounting principles; and (iv) once Wing Fung HK realised the errors, they immediately engaged the HK Local Auditor to perform the revised audit and also engaged the HK Tax Representative to prepare the revised the profits tax computations for the years concerned and submitted to the IRD, the HK Tax Advisor are therefore of opinion that the above circumstances should be considered as reasonable excuses for Wing Fung HK in case of challenge by the IRD on the grounds of incorrect return under Sections 80(2) or 82A of IRO.
- If in the unfortunate event that the IRD does not accept the above circumstances as reasonable excuses, Section 82A may be invoked by the IRD against Wing Fung HK. The additional tax under Section 82A can be treble the amount of tax undercharged in consequence of the relevant offences of incorrect return or information. The HK Tax Advisor is of the view that the monetary penalties in the form of additional tax under section 82A would unlikely to exceed 30% added to the tax undercharged i.e. approximately HK\$0.1 million for the case of Wing Fung HK.
- Concerning whether there was any under-provision of tax charges prior to 1 October 2013, the HK Tax Advisor is of the opinion that there should not be any material under-provision of tax charges prior to 1 October 2013. According to Section 60 of the IRO, an assessor of the IRD may, within 6 years after the expiration of the year of assessment concerned, issue assessments or additional assessments to the taxpayers if he is of the opinion that the taxpayer has not been assessed with tax or has been assessed at less than the proper amount. In other

words, Wing Fung HK may be subject to additional assessments issued by the assessor of IRD on its tax-undercharged (if any) only up to the year of assessment 2011/12 (i.e. 6 years after the expiration of the year of assessment concerned). Given that the HK Local Auditor issued true and fair view on each of the statutory audited accounts of Wing Fung HK for the 6 years up to the years ended 31 December 2016 (Wing Fung HK changed its fiscal year ended to 31 December) (covering the years of assessment from 2011/12 to 2016/17) (Wing Fung HK is yet to lodge its tax return for the year of assessment 2017/18 as the corresponding due date is 15 August 2018), there should not be any material omission in each of these statutory audited accounts. As such, even if there was timing difference on the tax payable due to the difference between cash and accrual recognition basis for a particular year, the aggregate tax payable of Wing Fung HK under these recognition basis over the same period shall be the same ultimately. In particular, regarding the projects that were completed prior to 1 October 2013, the total project revenue generated and cost incurred and the corresponding taxable profits and tax payable would have been fully reported no matter cash or accrual recognition basis was adopted and the total amount would be the same. For the projects that were on-going as at 1 October 2013, if there was any project revenue and cost that was supposed to be recognised in the period before 1 October 2013 under the accrual basis but was recorded incorrectly in the period after 1 October 2013 under the cash basis, the corresponding tax payable shall have been settled in the period after 1 October 2013 already based on the original tax returns submitted to the IRD. On the other hand, if there was any project revenue and cost that was supposed to be recognised in the period after 1 October 2013 under accrual basis but was recorded incorrectly in the period before 1 October 2013 under cash basis, the corresponding tax payable shall have been settled both in the period before 1 October 2013 based on the original tax returns submitted to the IRD as well as in March 2017 when Wing Fung HK submitted the revised profits tax computations for the years ended 30 September 2014 and 2015 respectively (for the years of assessment 2014/15 and 2015/16 respectively). Based on the foregoing, the HK Tax Advisor is of the opinion that there should not be any material under-provision of tax charges prior to 1 October 2013.

- The HK Tax Advisor is also of the opinion that there should not be any penalty or administrative action to be imposed on Wing Fung HK from the IRD as a result of its failure to file the revised tax computations for the period prior to 1 October 2013 as it was only a matter of timing difference on the tax payable due to the difference between cash and accrual recognition basis for a particular year and the aggregate tax payable of Wing Fung HK under these recognition basis over the same period shall be the same ultimately. Given that there was no material under-provision of tax charges for Wing Fung HK prior to 1 October 2013 from an overall perspective, the filing of the revised tax computations for the period prior to 1 October 2013 by Wing Fung HK to the IRD is not required.

Based on the above opinion of the HK Tax Advisor, the management of our Group considered that the amount of potential penalty that might be imposed by the IRD is immaterial, and therefore no provision for such amount has been made to the audited consolidated accounts of our Group for the Track Record Period.

**View of the Macau Tax Advisor on possibilities of penal actions**

Set out below the summary of opinion issued by the Macau Tax Advisor:

*In relation to tax resubmission*

- According to section 22 of the CTR, the percentage of completion method and the Completed Contract Method are both allowed to be adopted by the taxpayer to recognise the income of construction contracts which last over one year given the total amount of tax payable under both methods is the same.
- According to section 64 of the CTR in relation to the penalty provision on taxpayer for not filing the tax return or filing of incorrect tax return, the fine for unintentional breach ranges from MOP100 to MOP10,000 for each financial year while the fine for intentional breach ranges from MOP1,000 to MOP20,000 for each financial year. Given the restatement of the previously submitted tax returns for the two years ended 31 December 2015 was principally for the purpose of aligning the accounting policy of Botop Macau to the Group for the preparation of Listing, the FSB shall not penalise Botop Macau in this regard.
- There is no interest incurred on the complementary tax shortfall because the FSB has not issued any formal tax assessments up to the Latest Practicable Date.

Based on the above opinion of the Macau Tax Advisor, the management of our Group considered that the amount of potential penalty arise from our tax resubmission is remote, and therefore no provision for such amount has been made to the audited consolidated accounts of our Group for the Track Record Period.

*In relation to tax enquiry letter*

- According to section 64 of the CTR, the fine for failing to provide the supporting documents in relation to the taxpayer's account in a prescribed period ranges from MOP1,000 to MOP20,000.

Based on the above opinion of the Macau Tax Advisor, the management of our Group considered that the amount of potential penalty that might be imposed by the FSB is immaterial, and therefore no provision for such amount has been made to the audited consolidated accounts of our Group for the Track Record Period.

**Enhanced internal control measure on our accounting and tax reporting process to prevent recurrence of the non-compliances with the IRO in relation to the application for revision of tax returns and the CTR in relation to the application for revision of tax returns and tax enquiry from the FSB**

To prevent recurrence of the non-compliances with the IRO in relation to the application for revision of tax returns and the CTR in relation to the application for revision of tax returns and tax enquiry from the FSB, following enhanced internal control measures has been adopted by our Group:

- (i) Mr. LAW Pak Hin Edward, a full member of the CPA Australia, has been appointed as chief financial officer of our Group to oversee the accounting and taxation matters of the Group and has amend our project revenue and cost recognition from cash basis to accrual basis that are accordance to the general accepted accounting principles in Hong Kong;
- (ii) Our management team will ensure the personnel in our finance department is equipped with sufficient experience and knowledge on tax issue, tax filing and tax computation by only recruiting the relevant staff who has obtained an accounting degree and/or is a certified public accountant and where necessary, inviting external tax adviser to provide training to our relevant staff from time to time to ensure that they will be aware of the regulatory development and changes;
- (iii) Copies of tax returns and reply to tax queries will be properly kept by our finance department;
- (iv) Our finance department which is responsible for handling all tax related matters of our Group will regularly report to our audit committee on our compliance with tax laws and regulations; and
- (v) Our audit committee will oversee the financial reporting and internal control procedures in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations and ensure that our Group has been properly advised on tax matters.

**View of our Directors**

Our Directors are of the view that the Difference should not cast doubt or have material negative impact on the competence and integrity of executive Directors due to the following reasons:

- (i) the directors of Wing Fung HK and Botop Macau are ordinary businessmen. While they do not possess extensive and technical knowledge about the relevant accounting standards, they had exercised reasonable care and due diligence in handling the above matters by seeking professional advice from the HK Local Auditor and Macau Local Auditor;

- (ii) the directors of our Company had sought professional advice from the HK Local Auditor and Macau Local Auditor on the application and implications of the relevant accounting standards every year and had arranged for the financial statements prepared by them to be reviewed and audited by the HK Local Auditor and Macau Local Auditor. The HK Local Auditor had expressed its opinion in the auditor's reports that the financial statements of Wing Fung HK and gave a true and fair view of the state of Wing Fung HK's affairs, while the Macau Local Auditor also reviewed the tax return submitted to the FSB and had made confirmation to the FSB that the financial statements of Botop Macau was prepared in accordance to relevant applicable accounting standard in Macau. Based on such professional advice/opinion given by the HK Local Auditor and Macau Local Auditor, directors of Wing Fung HK and Botop Macau and our Directors had honestly believed that they had adopted the proper and correct accounting principles and that the financial statements of Wing Fung HK and Botop Macau gave a true and fair view of the state of the Wing Fung HK's and Botop Macau's affairs at each year-end date at all material times. It was the reasonable expectation of the directors of Wing Fung HK and Botop Macau and our Directors that if the relevant accounting standards had not been adopted, the HK Local Auditor and Macau Local Auditor should have at least raised the issues or even made qualified opinion in the financial reports of Wing Fung HK and Botop Macau. Without receiving any negative comments from the HK Local Auditor and Macau Local Auditor that the relevant companies had adopted the incorrect accounting principles consistently throughout the material times; and
- (iii) the directors of Wing Fung HK and Botop Macau had been responsive and had taken immediate remedial actions and Wing Fung HK and Botop Macau had refiled the revised tax computations with the IRD and FSB voluntarily and are prepared to settle the additional tax demand from the IRD and FSB.

#### **View of the Sponsor**

The Sponsor concurs that the above incident would not reflect negatively on the competence and integrity of Mr. Chung and Ms. Lai Suk Fan to act as our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules having taken into account (i) our Director's view and basis discussed above; (ii) Wing Fung HK and Botop Macau had refiled the revised tax computations with the IRD and the FSB; (iii) the remoteness of reoccurrence of the incident in future given that our Group shall engage a qualified accounting firm to perform annual audit on our Group upon successful Listing; and (iv) the above incidents did not involve any dishonesty or fraudulent act on the part of our Directors.

**Indemnity by Controlling Shareholders**

Based on the above, the actual net amount of tax refund and the maximum penalties chargeable by the IRD to Wing Fung HK in relation to the application for revision of tax returns was approximately HK\$0.1 million and HK\$0.1 million respectively. On the other hand, in relation to the application for revision of tax returns and tax enquiry from the FSB, the total expected amount of tax charges and the total maximum penalties chargeable by the FSB to Botop Macau is approximately MOP2.6 million and MOP60,000 respectively.

The Controlling Shareholders have agreed to indemnify our Group in respect of any tax liability and/or the resulting penalty or surcharge as assessed by the IRD and the FSB in relation to any difference between (i) the actual additional tax charges and penalties payable by Wing Fung HK and Botop Macau and (ii) the amounts expected by our Group, the HK Tax Advisor and the Macau Tax Advisor as detailed above. As such, our Directors consider that the potential penalty and compound interests will not have a material impact on our Group's business, operation and financial position. For details of the Deed of Indemnity, please refer to the section headed "Statutory and general information — D. Other information — 1. Tax and other indemnity" in Appendix V to this prospectus.

Other than disclosed above, our Directors confirm that the members of our Group were not aware of any disputes or unresolved tax issues with any tax authorities as at the Latest Practicable Date.

**LITIGATION AND CLAIMS**

During the Track Record Period and as at the Latest Practicable Date, our Group had been or is involved in a number of claims and litigations. Set out below are the details of (i) the ongoing employees' compensation claims against our Group and our subcontractors in Hong Kong as at the Latest Practicable Date; (ii) the employees' compensation claims against our Group in Hong Kong and Macau settled during the Track Record Period and up to the Latest Practicable Date ; and (iii) two ongoing legal proceedings with one of our suppliers as at the Latest Practicable Date.

All the litigations and claims disclosed below are arising from the ordinary course of business of our Group, which were considered by our Directors to have no material impact on the business and operation of our Group.

Save as disclosed below, no member of our Group was engaged in any litigation, claim or arbitration of material importance during the Track Record Period and up to the Latest Practicable Date and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group as at the Latest Practicable Date.

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**Ongoing employees' compensation claim against our Group and our subcontractors as at the Latest Practicable Date**

Relevant Group company	Date of accident	Particulars of the claims	Total amount involved for the ongoing claims	Status	
<i>Hong Kong</i>					
1	N/A	17 January 2017	The applicant, who was an employee of a subcontractor of Wing Fung HK, suffered from fracture of his finger as his finger was trapped between objects when he was using the hydraulic scissors platform	To be assessed by the Labour Department of Hong Kong.  The claim is to be covered by the insurance policy taken out by the main contractor.	The amount of the claim was being assessed by the Labour Department of Hong Kong.

**Employees' compensation claims against our Group settled during the Track Record Period and up to the Latest Practicable Date**

Relevant Group company	Date of accident	Particulars of the claims	Approximate amount settled	Settlement date	
<i>Hong Kong</i>					
1	Wing Fung HK	10 September 2016	The applicant, who was an employee of Wing Fung HK, injured his right side of his waist when he was walking down the stairs in the course of work.	HK\$72,408.53  The amounts were fully settled by the main contractor.	28 March 2017
2	Wing Fung HK	2 September 2016	The applicant, who was an employee of Wing Fung HK, injured his right middle finger when he was transporting equipment in the course of work.	HK\$108,094.16  The amounts were paid by Wing Fung HK and will be fully settled by the main contractor.	21 July 2017
3	Wing Fung HK	28 June 2016	The applicant, who was an employee of Wing Fung HK, injured his waist when he was using equipment in the course of work.	HK\$8,967.84  The amounts were fully settled by the main contractor.	6 October 2016

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	Relevant Group company	Date of accident	Particulars of the claims	Approximate amount settled	Settlement date
4	Wing Fung HK	28 March 2016	The applicant, who was an employee of Wing Fung HK, was struck by an object and injured the ring finger of his left hand when he was fixing a hose.	HK\$71,654.48 The amounts were fully settled by the main contractor.	30 November 2016
5	Wing Fung HK	16 March 2016	The applicant, who was an employee of Wing Fung HK, injured his left index finger in the course of work.	Not applicable	The claim was discontinued by the applicant

### *Macau*

6	Botop Macau	30 May 2015	The applicant, who was an employee of Botop Macau, tripped on several wooden boards and injured her lower jaw in the course of work.	MOP8,789 The amounts were fully settled by Botop Macau.	2 July 2015
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As to the one ongoing employees' compensation claim, the amount of such claim was being assessed by the Labour Department of Hong Kong and therefore we are not in a position to assess the likely quantum of such claim. Nevertheless, the main contractor is required to take out and had taken out a compulsory insurance policy in Hong Kong and all the employees' compensation claim is being dealt with and handled by the relevant main contractor and its insurer. Our Directors are of the view that the amount claimed by the applicant in the one ongoing employees' compensation claim is expected to be fully covered by the relevant insurance policies maintained by our main contractors and therefore, the ongoing claim will not have material adverse impact on our Group. Accordingly, no provision has been made to cover our potential liability under the ongoing claim.

Among the seven employees' compensation claims set out above, six were made against our Group and the remaining one was made against one of our subcontractors. As at the Latest Practicable Date, in respect of the six employees' compensation claims against our Group, as the limitation period for personal injury claim (which is generally three years from the date of the relevant accident) has not lapsed, it is still possible for the subject persons to commence legal proceeding against our Group for damages arising from personal injuries under common law in HK or under general liability rules provided for in the Macau Civil Code in Macau, as the case may be. No court proceedings has commenced yet in respect of such cases as at the Latest Practicable Date, therefore, we are not in a position to assess the likely quantum of such potential claims. Nevertheless, such potential claims due to the cause of injuries to our employees or the employees of our subcontractors in Hong Kong and Macau would be sufficiently covered by the insurance maintained by our main contractors.

As the employees' compensation claims and the potential personal injuries claims were and are expected to be fully covered by the relevant insurance policies maintained by our main contractors, our Directors are of the view that such claims had not and would not have any material impact on the premium of the insurance maintained by our Group. For details, please refer to the paragraph headed "Insurance" in this section.

**Ongoing legal proceedings with one of our suppliers as at the Latest Practicable Date**

*Ongoing legal proceeding in Hong Kong*

As at the Latest Practicable Date, there was an ongoing legal proceeding between Wing Fung HK and Supplier B in relation to a contractual dispute. Supplier B is a private company incorporated in Hong Kong which has been mainly engaged in the supply and delivery of processed ductworks. In early 2014, Wing Fung HK has entered into a contract with Supplier B for the supply and delivery of accessories of ductworks after processing (the "**Subcontract**") and according to the Subcontract, Wing Fung HK had issued work orders (the "**Work Orders**") to Supplier B setting out the details of works to be performed from time to time. In order for Supplier B to perform the works under the Work Orders, we would provide raw materials to Supplier B and Supplier B would supply and deliver the ductworks to us after processing.

There developed disputes between Wing Fung HK and Supplier B. Supplier B had repeatedly delayed in delivering the ductworks under the Work Orders. Further, Wing Fung HK was requested by the main contractor to replace part of the ductworks processed and supplied by Supplier B as they failed to meet the required standards as stated in the Subcontract. Therefore, in August 2016, Wing Fung HK commenced a legal proceeding against Supplier B for, amongst other things, the sum of approximately HK\$77,000, being the difference between (i) the surplus raw materials in Supplier B's possession and the additional costs incurred by us in replacing the defective works supplied by Supplier B; and (ii) the outstanding sum payable by Wing Fung HK under the Work Orders, and the loss and damages suffered by Wing Fung HK on wasted costs and expenses caused by the late delivery of works by Supplier B to be assessed by the court (the "**Hong Kong Legal Proceeding**"). In October 2016, Supplier B filed a defence alleging no delivery schedules were stipulated in any Work Orders and it was the mutual understanding between the parties that Supplier B would deliver the works under the Work Orders within a reasonable time (i.e. approximately 15 days from the date of the issuance of the Work Orders). It further alleged that all the works supplied by it under the Work Orders met the required standard. Supplier B in turn counterclaimed for, amongst other things, outstanding payments under the Work Orders of a total sum of HK\$142,137.96 (the "**Counterclaim**"). In November 2016, Wing Fung HK filed a reply and defence to the Counterclaim. As at the Latest Practicable Date, the Hong Kong Legal Proceeding has been transferred from the High Court to the District Court in Hong Kong.

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We have been advised by KCL & Partners, our Hong Kong legal advisors in respect of the Hong Kong Legal Proceeding, that it is likely that Wing Fung HK would succeed in the Hong Kong Legal Proceeding and it is unlikely that Supplier B would obtain a judgement in favour of them for the Counterclaim on the following basis:

- 1) even if the agreed delivery time under the Work Orders shall be determined as 15 days from the date of issuance of the relevant Work Order as alleged by Supplier B, Supplier B had failed to deliver the works under 36 Work Orders within the agreed delivery time and Supplier B has admitted its liability on the delay in delivering the works under the Work Order in its defence and counterclaim which would amount to a breach of the Subcontract; and
- 2) Supplier B admitted in its defence and counterclaim that there are surplus raw materials in the value of around HK\$140,000 in its possession which are owned by Wing Fung HK.

We have been further advised by KCL & Partners that, in the event that the court dismissed all of Wing Fung HK's claim and ruled in favour of Supplier B in the Counterclaim, the maximum potential liabilities and exposures of Wing Fung HK would only be approximately HK\$2,000 (after setting off the value of the surplus raw materials which are owned by Wing Fung HK and in Supplier B's possession assuming the judge does not rule against the set-off arrangement) plus interest and costs and disbursement incurred by Supplier B under the Hong Kong Legal Proceeding.

### *Ongoing legal proceeding in Macau*

As at the Latest Practicable Date, there was another ongoing proceeding on a contractual dispute between Botop Macau and Supplier B in Macau. From September to November 2015, Botop Macau has engaged Supplier B to process and supply ductworks for a project located in Macau (the "**Engagement**"). In September 2015, the representatives of Botop Macau and Supplier B had a meeting and the parties verbally agreed that Supplier B would purchase any surplus materials provided by Botop Macau and were not fully used-up under the Engagement (the "**Surplus Materials**"). In December 2015, the parties agreed that the total subcontracting fees for the works supplied by Supplier B under the Engagement would be approximately HK\$977,630 and Supplier B issued a statement (the "**Statement**") to Botop Macau accordingly. The Statement also set out that there were 25,967kg of Surplus Materials in the possession of Supplier B and the market value of those Surplus Materials was approximately HK\$196,830. Based on the discussion in September 2015 and the Statement issued by Supplier B, Botop Macau paid to Supplier B a total sum of HK\$780,800, being the total amounts payable by Botop Macau in respect of the Engagement minus the value of the Surplus Materials as stated in the Statement.

On 21 May 2016, Botop Macau received a demand letter from Supplier B requesting Botop Macau to pay the outstanding amounts under the Engagement in the amount of approximately HK\$196,845. In response to the demand letter, on 28 June 2016, Botop Macau sent a reply letter to Supplier B restating the discussion between the parties in September 2015 and the information stated in the Statement. Botop Macau also offered to pay the alleged outstanding amounts under the Engagement provided that Supplier B

returned the 25,967kg of Surplus Materials to us with a view to settle any potential disputes. However, as at the Latest Practicable Date, Supplier B had not returned any of the Surplus Materials to us.

On 12 May 2017, Botop Macau received a summons and a statement of claim from the Macau First Instance Court in relation to Supplier B's claim for the outstanding payment under the Engagement plus interest in the total amount of HK\$221,052.11 (or equivalent to MOP227,683.68) (the "**Macau Legal Proceeding**"). Supplier B alleged that it has not agreed to deduct the value of the Surplus Materials from the subcontracting fees payable by Botop Macau under the Engagement. We have engaged Nuno Simões & Associates, our Macau legal advisors, to handle the Macau Legal Proceeding and we have submitted a reply to the Macau First Instance Court on 5 June 2017.

Our Macau legal advisors are of the view that, based on the factual background and arguments between the parties, it is unlikely that Supplier B's claim under the Macau Legal Proceeding would succeed because Supplier B had admitted that it is in possession of the 25,967kg of Surplus Materials and the value of such Surplus Materials could largely set off the amounts claimed under the Macau Legal Proceeding. We were further advised by our Macau legal advisors that, in the event Supplier B succeed in the Macau Legal Proceeding, the maximum potential liabilities and exposures of Botop Macau under the Macau Legal Proceeding would be approximately HK\$221,000 plus additional interest accrued from 19 April 2017 until the above sums are fully discharged at a rate of 11.75% per annum (excluding the relevant legal costs and court fees).

Based on the advices of KCL & Partners and our Macau legal advisors, our Directors are of the view that it is unlikely that Supplier B will obtain a judgement in favour to them in either the Hong Kong Legal Proceeding or the Macau Legal Proceeding. Further, our Directors are of the view that the Hong Kong Legal Proceeding and the Macau Legal Proceeding would not have any material adverse impact on the financial position or the operation of our Group on the basis that:

- 1) our Controlling Shareholders have agreed to indemnify against all loss, liabilities, costs, fees, expenses and fines suffered or incurred by us in relation to the Hong Kong Legal Proceeding and the Macau Legal Proceeding. For details, please refer to the paragraphs headed "Indemnity from our Controlling Shareholders" below; and
- 2) our Directors consider that there are other suppliers on our internal list of approved suppliers that provide similar services as Supplier B and our Group is able to engage other suppliers to replace Supplier B at similar cost.

#### **Indemnity from our Controlling Shareholders**

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of us to provide, subject to the terms and conditions of the Deed of Indemnity, indemnities on a joint and several basis, in respect of, among other matters, any claims, payments, suits, damages, settlement payments, costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings against any

member of our Group on or before the date on which the Share Offer becomes unconditional. Please refer to the section headed “Statutory and general information — D. Other information — 1. Tax and other indemnities” in Appendix V to this prospectus for details of the Deed of Indemnity.

## **INTERNAL CONTROL MEASURES**

We endeavour to uphold the integrity of our business by maintaining an internal control system into our organisational structure. In preparation for the Listing and to further improve our internal control system, in December 2016, we engaged an accounting firm as our independent internal control adviser (the “**IC Adviser**”), to perform an internal control review to assist the management and the Sponsor in evaluating the adequacy and effectiveness of our Group’s internal control system over the major business areas in terms of financial, operation, compliance and risk management aspects with reference to the Technical Bulletin — AATB1 “Assistance Options to New Applicants and Sponsors in connection with Due Diligence Obligations, including Internal Controls over Financial Reporting” issued by the HKICPA and the Internal Control Framework released in 2013 by the Committee of Sponsoring Organization of the Tradeway Commission.

In January and February 2017, the IC Adviser completed the first review of our internal control system on, among others, our control environment, risk management, control activities, information and communication, monitoring activities, sales, accounts receivables and collection (construction), procurement, account payables and payment (including outsourcing service), cash and treasury management, financial reporting and disclosure, human resources and payroll, fixed assets management, taxation management, information technology, environmental and safety management and compliance procedures with Appendix 15 Corporate Governance Code of the GEM Listing Rules.

Set out below is a summary of the material findings by and recommendations of the IC Adviser and relevant remedial measures implemented by us:

<b>Material findings</b>	<b>Recommendations and relevant remedial measures</b>
Our Group had no management system in monitoring whether all purchase transactions are covered by relevant purchase order.	Our Group has maintained a purchase register and required relevant personnel to follow up with each purchase invoice against the relevant purchase order for further process <sup>Note</sup> .

**Material findings**

Our Group had no management system in monitoring the achievement of the business goals and budgets and financial performance.

Our Group had no management system for the identification and disclosure of information of connected party transactions.

Our Group had no management system in distinguishing the salaries paid to our Group's staff from those paid on behalf of the subcontractors.

**Recommendations and relevant remedial measures**

Our Group has established formal policies and procedure and required the management of our Group to develop business goals and strategic plans on annual basis and translate the aforesaid business plan into annual financial budget in the beginning of each year.

Our Group has revised the financial reporting policy and required (i) the staff of finance department to prepare a set of financial statements with relevant analysis in the end of each month, and (ii) the chief financial officer to review and update the financial budget of our Group on quarterly basis. Both monthly financial statements and revised budget are reviewed and approved by our executive Directors.

Our Group has established official guidance, policies and procedures for the identification and disclosure of information of connected party transactions.

Additionally, our Group has assigned the chief financial officer to oversee the identification and disclosure of connected party transactions information.

Our Group has established a revised human resource management policy and procedures and required the relevant staff to redesign the payroll register to facilitate the management of our Group in distinguishing salaries paid on behalf of subcontractors from our Group's own payroll and tracking the payments made on behalf of subcontractors to relevant project.

Additionally, our Group has assigned Mr. Chung to review and approve the payroll calculation before relevant payment is processed.

<b>Material findings</b>	<b>Recommendations and relevant remedial measures</b>
<p>Our Group had no formal policies and procedures in managing cash advance to our Group's personnel.</p>	<p>Our Group has developed formal management policies on cash advance to our Group's personnel and required (i) the recipients to sign a receipt of cash advance for records and (ii) the relevant staff of finance department to maintain a register of all cash advance to our Group's personnel in order to facilitate the monitoring by the management.</p>

*Note:* The purchase transactions of our Group during the Track Record Period have always been recorded in our accounting system and monitored by our executive Directors. The maintenance of a purchase register as recommended by the IC Adviser aims at strengthening the linkage between purchase order and purchase invoices to further enhance the monitoring on the timeliness of delivery and settlement process of the purchase order being placed by our Group.

We have implemented the relevant internal control measures based on the recommendation of the IC Adviser. In March 2017 and from October to November 2017, the IC Adviser performed follow up reviews on our internal control system and confirmed such modified and new internal control procedures are satisfactorily implemented upon the conduct of follow-up reviews.

In order to further strengthen our internal control system, our Group has also adopted or will adopt the following key measures:

- Our Directors attended training sessions conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.
- We will engage IC Adviser to have an annual review on the adequacy and effectiveness of our internal control system for the financial year ended 31 December 2018, including areas of financial, operational, compliance and risk management.
- We have engaged TC Capital as our compliance adviser and will, upon Listing, engage a legal adviser as to Hong Kong laws, which will advise and assist our Board on compliance matters in relation to the GEM Listing Rules and/or other relevant laws and regulations applicable to our Company.
- We will establish an audit committee which comprises all independent non-executive Directors, namely Mr. Choy Hiu Fai Eric, Mr. Lei For and Mr. Lai Wai Ming. The audit committee has adopted its terms of reference which sets out clearly its duties and obligations to, among other things, overseeing the internal control procedures and accounting and financial reporting matter of our Group,

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and ensuring compliance with the relevant laws and regulations. For the biographical details of the independent non-executive Directors, please refer to the section headed “Directors and senior management” in this prospectus.

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

### **View of our Directors and the Sponsor**

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

### **SUSTAINABILITY OF OUR GROUP’S BUSINESS**

As at 31 August 2017, our Group had 7 projects on hand which the latest expected completion date is December 2018, excluding the defects liability period. As our projects are entered into on a project-by-project basis, our revenue is non-recurring in nature and we cannot guarantee that we will continue to secure new projects from our customers after the completion of the existing awarded projects. Nevertheless, our Directors are of the view that our business are sustainable based on the factors set out below:

- (i) according to the Frost & Sullivan Report, the MVAC installation market size in Hong Kong and Macau is expected to increase at a CAGR of 9.1% and 10.9% respectively from 2016 to 2021 driven by the increasing population density, the rising awareness of public health and the commencement of major construction projects in Hong Kong and Macau. We believe that the positive outlook for the MVAC installation market in Hong Kong and Macau provides us with more potential business opportunities by creating the huge demand for new projects;
- (ii) since the incorporation of Wing Fung HK and Botop Macau in 1996 and 2007 respectively, we strive to provide high quality installation and fitting-out services of MVAC system for our clients in Hong Kong and Macau. Our Directors believe that Mr. Chung, our executive Director, the chairman of the Board, the chief executive officer of our Company and one of our Controlling Shareholders, has and will continue to lead our Group to become a recognised player in the MVAC installation industry in Hong Kong and Macau. In particular, according to the Frost & Sullivan Report, Wing Fung HK and Botop Macau ranked the 5<sup>th</sup> and the 3<sup>rd</sup> in the MVAC installation market in Hong Kong and Macau respectively in 2016 in terms of revenue. Although our Directors expect the competition in the industry remains, given our competitive strengths as disclosed in the paragraphs headed “Competitive strengths” above in this section, our Directors expect that we are able to maintain our position in the market and grow along with the industry in the upcoming years;

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- (iii) we have a proven track record in projects awarded to us during the Track Record Period. We have been awarded 2, 6 and 3 contracts with the corresponding aggregate amount of original contract sum of approximately HK\$49.6 million, HK\$270.5 million and HK\$42.5 million for the years ended 31 December 2015 and 2016 and the eight months ended 31 August 2017, respectively. Prior to the Track Record Period, we also enjoyed a stable project flow and had been successfully awarded 6, 2, 6 and 8 contracts with the corresponding aggregate amount of original contract sum of approximately HK\$45.1 million, HK\$21.9 million, HK\$64.2 million and HK\$167.0 million for the years ended 31 December 2011, 2012, 2013 and 2014, respectively. Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group has been awarded with 3 projects which has an aggregate awarded contract sum of approximately HK\$103.9 million. According to the Frost & Sullivan Report, the MVAC installation industry in Hong Kong and Macau is relatively fragmented. In the midst of this competitive market, our Group has demonstrated overall stable and uptrend in the total contract sum of the contracts awarded to us during the Track Record Period and the four financial years prior to that. In light of the above, our Directors believe that our business will continue to be sustainable along with the expected growth in the MVAC installation market size in Hong Kong and Macau;
- (iv) among the 7 five largest customers of our Group during the Track Record Period, 4 of which, or the holding company of which, are listed in Hong Kong. We believe that this is a recognition on our strong technical skills, high quality of work and extensive experience in providing MVAC installation and fitting-out services in Hong Kong and Macau. Though our customers engage us on a project-by-project basis and there is no guarantee that our existing customers will provide us with new business opportunities, given that (a) we have been servicing most of our five largest customers during the Track Record Period for over 5 years; (b) during the Track Record Period and up to the Latest Practicable Date, no material liquidated damages had been claimed by our customers against us, we had not committed any breach of contracts with our customers, we did not experience early termination of contracts by our customers, we had not received any complaint or claim for compensation from our customers due to quality issue in relation to the services performed by us or works performed by our subcontractors; (c) we are often invited by our customers to submit tenders (For the two years ended 31 December 2016, the eight months ended 31 August 2017 and from 1 September 2017 to the Latest Practicable Date, we submitted a total of 28, 33, 34 and 7 tenders respectively); and (d) our competitive strengths as disclosed in the paragraphs headed “Competitive strengths” above in this section, our Directors believe that we are able to maintain our existing client base and to solicit new customers to allow our Group’s business to remain sustainable in the foreseeable future; and
- (v) as detailed in the paragraphs headed “Business strategies” above in this section, we intends to apply the net proceeds from the Share Offer to expand our business in particular by (a) purchasing performance bond to satisfy the performance guarantee requirement of the potential customers and to allow us to become

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eligible to tender projects of larger contract value which generally have higher capital requirements; and (b) strengthening of our manpower to further expand our capacity given our potential customers will assess our capacity from time to time and before inviting us to submit tender for their jobs to ensure that we have sufficient manpower to perform their works. Our Directors believe that the successful of our intended business strategies will enable us to achieve sustainable growth and further enhance our overall competitiveness in the MVAC system services industry in Hong Kong and Macau in future.

Based on the above factors and coupled with the competitive strengths of our Group as detailed in the paragraphs headed “Competitive strengths” in this section, our Directors are of the view that our business is sustainable.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer, the issued share capital of our Company will be owned as to 75% by Wing Fung BVI, which in turn is owned by Mr. Chung and Ms. Chung as to 78.87% and 21.13% respectively. As Wing Fung BVI and Mr. Chung are directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company immediately following the Listing, each of Wing Fung BVI and Mr. Chung shall be regarded as a Controlling Shareholder of our Company under the GEM Listing Rules. In addition, on the basis that (a) Ms. Chung has restricted her ability to exercise direct control over our Company as she holds her interest through a common investment holding company with Mr. Chung, namely Wing Fung BVI; and (b) Mr. Chung and Ms. Chung have been acting in concert throughout the Track Record Period and up to the Latest Practicable Date pursuant to the Deed of Acting in Concert, Ms. Chung will be regarded as part of a group of Controlling Shareholders of our Company with Mr. Chung. For further details of the Deed of Acting in Concert, please refer to the section headed “History, development and Reorganisation — Reorganisation — Deed of Acting in Concert” in this prospectus.

Although Ms. Chung will be regarded as part of a group of Controlling Shareholders of our Company and she has been a shareholder of Wing Fung HK and Botopt Macau since their respective establishment, as Ms. Chung has not been involved in the day-to-day business operations of our Group and she has other commitments apart from the business of our Group, Ms. Chung has no current intention to act as a Director of our Company.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

In the opinion of our Directors, our Group is capable of carrying on our business independently from and does not place undue reliance on our Controlling Shareholders and their respective close associates, taking into consideration the following factors:

#### **Management independence**

We have an independent management team to carry out the business decisions of our Group independently and to perform all essential management functions (such as operating our principal businesses, invoicing and billing, and human resources and general administration) without unduly requiring the support of our Controlling Shareholders. The Board comprises two executive Directors and three independent non-executive Directors. The Board acts collectively by majority decisions in accordance with the Articles and the applicable laws and no single Director has any decision-making power unless otherwise authorised by the Board. Our independent non-executive Directors have sufficient and competent industry knowledge and experience, and will bring independent judgment to the decision making process of our Board, taking into account the advice of the senior management of our Group.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Having considered the above factors, our Directors are satisfied that the Board, as a whole and together with our senior management team, is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders and their respective close associates after the Listing.

### **Operational independence**

The operations of our Group are independent of and not connected with our Controlling Shareholders and their respective close associates. Our Group has established our own set of organisational structure made up of individual divisions, each with specific areas of responsibilities, including project management, administration, finance and accounting. Our Group has independent access to suppliers and subcontractors of our Group for our business operations and all of our customers are Independent Third Parties. We own all the necessary assets and equipment (except for the leased properties) for the operation of our Group.

Having considered the above factors, our Directors are of the view that there is no operational dependence on our Controlling Shareholders or their respective close associates.

### **Financial independence**

Our Group has an independent financial system and makes financial decisions according to our own business need. We have sufficient capital to operate our business independently and have adequate internal resources and credit profile to support our daily operations. During the Track Record Period and up to the Latest Practicable Date, our Group had relied principally on cash generated from operations and our banking facilities to carry on business and it is expected to continue after the Listing.

During the Track Record Period, certain banking facilities granted to our Group including the Trade Facility, the Overdraft Facility I, the Overdraft Facility II, the Overdraft Facility III, the Overdraft Facility IV and the Credit Card Facility were secured by guarantees and collateral security provided by our Controlling Shareholders or their respective associates. For details of the above facilities, please refer to the section headed “Financial Information — Description of certain items of consolidated statements of financial positions — Bank overdrafts and bank borrowing”. On 6 July 2017, we have entered into a new facility letter to replace the Trade Facility, the Overdraft Facility I, the Overdraft Facility III and the Credit Card Facility and the relevant guarantees and security have been released and replaced by securities over the deposit of Wing Fung HK. On 27 February 2017, the Overdraft Facility IV had been terminated. In addition, on 21 March 2017, we had obtained a revised banking facility for the Overdraft Facility II from the

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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lending bank stating that the remaining guarantees and collateral security provided by our Controlling Shareholders will be released and replaced by a promissory note signed by Botop Macau and a corporate guarantee to be provided by our Company upon Listing. On 6 November 2017, we had obtained the Term Loan which is secured by guarantees and collateral security provided by our Controlling Shareholders or their respective associates, all of which shall be replaced by the corporate guarantee of our Company upon Listing. For details, please refer to the sections headed “Financial information — Description of certain items of consolidated statements of financial position — Trade and bills payables — Bills payables” and “Financial information — Description of certain items of consolidated statements of financial position — Bank overdrafts and bank borrowing” in this prospectus. As such, upon Listing, our Group will have independent access to third party financing without relying on any guarantee from our Controlling Shareholders or their respective associates. In addition, all loans and advances due from/to our Controlling Shareholders or their respective associates will be fully settled upon Listing.

Further, during the Track Record Period and up to the Latest Practicable Date, our Group has entered into four contracts (the “**Guaranteed Contracts**”) in an aggregate contract sum of approximately HK\$88.2 million which involved performance guarantees (the “**Personal Guarantees**”) provided by Mr. Chung, one of our Controlling Shareholders and an executive Director, in favour of our customers as security for the due performance and observance of our Group’s obligations under the Guaranteed Contracts between our Group and the relevant customers. Pursuant to the Personal Guarantees, Mr. Chung will be required to indemnify the relevant customer for the losses, damages, costs and expenses suffered by the relevant customer as a result of our Group’s default of its obligations under the Guaranteed Contracts to a specified amount ranging from approximately 20% to 30% of the original contract sum.

Our Directors confirm that it is not uncommon for our customers to require directors and/or shareholders of the contractors to provide performance guarantee in the contracts to ensure the due performance and observance of a contract by the contractors. For the Guaranteed Contracts, we have negotiated with the relevant customers and as at the Latest Practicable Date, the respective Personal Guarantees of three out of four Guaranteed Contracts have been released or replaced by a performance bond taken out by our Group from an independent authorised insurer for an amount determined based on a predetermined percentage of the contract sum of the relevant contract in favour of the relevant customer in the form of cash collaterals to the bond issuer, as the case may be. Based on the Frost & Sullivan Report and as confirmed by our Company, it is common for the customers to require a higher amount of performance guarantee as a percentage of the contract sum if such performance guarantee is provided by way of personal guarantee than that by way of performance bond. According to the Frost & Sullivan Report, the usual range of performance guarantee as a percentage of the contract sum by way of personal guarantee and that by way of performance bond are from 20% to 30% and from 5% to 10% respectively.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The following table sets out the details of the Guaranteed Contracts involving the performance guarantees given by Mr. Chung and the status of the relevant Personal Guarantees as at the Latest Practicable Date:

Project number	Project details	Contract sum (HK\$'000) <i>(note 1)</i>	Expected completion date of the contract <i>(note 2)</i>	Extent of liability (HK\$'000)	Status as at the Latest Practicable Date
Project #7	A design-build-operate project of a commercial building for district cooling system in Kai Tak, Kowloon	5,049	Nov 2017	1,515 (being approximately 30% of the contract sum)	Released
Project #15	A hotel and entertainment complex in N. Senhora da Esperança, Taipa, Ilhas, Macau	28,799	May 2017	7,200 (being approximately 25% of the contract sum)	Released
Project #1	An institute in Tseung Kwan O, the New Territories	24,351	Nov 2017	4,870 (being approximately 20% of the contract sum)	To be released upon completion of the whole development project <i>(note 3)</i>
Project #18	A hotel, shopping centre and commercial buildings complex redevelopment in Tsim Sha Tsui, Kowloon	29,964	Dec 2019	7,491 (being approximately 25% of the contract sum)	Replaced by a performance bond taken out by our Group in favour of the customer in the amount of 5% of the total original contract sum <i>(note 4)</i>

*Notes:*

1. The contract sum is based on the original tender documents or contract between our customers and our Group and does not include additions or modifications due to subsequent variation orders and therefore, final revenue recognised from a contract may differ from the contract sum disclosed in this table.
2. The expected completion date for a particular contract is provided based on our management's best estimation. Our management has taken into account factors including the expected completion date specified in the relevant contract (if any), the extension period granted by the relevant customer (if any), the actual work schedule and the defect liability period of the relevant project.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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3. The customer has refused to accept our request to release the Personal Guarantee or to replace the Personal Guarantee by a performance bond to be taken out by our Group prior to the completion of the whole development project. While the customer has not disclosed to us the reason for declining our request, our Directors believe that it is because it would cause internal administrative inconvenience to the customer, including the need to handle additional documents in relation to the performance bond and the release of the Personal Guarantee. Based on the expected completion date of this project, our Directors believe that the Personal Guarantee is unlikely to be released before or upon Listing. Nevertheless, to demonstrate our financial independence from our Controlling Shareholders, our Group has voluntarily taken out a performance bond from an independent authorised insurer in favour of the customer, in the value representing 5% of the contract sum, for the due performance of our Group's obligation under the contract. Such performance bond was granted without any guarantees or other financial support from our Controlling Shareholders. The amount of the performance bond is approximately HK\$1.2 million and such amount was financed by the internal resources of our Group.
4. With regard to performance bond arrangement, the amount of performance bond is approximately HK\$1.5 million and such amount was financed by the internal resources of our Group.

In respect of the Personal Guarantee provided by Mr. Chung to our customer of Project #1, as such Personal Guarantee is unlikely to be released before or upon Listing, Mr. Chung, being a Director and a Controlling Shareholder and thus a connected person of the Company, will be providing financial assistance to our Group upon Listing until such Personal Guarantee is released by our customer and the provision of the Personal Guarantee by Mr. Chung will constitute a continuing connected transaction of our Company upon Listing. Our Directors are of the view that the Personal Guarantee, being a form of financial assistance provided by Mr. Chung for the benefit of our Group, has been conducted on normal commercial terms or better and such financial assistance is not secured by our assets. Accordingly, pursuant to Rule 20.88 of the GEM Listing Rules, such transaction will be fully exempted from all the reporting, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Our Directors have decided that, going forward, our Group will not enter into any contract involving similar performance guarantee to be given by Mr. Chung or any other Controlling Shareholders.

In view of the above, our Directors are of the view that our Group is able to obtain external financing on market terms and conditions for our business operations as and when required and is not financially dependent on our Controlling Shareholders or any of their respective close associates in the operation of our business.

### **RULE 11.04 OF THE GEM LISTING RULES**

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

## **DEED OF NON-COMPETITION**

In order to ensure that direct competition does not develop between us and our Controlling Shareholders, our Controlling Shareholders have executed the Deed of Non-competition in favour of our Group, pursuant to which, each of our Controlling Shareholders has irrevocably and unconditionally, jointly and severally warranted and undertaken to our Company (for ourselves and for the benefit of our subsidiaries) that they would not, and they would use their best endeavours to procure that their close associates (except any members of our Group) shall not, whether directly or indirectly (including through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise) or as principal or agent, and whether on their own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any member of our Group), carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition or likely to be in competition, directly or indirectly, with the business of any member of our Group (the “**Restricted Business**”).

The above undertaking does not preclude our Controlling Shareholders from having any interest in any company engaging in any Restricted Business (the “**Subject Company**”) where:

- (a) the total number of shares held by our Controlling Shareholders is not more than 5% of the total issued shares in the Subject Company which is or whose holding company is listed on any recognised exchange; or
- (b) not more than 5% of the Subject Company’s consolidated turnover or assets, as shown in the Subject Company’s latest audited accounts; provided that there is a holder (with its close associates where appropriate) with a larger shareholding in the Subject Company than the aggregate shareholding held by any of our Controlling Shareholders and/or their respective close associates and the total number of representatives of any of our Controlling Shareholders on the board of directors of the Subject Company is not significantly disproportionate in relation to his or her or its shareholding in the Subject Company.

If any investment or other business opportunity which may compete with the business of our Group (“**Business Opportunity**”) arise or is identified by any of our Controlling Shareholders, the respective Controlling Shareholder(s) shall, and shall procure their respective close associates to, refer such Business Opportunity to our Company and we shall have a right of first refusal to take up the Business Opportunity. We shall only exercise the right of first refusal upon the approval of the majority of our independent non-executive Directors (who do not have any interest in such proposed transactions). The relevant Controlling Shareholder(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 the relevant meeting of our independent non-executive Directors for considering whether or not

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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to exercise the right of first refusal. The respective Controlling Shareholder(s) and/or his/her/its close associate(s) shall not pursue such Business Opportunity unless we have declined the Business Opportunity.

Further, our independent non-executive Directors will review, on an annual basis, the compliance of our Controlling Shareholders with the Deed of Non-competition (in particular, the right of first refusal relating to any Business Opportunity) and our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance with and enforcement of the Deed of Non-competition in our annual report or by way of announcement to the public.

Pursuant to the Deed of Non-competition, the above restrictions would only cease to have effect on the earliest of (i) the date on which our Controlling Shareholders, together with their close associates, cease to hold directly or indirectly in aggregate 30% or more of the entire issued share capital of our Company, or otherwise cease to be Controlling Shareholders; or (ii) our Shares cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of our Shares on the Stock Exchange due to any reason).

### CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- (a) as part of our preparation for the Listing, we have adopted the Articles to comply with the GEM Listing Rules. In particular, the Articles provide that, unless otherwise provided, a Director shall not vote in any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) our independent non-executive Directors represent well over one-third of the composition of the Board. We believe that the presence of our independent non-executive Directors who possess diversified experience and expertise provide a balance of view and independent judgment in the decision making process of the Board and they will be able to provide an impartial external opinion to protect the interests of our public Shareholders;
- (c) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders and we will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance with and the enforcement of the Deed of Non-competition in our annual reports, interim reports or by way of announcements in compliance with the requirement of the GEM Listing Rules;

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (d) our Controlling Shareholders have undertaken to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors on our Controlling Shareholders' compliance with the Deed of Non-competition;
- (e) we will ensure compliance with the GEM Listing Rules, in particular, strictly observe any proposed transactions between us and connected persons and comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules where applicable; and
- (f) we have appointed TC Capital as our compliance adviser to advise us on the compliance matters in respect of the GEM Listing Rules and applicable laws and regulations.

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## DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTORS

The Board consists of five Directors, among which there are two executive Directors and three independent non-executive Directors. Our executive Directors and senior management are involved in the day-to-day management of our business.

The following table sets out some information in respect of our Directors:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Major roles and responsibilities
Mr. CHUNG Chi Keung (鍾志強)	61	25 July 1996	29 September 2016	Executive Director, chairman of the Board and chief executive officer	Formulating overall business strategies and overseeing the business and operation of our Group
Ms. LAI Suk Fan (黎淑芬)	55	20 July 2011	24 March 2017	Executive Director	Overseeing the administration and human resources function of our Group
Mr. CHOY Hiu Fai Eric (蔡曉輝)	40	31 January 2018	31 January 2018	Independent non-executive Director	Supervising and providing independent judgement to the Board
Mr. LEI For (利科)	39	31 January 2018	31 January 2018	Independent non-executive Director	Supervising and providing independent judgement to the Board
Mr. LAI Wai Ming (黎偉明)	42	31 January 2018	31 January 2018	Independent non-executive Director	Supervising and providing independent judgement to the Board

### Executive Directors

**Mr. CHUNG Chi Keung (鍾志強)**, aged 61, is our executive Director, the chairman of our Board and the chief executive officer of our Company. He is also the co-founder of our Group. Mr. Chung is primarily responsible for formulating the overall business strategies and overseeing the business and operation of our Group. Mr. Chung is also a director of all members of our Group.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Chung has over 42 years of experience in the supply, installation and fitting-out of MVAC system. In March 1974, Mr. Chung joined Young's Engineering Co., Ltd as an apprentice and received training at the Major Air-conditioning Service Department. Upon the completion of his apprenticeship, he continued to work in the same department until July 1980. In 1987, Mr. Chung co-founded Wing Fung Engineering Limited. In July 1996 and March 2007, Mr. Chung established Wing Fung HK and Botop Macau, respectively and has been managing the business and operation of the two companies in Hong Kong and Macau. From 2003 to 2006, Mr Chung was a member of the senior management of Dickson Group Holdings Limited (currently known as Richly Field China Development Limited), a company listed on the main board of the Stock Exchange (stock code: 313), and was responsible for managing the operation of certain construction projects in Hong Kong.

Mr. Chung was a director of the following company which was deregistered and the relevant details are as follows:

<b>Company name</b>	<b>Nature of business</b>	<b>Place of incorporation</b>	<b>Date of deregistration</b>
Goodview Development Limited (高翹發展有限公司)	Investment in a roller skating rink in Foshan	Hong Kong	24 June 2005

Mr. Chung has confirmed that the above deregistration was voluntary by way of submitting an application to the Companies Registry of Hong Kong and the above company was solvent at the time of it being dissolved by deregistration. Mr. Chung further confirmed that there was no wrongful act on his part leading to the deregistration, and he is not aware of any actual or potential claim which had been or will be made against him as a result of the dissolution.

Paragraph A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chung is the chairman of the Board and the chief executive officer of our Company. Considering that Mr. Chung has been operating and managing the business of our Group since 1996, the Board believes that it is in the best interest of our Group to have Mr. Chung taking up both roles for effective management and business development. Therefore the Board considers that the deviation from paragraph A.2.1 of the Corporate Governance Code is appropriate in such circumstance. Our Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code. Except for the deviation from paragraph A.2.1 of the Corporate Governance Code, the Company's corporate governance practices have complied with the Corporate Governance Code.

**Ms. LAI Suk Fan (黎淑芬)**, aged 55, was appointed as our executive Director on 24 March 2017. She is primarily responsible for overseeing the administration and human resources functions of our Group.

Ms. Lai studied at Lee Wai Lee Technical Institute of the Vocational Training Council on a part-time basis and was awarded a certificate for accounting technicians in August 1998. In 1998, Ms. Lai obtained a certificate in Accounting-Third Level issued by the

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## DIRECTORS AND SENIOR MANAGEMENT

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London Chamber of Commerce and Industry Examinations Board. Ms. Lai also joined a distance-learning programme and received a Higher Certificate in Business Management from the Hong Kong Management Association in June 2009.

Ms. Lai has over 36 years of experience in administration, accounting and human resources. Ms. Lai has worked as a junior clerk at Teamlight Enterprises (HK) Ltd. from June 1980 to March 1982, then she joined Shirtmaster Limited as a purchasing clerk from May 1982 to February 1987. During June 1987 to July 1999, Ms. Lai has been working in Wing Fung Engineering Limited and Wing Fung HK and her last position was an administration officer when she left the companies in July 1999. From February 2001 to June 2011, Ms. Lai worked at Artsuc M&E Limited as the administration manager. In July 2011, Ms. Lai rejoined our Group as the administration manager of Wing Fung HK.

### Independent non-executive Directors

**Mr. CHOY Hiu Fai Eric (蔡曉輝)**, aged 40, was appointed as our independent non-executive Directors on 31 January 2018 and is mainly responsible for supervising and providing independent judgement to the Board.

Mr. Choy has more than 14 years of experience in accounting. Mr. Choy obtained a Bachelor of Business Administration in Accounting and Finance from the University of Hong Kong in November 2000. Upon graduation, he joined Arthur Andersen & Co, an accounting firm, in September 2000. Mr. Choy then continued his career with PricewaterhouseCoopers as a senior associate in the assurance and business advisory services department in July 2002. In 2004, Mr. Choy joined Procon CPA Limited as a managing director and he is now the head of the company's operation in Hong Kong and Shenzhen.

Mr. Choy has been a member of the Hong Kong Institute of Certified Public Accountants since February 2005. He was also admitted as a member of the American Institute of Certified Public Accountants in the United States in June 2002. Mr. Choy has been a Certified Tax Adviser of the Taxation Institute of Hong Kong since 30 September 2010.

Mr. Choy has been an independent non-executive Director of the Hong Kong Building and Loan Agency Limited, a company currently listed on the Main Board of the Stock Exchange (Stock Code: 145) since July 2016.

Mr. Choy was a director of the following company which was deregistered and the relevant details are as follows:

Company name	Nature of business	Place of incorporation	Date of deregistration
Maurice Siu Foundation Limited (蕭卓明基金有限公司)	Holding of a private fund of an individual to settle disbursement of his family	Hong Kong	8 November 2013

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Choy has confirmed that the above deregistration was voluntary by way of submitting an application to the Companies Registry of Hong Kong and the above company was solvent at the time of it being dissolved by deregistration. Mr. Choy further confirmed that there was no wrongful act on his part leading to the deregistration, and he is not aware of any actual or potential claim which had been or will be made against him as a result of the dissolution.

**Mr. LEI For (利科)**, aged 39, was appointed as our independent non-executive Directors on 31 January 2018 and is mainly responsible for supervising and providing independent judgement to the Board.

Mr. Lei has more than 15 years of experience in investment banking, corporate finance and investment matters. Mr. Lei obtained his Bachelor of Social Science from the Chinese University of Hong Kong in November 2001. He started his career with L.P. Lammas Asia Limited from September 2001 to October 2002. After that, he worked in MasterLink Securities (Hong Kong) Corporation Limited as an executive from December 2002 to February 2005. In February 2005, Mr. Lei joined Haitong International Capital Limited (previously known as Taifook Capital Limited and Tai Fook Capital Limited) as an executive, and he left as a manager in May 2007. From June 2007 to October 2010, he was appointed as the senior manager and then the vice president of the corporate finance department in ABCI Securities Company Limited. Mr. Lei then carried on his career with Cinda (BVI) Limited as the corporate finance director of Cinda International Capital Limited from October 2010 to April 2011. In April 2011 to December 2016, he joined CIMB Securities Limited as a director in investment banking. Mr. Lei is currently the managing director of Apastron Capital Limited.

**Mr. LAI Wai Ming (黎偉明)**, aged 42, was appointed as our independent non-executive Directors on 31 January 2018 and is mainly responsible for supervising and providing independent judgement to the Board.

Mr. Lai graduated from the Hong Kong Polytechnic University in November 1997 and was awarded a Bachelor of Science degree in Building Technology and Management. Then he obtained a Master of Science in Real Estate from the University of Hong Kong in December 1999. In February 2002, Mr. Lai further obtained a diploma in building surveying from the College of Estate Management in the United Kingdom, which is a long-distance programme. Mr. Lai was also certified as a registered professional engineer by the Engineer Registration Board in April 2006, and he was admitted as a member of the Hong Kong Institution of Engineers and the Chartered Institute of Building in December 2004 and May 2005, respectively.

Mr. Lai has over 19 years of experience in building service and engineering. Mr. Lai joined Gammon Construction Limited in July 1998 and he was the assistant project manager when he left the company in November 2007. He then worked at Hongkong Land Limited, a property investment, management and development group listed in London, Bermuda and Singapore, from November 2007 to July 2011 as an assistant project manager.

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## DIRECTORS AND SENIOR MANAGEMENT

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In July 2011, Mr. Lai joined a property developer as a project manager in Hong Kong and he was a senior project manager when he left the company in August 2017. In February 2018, Mr. Lai has joined a construction company in Hong Kong as a project director.

Save as disclosed in this prospectus, each of our Directors has confirmed that (i) he/she has no interests in the Shares within the meaning of Part XV of the SFO, (ii) he/she is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholders, (iii) he/she has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years, and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his/her appointment.

### SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as Senior Management	Position	Major roles and responsibilities
Mr. LAW Pak Hin Edward (羅柏妍)	31	12 September 2016	12 September 2016	Chief financial officer	Overseeing the finance and accounting function of our Group
Mr. YEUNG Man Tsun (楊文雋)	33	2 July 2007	1 March 2017	Senior project engineer	Overseeing and managing project execution and operation

**Mr. LAW Pak Hin Edward (羅柏妍)**, aged 31, joined our Group and was appointed as the chief financial officer of our Group on 12 September 2016. Mr. Law is primarily responsible for overseeing the finance and accounting functions of our Group.

In July 2010, Mr. Law obtained a Bachelor of Commerce from the Australian National University in Australia. He was admitted as an associate of the CPA Australia in August 2010 and was further admitted as a full member in July 2013. Mr. Law has more than 7 years of experience in finance and accounting. Before joining our Group, Mr. Law has joined BDO Limited as an associate in December 2010 and he was an assistant manager when he left BDO Limited in December 2014. Then he carried on his career with Ernst & Young in December 2014 and he was a senior accountant in the assurance department when he left the firm in August 2016.

**Mr. YEUNG Man Tsun (楊文雋)**, aged 33, was appointed as our senior project engineer on 1 March 2017 and is primarily responsible for overseeing and managing project execution and operation.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Yeung obtained a Bachelor of degree in Building Services and Sustainable Engineering at the University of Central Lancashire in December 2012, which is a long-distance learning programme. Mr. Yeung has more than 9 years of experience in engineering. He joined our Group as an assistant engineer at Botop Macau in July 2007. From August 2010 to February 2017, Mr. Yeung has worked at Wing Fung HK as an engineer.

### COMPANY SECRETARY

Mr. LAW Pak Hin Edward was appointed as our company secretary on 14 February 2017. For his biographical details, please refer to the paragraphs headed “Senior management” in this section

### COMPLIANCE OFFICER

Mr. Chung Chi Keung was appointed as our compliance officer on 27 March 2017. For his biographical details, please refer to the paragraph headed “Executive Directors” in this section.

### COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed TC Capital as our compliance adviser, who will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, profit estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The terms of appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, that is, the distribution of our Company’s annual report of its financial results for the year ending 31 December 2019, or until the agreement is terminated, whichever is the earlier.

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## DIRECTORS AND SENIOR MANAGEMENT

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### BOARD COMMITTEES

The Board has established an audit committee, a remuneration committee and a nomination committee.

#### **Audit committee**

Our Company established an audit committee pursuant to a resolution of the Directors passed on 31 January 2018 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the Corporate Governance Code has been adopted. Among other things, the primary duties of the audit committee are to make recommendations to the Board on appointment or reappointment and removal of external auditor; review financial statements of our Company and judgments in respect of financial reporting; and oversee the effectiveness of the procedures of the internal control procedures of our Group. The audit committee consists of three independent non-executive Directors, namely Mr. Choy Hiu Fai Eric, Mr. Lei For and Mr. Lai Wai Ming. Mr. Choy Hiu Fai Eric is the chairman of the audit committee.

#### **Remuneration committee**

Our Company established a remuneration committee on 31 January 2018 pursuant to a resolution in compliance with Rule 5.34 of the GEM Listing Rules with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code. The primary duties of the remuneration committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors, senior management and general staff of our Group and ensure that none of the Directors or any of their associates determine their own remuneration. The remuneration committee consists of three members, namely Mr. Choy Hiu Fai Eric, Mr. Chung and Mr. Lai Wai Ming. Mr. Lai Wai Ming is the chairman of the remuneration committee.

#### **Nomination committee**

Our Company established a nomination committee on 31 January 2018 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The primary duties of the nomination committee are to review the structure, size and composition of the Board annually; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to appointment or reappointment of Directors. The nomination committee consists of three members, namely Mr. Lei For, Mr. Chung and Mr. Lai Wai Ming. Mr. Lei For is the chairman of the nomination committee.

### CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company will comply with the Corporate Governance Code and the associated GEM Listing Rules.

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## DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate amount of fees, salaries, contributions to retirement benefits scheme and other benefits paid to the Directors for the years ended 31 December 2015 and 2016 and the eight months ended 31 August 2017 were approximately HK\$1,273,000, HK\$1,374,000 and HK\$2,501,000 respectively.

Our Group's five highest paid individuals during the Track Record Period included two Directors. Excluding those two Directors, the aggregate amount of salaries, contributions to retirement benefits scheme and other benefits paid to the remaining three highest paid individuals for the years ended 31 December 2015 and 2016 and the eight months ended 31 August 2017 were approximately HK\$987,000, HK\$1,652,000 and HK\$1,193,000 respectively.

During the Track Record Period, no compensation was paid to, or receivable by, our Directors, past directors or our Group's five highest paid individuals for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. During the Track Record Period, no emolument was paid to, or receivable by, our Directors or our Group's five highest paid individuals as an inducement to join or upon joining our Group. During the Track Record Period, none of our Directors had waived or agreed to waive any emolument.

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

For additional information on our Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to note 11 of the Accountant's Report set out in Appendix I to this prospectus.

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## SUBSTANTIAL SHAREHOLDERS

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So far as is known to our Directors, the following persons will, immediately following completion of the Share Offer and the Capitalisation Issue, have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries:

### Interests and long positions in our Shares

Name	Capacity/nature	Number of Shares held/ interested immediately following completion of the Share Offer and the Capitalisation Issue	Percentage of shareholding immediately following completion of the Share Offer and the Capitalisation Issue
Wing Fung BVI	Beneficial owner	430,500,000	75%
Mr. Chung	Interest of controlled corporation <i>(Note 1)</i>	430,500,000	75%
Ms. Chung	Interest of persons acting in concert <i>(note 2)</i>	430,500,000	75%

*Notes:*

- Following completion of the Share Offer and the Capitalisation Issue, Wing Fung BVI will hold 430,500,000 Shares. Wing Fung BVI is owned by Mr. Chung as to 78.87%. Therefore, Mr. Chung is deemed to be interested in all the Shares held by Wing Fung BVI for the purpose of the SFO.
- On 29 May 2017, Mr. Chung and Ms. Chung entered into the Deed of Acting in Concert to acknowledge and confirm, amongst other things, that they are parties acting in concert (within the meaning under the Takeovers Code) in respect of Wing Fung BVI, Wing Fung HK and Botop Macau since their respective incorporation. For further details, please refer to the section headed “History, development and Reorganisation — Reorganisation — Deed of Acting in Concert” in this prospectus.” As such, pursuant to the arrangement under the Deed of Acting in Concert, Mr. Chung and Ms. Chung are deemed to be interested in our Shares which are held by each other by virtue of the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Share Offer and the Capitalisation Issue, 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 will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries.

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## SHARE CAPITAL

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### SHARE CAPITAL

Assuming the Share Offer become unconditional and without taking into account any Shares which may be allotted and issued or repurchased pursuant to the general mandates to issue and repurchase Shares, the authorised and issued share capital of our Company before and immediately following the Capitalisation Issue and the Share Offer will be as follow:

<i>Authorised share capital:</i>	<b>Total nominal value (HK\$)</b>
<u>100,000,000,000</u> Shares	<u>1,000,000,000</u>
<i>Shares issued and fully paid or credited as fully paid:</i>	
780,000 Shares in issue as at the date of this prospectus	7,800
429,720,000 Shares to be issued under the Capitalisation Issue	4,297,200
<u>143,500,000</u> Shares to be issued under the Share Offer	<u>1,435,000</u>
Total	
<u>574,000,000</u> Shares	<u>5,740,000</u>

### RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify in full for all dividends and other distributions hereafter declared, made or paid on the Shares after the date of this prospectus other than participation in the Capitalisation Issue.

### MINIMUM PUBLIC FLOAT

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

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## SHARE CAPITAL

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### GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the paragraph headed “Structure and conditions of the Share Offer — Conditions of the Share Offer” in this prospectus being fulfilled, 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 agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) with a total number of not more than the aggregate of:

1. 20% of the number of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer; and
2. the number of the Shares repurchased by our Company (if any) pursuant to a separate mandate to repurchase Shares and described more fully in the paragraph headed “General mandate to repurchase Shares” below.

This general mandate is in addition to the powers of our Directors to allot, issue or deal with Shares under a rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under any share option scheme or similar arrangement for the time being adopted by our Company or any Shares allotted in lieu of the whole or part of a dividend on shares of our Company in accordance with the Articles or pursuant to a specific authority granted by the Shareholders in general meeting or pursuant to the Capitalisation Issue and the Share Offer.

This general mandate to issue Shares will remain in effect until:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles;  
or
- (c) it is varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the paragraph headed “Statutory and general information — A. Further information about our Company — 3. Written resolutions of our sole Shareholder passed on 31 January 2018” in Appendix V to this prospectus.

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## SHARE CAPITAL

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### GENERAL MANDATE TO REPURCHASE SHARES

Conditional on conditions as stated in the paragraph headed “Structure and conditions of the Share Offer — Conditions of the Share Offer” in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of not more than 10% of the number of the Shares issued and to be issued immediately following the completion of the Share Offer and the Capitalisation Issue.

This general mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the GEM Listing Rules and all applicable laws. A summary of the relevant requirements in the GEM Listing Rules is set out in the paragraph headed “Repurchase of the Shares by our Company” in the section headed “Statutory and general information — A. Further information about our Company — 6. Repurchase of the Shares by our Company” in Appendix V to this prospectus.

This general mandate will expire:

- at the conclusion of our Company’s next annual general meeting; or
- the expiration of the period within which our Company is required by the Articles or any applicable laws of Cayman Islands to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

For further details of this general mandate, please see the paragraph headed “Statutory and general information — A. Further information about our Company — 3. Written resolutions of our sole Shareholder passed on 31 January 2018” in Appendix V to this prospectus.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, please refer to the section headed “Summary of the constitution of our Company and the Cayman Islands Companies Law” in Appendix IV to this prospectus.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis with our audited consolidated financial information for the two years ended 31 December 2016 and the eight months ended 31 August 2017, including the notes thereto, included in the accountants' report set out in Appendix I to this prospectus. The accountants' report has been prepared in accordance with HKFRS. You should read the entire accountants' report and not merely rely on the information contained in this section.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections headed "Risk factors" and "Forward-looking statements" in this prospectus.*

### OVERVIEW

We are principally engaged as a subcontractor for the provision of supply, installation and fitting-out services of MVAC system for various types of private and public building projects including infrastructural, commercial and residential building projects in Hong Kong and Macau.

### BASIS OF PRESENTATION

Prior to the Reorganisation, the entire equity interests of Botop Macau and Wing Fung HK, being the operating subsidiaries of our Group, were directly held by our Controlling Shareholders. Pursuant to the Reorganisation, our Company has become the holding company of Botop Macau and Wing Fung HK.

Our Group comprising our Company and our subsidiaries resulting from the Reorganisation has been under the common control of the Controlling Shareholders and is regarded as a continuing entity. Accordingly, our audited consolidated financial information set forth in Appendix I to this prospectus has been prepared as if our Company had always been the holding company of our Group.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows which include the results, changes in equity and cash flows of the companies now comprising our Group for the two years ended 31 December 2016 and the eight months ended 31 August 2017 have been prepared as if our Company had always been the holding company of our Group and the current group structure had been in existence throughout each of the two years ended 31 December 2016 and the eight months ended 31 August 2017, or since the respective dates of incorporation of the relevant entities, where this is a shorter period.

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## FINANCIAL INFORMATION

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The consolidated statements of financial position of our Group as at 31 December 2015, 31 December 2016 and 31 August 2017 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure has been in existence at those dates.

### **KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

Our financial conditions and results of operations have been and will continue to be affected by a number of factors, many of which may be beyond our control, including those factors set out in the section headed “Risk factors” in this prospectus and those set out below.

#### **Building projects market in Hong Kong and Macau**

During the Track Record Period, we derived all our revenue from the provision of supply, installation and fitting-out services of MVAC system for various types of private and public building projects in Hong Kong and Macau, the demand of which relates to the number of relevant projects available in Hong Kong and Macau, which may vary according to a combination of factors such as the amount of local government spending, investment prospects of Hong Kong and Macau, the local demand for buildings and infrastructure, supply of land and population growth of Hong Kong and Macau, etc.

The variation in the market demand for building projects in Hong Kong and Macau would therefore directly affect the demand for our services. Any fluctuation in the number of building projects in Hong Kong and Macau may adversely and materially affect our business and our results of operation.

#### **Awarding of tenders**

Our business operates on a project-by-project basis. Thus, our Group’s ability to compete for and secure sizeable and profitable projects is one of the main contributors to our success as well as a key to maintain our profitability. We secure new contracts mainly through tender invitations from our customers. In the event that our Group is unable to be awarded new contracts, our revenue and financial performance may be adversely affected.

#### **Subcontracting charges and materials and equipment costs**

Subcontracting charges and materials and equipment costs represent a significant portion of our cost of services. For each of the two years ended 31 December 2016 and the eight months ended 31 August 2017, (i) our subcontracting charges represented approximately 52.0%, 60.1% and 60.3% of our total actual costs (before net movement of amounts due from (to) customers for contract works) respectively; and (ii) our materials and equipment costs represented approximately 39.5%, 30.4% and 30.8% of our total actual costs (before net movement of amounts due from (to) customers for contract works) respectively.

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## FINANCIAL INFORMATION

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Our Directors consider that it is of utmost importance to predict project costs accurately as our fees are generally quoted as lump-sum contracts. In the preparation of the tender, we can only predict our operating costs, including subcontracting charges and materials and equipment costs, with reference to the preliminary quotations from potential suppliers and subcontractors and the experience of our management. Once the contract is awarded, in the event that the increase in subcontracting fees and materials and equipment costs is more than our Group's expectation, our profitability may be adversely affected and in extreme cases it may lead to loss for a project.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the actual subcontracting charges and materials and equipment costs on our profit before tax during the Track Record Period holding other factors constant. Given that (i) the average daily wages of local and foreign MVAC workers in Hong Kong and Macau recorded a range of CAGR from 4.2% to 12.8% and the price index of major materials and equipment in MVAC installation service recorded a range of CAGR from -4.2% to 4.3% from 2011 to 2016 according to the Frost & Sullivan Report, the hypothetical fluctuation rates set out at 5%, 10% and 20% below are therefore considered reasonable for the purpose of this sensitivity analysis:

<b>Hypothetical fluctuations of subcontracting charges</b>	+/-5%	+/-10%	+/-20%
<i>Increase/decrease in profit before tax</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the year ended 31 December 2015	+/-2,819	+/-5,637	+/-11,274
For the year ended 31 December 2016	+/-3,230	+/-6,460	+/-12,919
For the eight months ended 31 August 2017	+/-3,008	+/-6,016	+/-12,032
<b>Hypothetical fluctuations of materials and equipment costs</b>	+/-5%	+/-10%	+/-20%
<i>Increase/decrease in profit before tax</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the year ended 31 December 2015	+/-2,139	+/-4,278	+/-8,555
For the year ended 31 December 2016	+/-1,636	+/-3,272	+/-6,544
For the eight months ended 31 August 2017	+/-1,539	+/-3,079	+/-6,157

### **Collectability and timing of collection of our trade receivables and retention receivables**

We generally submit interim payment applications with details in relation to the amount of work done under the contract to our customer on a monthly basis. In practice, we generally submit interim payment applications for work done in the preceding month in the middle of a month. The customer will issue an interim certificate to certify our work done within 30 days from our payment application. The customer will then make payment based on the certified amount less the retention money within 45 days from the issuance of the certificate. A portion of such interim payment, normally 10% of each interim payment and subject to a ceiling of up to 5% of the total contract sum, might be withheld by our customers as retention money and will only be fully remitted to us after the defect liability period. Accordingly, there can be no assurance that our trade receivables and retention money will be remitted by our customers to us on a timely basis and in full. Any late payment, whether arising from payment practice of our customers or delay in completion of the project, may adversely affect our future liquidity position.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial information has been prepared in accordance with HKFRS. We have identified certain accounting policies that are critical to the preparation of our financial information. These accounting policies are important for an understanding of our results of operations and financial position and are set forth in note 4 of the accountants' report in Appendix I to this prospectus.

In addition, the preparation of the financial information requires our management to make significant and subjective estimates, assumptions and judgments that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each of the two years ended 31 December 2016 and the eight months ended 31 August 2017. However, uncertainties about these assumptions, estimates and judgments could result in outcomes that require a material adjustment to the carrying amounts of the assets and liabilities in the future. These key assumptions and estimates are set forth in note 5 of the accountants' report in Appendix I to this prospectus.

We believe the following critical accounting policies and accounting estimates involve the most significant or subjective judgments and estimates used in the preparation of the financial information.

#### **Accounting policies**

##### *Revenue recognition*

Revenue is measured at fair value of the consideration received or receivable.

Revenue from construction contracts is based on the stage of completion at the end of the reporting period. The percentage of completion is determined using methods that measure reliably the work performed to date relative to the estimated total contract revenue.

##### *Construction contracts*

During the Track Record Period, where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, measured based on the surveys of work performed to date relative to the estimated total contract revenue (the “**Output Method**”). The management of our Group considers that such method is more representable of the stage of completion of contract activity after taking into account the actual installation status of materials and measures reliably the work performed by our Group. The percentage that contract costs incurred for work performed to date relative to the estimated total contract costs (the “**Input Method**”) was not adopted by our Group in measuring the percentage of completion of the construction contracts during the Track Record Period. Based on preliminary analysis, the management of our Group anticipates that the application of HKFRS 15 will have no significant impact on the revenue recognition of our Group and the Output Method will continue to be adopted by our Group upon the adoption of HKFRS15.

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## FINANCIAL INFORMATION

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Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised by reference to the stage of completion.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract works. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract works. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under trade receivables.

### **Accounting estimates**

#### *Percentage of completion of construction works*

Our Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by our management on the basis of quotations from time to time provided by our major customers, subcontractors and suppliers involved and the experience of our management. In order to keep the budget accurate and up-to-date, our management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

Recognised amounts of construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

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**FINANCIAL INFORMATION**

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**RESULTS OF OPERATIONS**

The following table sets forth our consolidated statements of profit or loss and other comprehensive income during the Track Record Period as extracted from the accountants' report as set out in Appendix I to this prospectus.

	<b>Year ended 31 December</b>		<b>Eight months ended 31 August</b>	
	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Revenue	128,592	134,366	80,643	125,213
Cost of services	<u>(105,855)</u>	<u>(109,733)</u>	<u>(66,295)</u>	<u>(99,686)</u>
Gross profit	22,737	24,633	14,348	25,527
Other income	2,924	731	675	156
Administrative expenses	(7,427)	(7,315)	(4,768)	(7,910)
Listing expenses	—	—	—	(9,694)
Finance costs	<u>(379)</u>	<u>(114)</u>	<u>(107)</u>	<u>(24)</u>
Profit before tax	17,855	17,935	10,148	8,055
Income tax expense	<u>(2,171)</u>	<u>(2,530)</u>	<u>(1,397)</u>	<u>(2,597)</u>
Profit for the year/period	15,684	15,405	8,751	5,458
Other comprehensive (expense) income for the year/period	<u>(250)</u>	<u>126</u>	<u>(38)</u>	<u>(81)</u>
Total comprehensive income for the year/period	<u><u>15,434</u></u>	<u><u>15,531</u></u>	<u><u>8,713</u></u>	<u><u>5,377</u></u>

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**FINANCIAL INFORMATION**

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**DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**Revenue**

During the Track Record Period, all of our revenue was principally generated from our provision of supply, installation and fitting-out services of MVAC system for various types of private and public building projects including infrastructural, commercial and residential building projects in Hong Kong and Macau. The following table sets forth the breakdown of our revenue by geographic locations during the Track Record Period:

	Year ended 31 December				Eight months ended 31 August			
	2015		2016		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
					(unaudited)			
Hong Kong	35,973	28.0	89,404	66.5	51,506	63.9	84,281	67.3
Macau	92,619	72.0	44,962	33.5	29,137	36.1	40,932	32.7
	<u>128,592</u>	<u>100.0</u>	<u>134,366</u>	<u>100.0</u>	<u>80,643</u>	<u>100.0</u>	<u>125,213</u>	<u>100.0</u>

The following table sets forth the breakdown of our revenue by public and private sectors during the Track Record Period:

	Year ended 31 December				Eight months ended 31 August			
	2015		2016		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Private sector	115,022	89.4	120,576	89.7	79,261	98.3	89,082	71.1
Public sector	13,570	10.6	13,790	10.3	1,382	1.7	36,131	28.9
	<u>128,592</u>	<u>100.0</u>	<u>134,366</u>	<u>100.0</u>	<u>80,643</u>	<u>100.0</u>	<u>125,213</u>	<u>100.0</u>

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During the Track Record Period, our revenue was generated from a total of 23 contracts. Details of such projects are set out in the following table:

Project No.	Year ended 31 December		Eight months ended	Aggregate revenue recognised during the Track Record Period
	2015	2016	31 August 2017	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Project #1	13,570	5,171	—	18,741
Project #2	301	—	—	301
Project #3	663	—	—	663
Project #4	16,857	40,252	—	57,109
Project #5	—	433	—	433
Project #6	—	2,348	—	2,348
Project #7	—	1,047	—	1,047
Project #8	—	1,340	—	1,340
Project #9	—	613	—	613
Project #10	—	5,843	396	6,239
Project #11	4,034	—	—	4,034
Project #12	4,066	611	1,162	5,839
Project #13	21,813	4,396	2,120	28,329
Project #14	37,097	9,060	860	47,017
Project #15	24,393	5,354	—	29,747
Project #16	1,215	—	—	1,215
Project #17	—	547	—	547
Project #18	4,583	11,956	12,030	28,569
Project #19	—	16,950	34,850	51,800
Project #20	—	3,451	36,131	39,582
Project #21	—	—	420	420
Project #22	—	—	454	454
Project #24	—	24,994	36,790	61,784
Total	<u>128,592</u>	<u>134,366</u>	<u>125,213</u>	<u>388,171</u>

For details of the above projects, please refer to the paragraphs headed “Business — Our projects” in this prospectus.

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### Cost of services

Our Group's cost of services primarily consisted of subcontracting charges and materials and equipment costs. The following table sets out the breakdown of our Group's cost of services by types and their contribution to the total cost of services of our Group during the Track Record Period:

	Year ended 31 December				Eight months ended 31 August			
	2015		2016		2016		2017	
	<i>HKS'000</i>	%	<i>HKS'000</i>	%	<i>HKS'000</i>	%	<i>HKS'000</i>	%
Direct labour costs	4,469	4.1	6,841	6.4	3,767	6.8	6,466	6.5
Subcontracting charges	56,372	52.0	64,595	60.1	39,527	71.3	60,158	60.3
Materials and equipment costs	42,775	39.5	32,721	30.4	11,103	20.0	30,787	30.8
Others	4,809	4.4	3,344	3.1	1,035	1.9	2,395	2.4
Actual costs	108,425	100.0	107,501	100.0	55,432	100.0	99,806	100.0
Add: Net movement of amounts due from (to) customers for contract works	(2,570)		2,232		10,863		(120)	
Cost of services	<u>105,855</u>		<u>109,733</u>		<u>66,295</u>		<u>99,686</u>	

Our cost of services represent costs and expenses directly attributable to our revenue generating activities and are recognised with reference to the stage of completion of each contract, which is, in turn, measured by the value of work certified during the relevant year or period. Our actual costs represent the actual amount paid to subcontractors, suppliers, our direct labour, etc., for the execution of our project works and may, therefore, vary from the direct costs recognised in the consolidated income statement. The net movement of amounts due from (to) customers for contract works arises as a result of such timing difference between incurred actual cost and cost attributable to revenue.

#### *Subcontracting charges*

Taking into account the availability of our in-house manpower resources, labour-intensiveness of the work involved and cost effectiveness, we generally do not carry out the labour-intensive work such as installation work and fitting-out work and we will subcontract such labour work to our subcontractors. Our subcontracting charges may vary depending on the work progress of the project and the corresponding level of labour work required.

#### *Materials and equipment costs*

Our materials and equipment costs were principally related to the air-conditioning equipment and materials, including pipes, duct, hoses and metal hardware and material related services such as insulating services of pipes. Our materials are consumed on a project-by-project basis and therefore we do not keep inventory.

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### Gross profit and gross profit margin

Our gross profit margin improved from approximately 17.7% for the year ended 31 December 2015 to approximately 18.3% for the year ended 31 December 2016. Our gross profit margin further improved from approximately 17.8% for the eight months ended 31 August 2016 to approximately 20.4% for the eight months ended 31 August 2017.

The following table sets forth the breakdown of our range of contract sum of the projects that generated revenue to us, gross profit and gross profit margin by geographic locations during the Track Record Period:

	Year ended 31 December						Eight months ended 31 August					
	2015		2016		2016		2017		2017		2017	
	Range of contract sum of the projects <i>HKS million</i>	Gross profit <i>HKS'000</i>	Gross profit margin %	Range of contract sum of the projects <i>HKS million</i>	Gross profit <i>HKS'000</i>	Gross profit margin %	Range of contract sum of the projects <i>HKS million</i>	Gross profit <i>HKS'000</i>	Gross profit margin %	Range of contract sum of the projects <i>HKS million</i>	Gross profit <i>HKS'000</i>	Gross profit margin %
Hong Kong	2.7 – 48.6	5,021	14.0	0.4 – 58.8	15,343	17.2	0.4 – 48.6	8,931	17.3	2.3 – 58.8	14,566	17.3
Macau	1.0 – 34.7	17,716	19.1	0.5 – 151.1	9,290	20.7	6.3 – 151.1	5,417	18.6	6.3 – 151.1	10,961	26.8
	<u>1.0 – 48.6</u>	<u>22,737</u>	<u>17.7</u>	<u>0.4 – 151.1</u>	<u>24,633</u>	<u>18.3</u>	<u>0.4 – 151.1</u>	<u>14,348</u>	<u>17.8</u>	<u>2.3 – 151.1</u>	<u>25,527</u>	<u>20.4</u>

The following table sets forth the breakdown of our range of contract sum of the projects that generated revenue to us, gross profit and gross profit margin by private and public sector during the Track Record Period:

	Year ended 31 December						Eight months ended 31 August					
	2015		2016		2016		2017		2017		2017	
	Range of contract sum of the projects <i>HKS million</i>	Gross profit <i>HKS'000</i>	Gross profit margin %	Range of contract sum of the projects <i>HKS million</i>	Gross profit <i>HKS'000</i>	Gross profit margin %	Range of contract sum of the projects <i>HKS million</i>	Gross profit <i>HKS'000</i>	Gross profit margin %	Range of contract sum of the projects <i>HKS million</i>	Gross profit <i>HKS'000</i>	Gross profit margin %
Private sector	1.0 – 48.6	22,655	19.7	0.5 – 151.1	23,077	19.1	2.7 – 151.1	14,220	17.9	2.3 – 151.1	19,144	21.5
Public sector	24.4 – 24.4	82	0.6	0.4 – 53.7	1,556	11.3	0.4 – 24.4	128	9.3	53.7 – 53.7	6,383	17.7
	<u>1.0 – 48.6</u>	<u>22,737</u>	<u>17.7</u>	<u>0.4 – 151.1</u>	<u>24,633</u>	<u>18.3</u>	<u>0.4 – 151.1</u>	<u>14,348</u>	<u>17.8</u>	<u>2.3 – 151.1</u>	<u>25,527</u>	<u>20.4</u>

Our Directors are of the view that though we provide supply, installation and fitting-out services of MVAC system for various types of private and public building projects including infrastructural, commercial and residential building projects in Hong Kong and Macau, our overall works procedures and operation for different types of building projects as well as the requirements by our private and public customers on our workmanship are substantially similar. Accordingly, there is no clear benchmark of gross profit margin for each type of our projects.

Our gross profit margin of each individual project instead depends on a number of factors, including tender price, scope of work, location of work, technical complexity, variation orders and work schedule required by our customers, and therefore varies from project to project. In particular, other things being constant, we generally recorded higher gross profit margin for projects that (i) are in remote locations due to less competition in tendering; and (ii) incur substantial amount of variation orders given that such additional work orders are (a) usually carried out by the same materials and equipment we initially procured for the project; and (b) charged at a relatively higher rate if such works are not covered in the schedule of rates of the contract.

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Please refer to the paragraphs headed “Period to period comparison of results of operations” below in this section for a discussion of the fluctuation of our Group’s gross profit margin during the Track Record Period.

### Other income

The table below sets forth a breakdown of our Group’s other income by nature during the Track Record Period:

	Year ended 31 December				Eight months ended 31 August			
	2015		2016		2016		2017	
	HKS'000	%	HKS'000	%	HKS'000	%	HKS'000	%
Bank interest income	—	—	—	—	—	—	4	2.6
Income from provision of labour to subcontractors	787	26.9	91	12.5	91	13.5	—	—
Consultancy income	1,737	59.4	—	—	—	—	—	—
Repair and maintenance service income	174	6.0	229	31.3	217	32.1	121	77.6
Sales of materials	118	4.0	122	16.7	66	9.8	9	5.8
Income from insurance compensation	—	—	210	28.7	210	31.1	—	—
Net exchange gain	—	—	—	—	12	1.8	—	—
Others	108	3.7	79	10.8	79	11.7	22	14.0
	<u>2,924</u>	<u>100.0</u>	<u>731</u>	<u>100.0</u>	<u>675</u>	<u>100.0</u>	<u>156</u>	<u>100.0</u>

Income from provision of labour to subcontractors represents the fee we received by having our assigned foreign labour, who are the employees of the main contractor of the same project, to provide services to other subcontractors, net of the payroll we paid to such foreign labours.

Consultancy income represents the fees we received from our provision of pre-project technical support, project management, testing and commissioning services. On 2 January 2015, we entered into a service agreement (the “**Macau Consultancy Agreement**”) with our customer and we agreed to provide the above mentioned services to our customer for 4 projects located in Macau. The Macau Consultancy Agreement set out the fixed lump-sum service charges for our provision of the above consultancy services for each project and the aggregate service charges was MOP1,750,000. The customer shall make payment to us within 90 days after we have completed the consultancy works.

In consideration of (i) the experience of the personnel of Cheuk Yat Engineering, a company established in 2013 and one of our top five subcontractors during the Track Record Period which was controlled by Mr. Chung Cheuk Him (Mr. Chung Cheuk Him is Mr. Chung’s nephew-in-law and a previous employee of Wing Fung HK. He holds a bachelor’s degree in building services engineering and a master’s degree in project management and has also worked as a project engineer in relation to the MVAC installation in Customer D2 for over 3 years); and (ii) that it would be more time and cost-efficient for our Group to engage a third party to perform such works in light of the available resources and manpower of our Group at that time, on 28 January 2015, we

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entered into a service agreement (the “**Cheuk Yat Agreement**”) with Cheuk Yat Engineering as our service provider to perform the consultancy works under the Macau Consultancy Agreement. Our Macau legal advisors are of the view that based on (i) the Macau Consultancy Agreement; (ii) the fact that the relevant customer had been aware of and agreed to allow Botop Macau to subcontract the works to other third parties; and (iii) relevant Macau law, we are allowed to subcontract the consultancy works under the Macau Consultancy Agreement to other third party. The scope of work covered in the Cheuk Yat Agreement mirrors the scope of work of the Macau Consultancy Agreement and the aggregate service fee charged by Cheuk Yat Engineering was MOP1,430,380. We shall make payment to Cheuk Yat Engineering after it has completed the consultancy works. Our work for the Macau Consultancy Agreement had been completed in December 2015. Our executive Directors are of the view that the consultancy income we generated from our provision of pre-project technical support, project management, testing and commissioning services and our engagement with Cheuk Yat Engineering are one-off in nature and are not the core business of our Group and therefore our Group will not engage in the provision of similar consultancy services going forward.

Income from insurance compensation represents the reimbursement of employee’s compensation insurance which was agreed and received in relation to compensation of workers for injury for the year or period.

### Administrative expenses

Administrative expenses mainly comprise staff costs, including directors’ emoluments, entertainment expenses and operating lease rental on premises, which in aggregate accounted for approximately 50.7%, 62.2% and 65.9% of our total administrative expenses for each of the two years ended 31 December 2016 and for the eight months ended 31 August 2017 respectively. The consultancy service fee for the year ended 31 December 2015 represented the fee we paid to Cheuk Yat Engineering for our procurement of consultancy services from it for our consultancy income generated in the same year. The breakdown of our administrative expenses for the Track Record Period is summarised below:

	Year ended 31 December				Eight months ended 31 August			
	2015		2016		2016		2017	
	<i>HKS'000</i>	%	<i>HKS'000</i>	%	<i>HKS'000</i>	%	<i>HKS'000</i>	%
Staff costs, including directors’ emoluments	2,093	28.2	2,643	36.1	1,775	37.2	4,066	51.4
Legal and professional fee	168	2.3	952	13.0	602	12.6	1,090	13.8
Travel expense	153	2.1	205	2.8	124	2.6	129	1.6
Insurance expense	9	0.1	58	0.8	45	0.9	17	0.2
Entertainment expenses	1,033	13.9	1,151	15.7	826	17.3	665	8.4
Motor vehicle expense	363	4.9	394	5.4	269	5.6	241	3.0
Operating lease rental on premises	636	8.6	758	10.4	536	11.2	482	6.1
Depreciation	29	0.4	31	0.4	19	0.4	33	0.4
Consultancy service fee	1,420	19.1	—	—	—	—	—	—
Others	1,523	20.5	1,123	15.4	572	12.0	1,187	15.0
	<u>7,427</u>	<u>100.0</u>	<u>7,315</u>	<u>100.0</u>	<u>4,768</u>	<u>100.0</u>	<u>7,910</u>	<u>100.0</u>

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### Finance costs

Our Group's finance costs during each of the Track Record Period, which related to the interests on bank overdrafts, a bank borrowing and bills payable, are set forth below:

	Year ended 31 December		Eight months ended 31 August	
	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Interest on bills payable	260	83	76	19
Interest on a bank borrowing	79	—	—	—
Interest on bank overdrafts	<u>40</u>	<u>31</u>	<u>31</u>	<u>5</u>
	<u>379</u>	<u>114</u>	<u>107</u>	<u>24</u>

For details of our bank overdrafts, bank borrowing and bills payable, please refer to the paragraphs headed “Description of certain items of consolidated statements of financial position — Trade and bills payables — Bills payables” and “Description of certain items of consolidated statements of financial position — Bank overdrafts and bank borrowing” in this section.

### Income tax expense

Our Hong Kong subsidiary is subject to Hong Kong Profits Tax at 16.5% of the estimated assessable profits during the Track Record Period. Our Macau subsidiary is subject to Macau Complementary Tax at 12.0% of the taxable income above MOP600,000 during the Track Record Period. Our Group has not been subject to any taxation in the Cayman Islands and BVI.

Our income tax expense was approximately HK\$2.2 million and HK\$2.5 million for each of the two years ended 31 December 2016 respectively; the effective tax rate for the same years were approximately 12.2% and 14.1% respectively. Our effective tax rate for the year ended 31 December 2015 was lower than the statutory tax rate of Hong Kong and close to the statutory tax rate of Macau as a major portion of our revenue (approximately 72.0%) was generated from our Macau operation during the same year. Our effective tax rate for the year ended 31 December 2016 was lower than the statutory tax rate of Hong Kong as part of our revenue (approximately 33.5%) was generated from our Macau operation during the same year.

Our income tax expense was approximately HK\$1.4 million and HK\$2.6 million for the eight months ended 31 August 2016 and 2017 respectively; the effective tax rate for the eight months ended 31 August 2016 and 2017 were approximately 13.8% and 32.2% respectively. The substantially higher effective tax rate than the statutory tax rate of Hong Kong and Macau for the eight months ended 31 August 2017 was mainly attributable to the nondeductible expense in relation to the Listing.

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### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Year ended 31 December 2016 compared to year ended 31 December 2015

##### *Revenue*

Our revenue increased from approximately HK\$128.6 million for the year ended 31 December 2015 to approximately HK\$134.4 million for the year ended 31 December 2016, representing an increase of approximately 4.5%.

The increase was principally due to (i) the new revenue of approximately HK\$52.2 million for the commencement of projects in particular Project #24, Project #19, Project #10 and Project #20, which together contributed approximately HK\$51.2 million of the increase in aggregate; (ii) the revenue recognised for the year ended 31 December 2016 of approximately HK\$5.3 million for Project #6, Project #7, Project #8 and Project #9 which contributed no revenue for the year ended 31 December 2015; and (iii) the increase in revenue of approximately HK\$30.8 million due to the increase in the amount of our works from prior year for Project #4 and Project #18.

The above increase was partially offset by (i) the absence in revenue of approximately HK\$6.2 million for the completion of our works in prior year and therefore generated no revenue for the year ended 31 December 2016 in particular the completion of Project #11 and Project #16 which together contributed approximately HK\$5.2 million of the decrease in aggregate; and (ii) the decrease in revenue of approximately HK\$76.3 million due to the decrease in the amount of our works from prior year in particular for Project #13, Project #14 and Project #15 which together contributed approximately HK\$64.5 million of the decrease in aggregate.

##### *Cost of services*

Cost of services increased from approximately HK\$105.9 million for the year ended 31 December 2015 to approximately HK\$109.7 million for the year ended 31 December 2016, or by approximately 3.7% which was similar to the extent of increase in our revenue in the same year. Being the major components of our cost of services, our actual materials and equipment costs decreased by approximately 23.5% while our subcontracting charges increased by approximately 14.6%.

The decrease in our actual materials and equipment costs and the increase in our subcontracting charges for the year ended 31 December 2016 from 2015 was principally due to the different characteristics of the subcontracting arrangement between the subcontractors in Hong Kong and Macau. For projects in Macau, we are normally requested by our subcontractors to procure materials and equipment and such materials and equipment costs are not responsible by our subcontractors in Macau and are therefore excluded in the subcontracting agreements entered into between us and them. For projects in Hong Kong, the materials and equipment costs are responsible by our subcontractors in Hong Kong and are therefore included in their subcontracting charges. As the contribution of revenue generated from Macau to our total revenue decreased from approximately

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72.0% for the year ended 31 December 2015 to approximately 33.5% for the year ended 31 December 2016, we recorded a decrease in our actual materials and equipment costs and the increase in our subcontracting charges during the same period.

### *Gross profit and gross profit margin*

Our gross profit increased by approximately 8.3% from approximately HK\$22.7 million for the year ended 31 December 2015 to approximately HK\$24.6 million for the year ended 31 December 2016. The extent of increase in our gross profit was larger than the extent of increase in our revenue due to our improved gross profit margin from approximately 17.7% to approximately 18.3% in the same years.

The improvement in our gross profit margin was principally resulted from (i) the commencement of Project #24 (which recorded a relatively higher gross profit margin); (ii) the increase in the amount of our works in Project #4 (which recorded a relatively higher gross profit margin); and (iii) the decrease in the amount of our works in Project #15 (which recorded a relatively lower gross profit margin), which was partially offset by (i) the decrease in the amount of our works and scale in Project #14 (which recorded a relatively higher gross profit margin); and (ii) the commencement of Project #19 (which recorded a relatively lower gross profit margin).

We recorded a higher gross profit margin for Project #24 as we, in addition to MVAC system installation works, also provided project management services to the customer and therefore generated additional revenue for this project with similar cost incurred.

We recorded a higher gross profit margin for Project #4 due to the remoteness of the work site in Hong Kong and the high amount of variation orders received from the customer. At the time of tendering for Project #4, due to the remoteness of the work site, we submitted our tender to the customer at a relatively higher price having taken into account the additional transportation cost we might pay to our workers of the project. Nevertheless, after the award of the project to us, we were informed by the customer that they shall arrange the transportation for the workers in this project and therefore the cost of our services for this project was lower than our previous estimation. The gross profit margin of Project #4 was further enhanced as we received a high amount of variation orders from the customer which were charged at a relatively higher rate by us as such works are not covered in the schedule of rates of the contract.

We recorded a lower gross profit margin for Project #15 due to the unexpected delay of work schedule of the whole construction project which resulted in the unexpected increase in our costs incurred.

We recorded a higher gross profit margin for Project #14 due to the high amount of variation orders received from the customer.

We recorded a lower gross profit margin for Project #19 as we faced an intense competition when bidding for this project and therefore we submitted a competitive but lower tender price to the customer.

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In terms of geographic locations, our gross profit margin for projects undertaken in Hong Kong improved from approximately 14.0% for the year ended 31 December 2015 to approximately 17.2% for the year ended 31 December 2016 principally due to the increase in the amount of our works in Project #4 (which recorded a relatively higher gross profit margin). Our gross profit margin for projects undertaken in Macau remained relatively stable at approximately 19.1% and 20.7% for each of the two years ended 31 December 2016 respectively.

In terms of project sector, our gross profit margin for private sector projects remained relatively stable at approximately 19.7% and 19.1% for each of the two years ended 31 December 2016 respectively. Our gross profit margin for public sector projects substantially improved from approximately 0.6% for the year ended 31 December 2015 to approximately 11.3% for the year ended 31 December 2016 principally due to the low gross profit margin of Project #1, which represent the only public sector project we undertook for the year ended 31 December 2015. We recorded a low gross profit margin for Project #1 principally due to (i) our inaccurate cost estimation for the project; and (ii) the unexpected high amount of variation orders requested by the customer of the project. In order to increase our chance of awarding the project, we agreed with the customer of the project that any variation orders incurred from such project would be charged at a relatively lower rate. Given the unexpected high amount of variation orders received from the customer subsequently, the gross profit margin of the project had been lowered. To minimise our risk exposure in relation to inaccurate cost estimation for the project in the future, we intend to recruit 2 qualified quantity surveyors who possess a degree in quantity surveying and registered with Royal Institution of Chartered Surveyors or Hong Kong Institute of Surveyors after Listing. For details, please refer to the paragraphs headed “Business — Business strategies — Employment of additional staff and provision of relevant training” in this prospectus.

### *Other income*

Other income decreased from approximately HK\$2.9 million for the year ended 31 December 2015 to approximately HK\$0.7 million for the year ended 31 December 2016, which was primarily due to the absence in our consultancy income and decrease in our income from provision of labour to subcontractors.

### *Administrative expenses*

Administrative expenses were relatively stable at approximately HK\$7.4 million for the year ended 31 December 2015 and approximately HK\$7.3 million for the year ended 31 December 2016.

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### *Finance costs*

Finance costs decreased from approximately HK\$0.4 million for the year ended 31 December 2015 to approximately HK\$0.1 million for the year ended 31 December 2016 principally due to (i) our full repayment of a term loan during the year ended 31 December 2015 and hence no relevant interest expense was recorded for the year ended 31 December 2016; and (ii) the decrease in the interest on bills payable given that the balance of our bills payable decreased from approximately HK\$2.9 million as at 31 December 2015 to nil as at 31 December 2016.

### *Income tax expense*

Our income tax expense was relatively stable at approximately HK\$2.2 million for the year ended 31 December 2015 and approximately HK\$2.5 million for the year ended 31 December 2016 principally due to our relatively stable profit before tax of approximately HK\$17.9 million for the two years ended 31 December 2016.

### *Profit for the year and net profit margin*

As a result of the foregoing, our profit for the year decreased slightly by approximately 1.8% from approximately HK\$15.7 million for the year ended 31 December 2015 to approximately HK\$15.4 million for the year ended 31 December 2016. The net profit margin decreased from approximately 12.2% for the year ended 31 December 2015 to approximately 11.5% for the year ended 31 December 2016 principally due to the decrease in our other income for the year ended 31 December 2016.

## **Eight months ended 31 August 2017 compared to eight months ended 31 August 2016**

### *Revenue*

Our revenue increased from approximately HK\$80.6 million for the eight months ended 31 August 2016 to approximately HK\$125.2 million for the eight months ended 31 August 2017, representing an increase of approximately 55.3%.

The increase was principally due to (i) the new revenue of approximately HK\$71.9 million for the commencement of projects in particular Project #19 and Project #20, which together contributed approximately HK\$71.0 million of the increase; and (ii) the increase in revenue of approximately HK\$26.2 million due to the increase in the amount of our works from prior period in particular Project #24 which contributed approximately HK\$24.9 million of the increase.

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The above increase was partially offset by (i) the absence in revenue of approximately HK\$39.9 million for the completion of our works in prior period and therefore generated no revenue for the eight months ended 31 August 2017 in particular the completion of Project #4 which contributed approximately HK\$33.5 million of the decrease; and (ii) the decrease in revenue of approximately HK\$12.6 million due to the decrease in the amount of our works from prior period in particular for Project #14 and Project #10 which together contributed approximately HK\$10.8 million of the decrease in aggregate.

### *Cost of services*

Cost of services increased from approximately HK\$66.3 million for the eight months ended 31 August 2016 to approximately HK\$99.7 million for the eight months ended 31 August 2017, or by approximately 50.4% which was lower than the extent of increase in our revenue in the same period due to our improved gross profit margin as discussed below.

### *Gross profit and gross profit margin*

Our gross profit increased by approximately 77.9% from approximately HK\$14.3 million for the eight months ended 31 August 2016 to approximately HK\$25.5 million for the eight months ended 31 August 2017. The extent of increase in our gross profit was larger than the extent of increase in our revenue due to our improved gross profit margin from approximately 17.8% to approximately 20.4% in the same period.

The improvement in our gross profit margin was principally resulted from the increase in the amount of our works in Project #24 (which contributed approximately 29.4% of our total revenue and recorded a relatively higher gross profit margin of approximately 24.8% for the eight months ended 31 August 2017), which was partially offset by the completion of our works in Project #4 (which recorded a relatively higher gross profit margin of approximately 20.0% for the eight months ended 31 August 2016).

Please refer to the paragraphs headed “Period to period comparison of results of operations — Year ended 31 December 2016 compared to year ended 31 December 2015 — Gross profit and gross profit margin” above in this section for the reasons of higher gross profit margin of Project #24 and Project #4.

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In terms of geographic locations, our gross profit margin for projects undertaken in Hong Kong remained relatively stable at approximately 17.3% for the eight months ended 31 August 2016 and 2017. Our gross profit margin for projects undertaken in Macau improved from approximately 18.6% for the eight months ended 31 August 2016 to approximately 26.8% for the eight months ended 31 August 2017 principally due to the increase in the amount of our works in Project #24 (which recorded a relatively higher gross profit margin).

In terms of project sector, our gross profit margin for private sector projects improved from approximately 17.9% for the eight months ended 31 August 2016 to approximately 21.5% for the eight months ended 31 August 2017 principally due to the increase in the amount of our works in Project #24 (which recorded a relatively higher gross profit margin) which was partially offset by the completion of our works in Project #4 (which recorded a relatively higher gross profit margin). Our gross profit margin for public sector projects improved from approximately 9.3% for the eight months ended 31 August 2016 to approximately 17.7% for the eight months ended 31 August 2017 principally due to the commencement of our work in Project #20 (which recorded a relatively higher gross profit margin).

We recorded a higher gross profit margin for Project #20 for the period due to the tight project schedule previously required by the relevant customer. At the time of tendering for Project #20, we were advised by the customer that the proposed project schedule was approximately 10 months from October 2016 to July 2017. We considered that such project schedule was relatively short as the average duration of the 16 projects that were awarded to our Group for the three years ended 31 December 2016 was approximately 18 months and therefore we submitted our tender to the customer at a relatively higher price. Nevertheless, after the award of the project to us we were instructed by the customer that the target completion date of the project was further extended to December 2017. Such revision of completion date did not result in any change in contract price but a decrease in the budget cost and hence the improvement of the gross profit margin of the project during the period.

### *Other income*

Other income decreased from approximately HK\$0.7 million for the eight months ended 31 August 2016 to approximately HK\$0.2 million for the eight months ended 31 August 2017 primarily due to the absence of income from insurance compensation and income from provision of labour to subcontractors for the eight months ended 31 August 2017 from the eight months ended 31 August 2016 and the decrease in repair and maintenance service income in the same period.

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### *Administrative expenses*

Administrative expenses increased from approximately HK\$4.8 million for the eight months ended 31 August 2016 to approximately HK\$7.9 million for the eight months ended 31 August 2017 principally due to the increase in our staff costs including directors' emoluments from approximately HK\$1.8 million to approximately HK\$4.1 million resulted from (i) the pay rise for our executive Directors from approximately HK\$0.9 million for the eight months ended 31 August 2016 to approximately HK\$2.0 million for the eight months ended 31 August 2017; and (ii) the discretionary bonus paid to Mr. Chung of HK\$0.5 million for the eight months ended 31 August 2017 (2016: nil).

### *Finance costs*

Finance costs decreased from approximately HK\$0.1 million for the eight months ended 31 August 2016 to approximately HK\$24,000 for the eight months ended 31 August 2017 principally due to the decrease in the interest on bills payable and bank overdrafts.

### *Income tax expense*

Our income tax expense increased from approximately HK\$1.4 million for the eight months ended 31 August 2016 to approximately HK\$2.6 million for the eight months ended 31 August 2017 principally due to the increase in our adjusted profit before income tax (excluding the non-recurring listing expenses) from approximately HK\$10.1 million for the eight months ended 31 August 2016 to approximately HK\$17.7 million for the eight months ended 31 August 2017.

### *Profit for the period and net profit margin*

Although we experienced an increase in both revenue and gross profit for the eight months ended 31 August 2017 from the corresponding period in 2016, we recorded a decrease in our net profit from approximately HK\$8.8 million for the eight months ended 31 August 2016 to approximately HK\$5.5 million for the eight months ended 31 August 2017 and our net profit margin from approximately 10.9% to approximately 4.4% mainly due to the listing expenses incurred in the same period. By excluding the listing expenses of approximately HK\$9.7 million incurred for the eight months ended 31 August 2017, we recorded an increase in our adjusted profit for the period from approximately HK\$8.8 million for the eight months ended 31 August 2016 to approximately HK\$15.2 million for the eight months ended 31 August 2017. Our adjusted net profit margin also increased from approximately 10.9% to approximately 12.1% in the same period principally due to the improvement in our gross profit margin during the same period.

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**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

The following table sets forth the consolidated statements of financial position during the Track Record Period, details of which are set out in the accountants' report in Appendix I to this prospectus.

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
			<i>HK\$'000</i>
<b>Non-current assets</b>			
Plant and equipment	<u>66</u>	<u>109</u>	<u>136</u>
	66	109	136
<b>Current assets</b>			
Amounts due from customers for contract works	4,866	9,079	5,742
Trade and other receivables, deposits and prepayments	43,723	46,215	48,158
Amount due from a director	9,554	20,708	—
Amounts due from related companies	1,239	—	—
Pledged and restricted bank deposits	—	—	5,716
Bank balances and cash	<u>5,549</u>	<u>14,977</u>	<u>26,373</u>
	64,931	90,979	85,989
<b>Current liabilities</b>			
Amounts due to customers for contract works	3,837	10,315	6,818
Trade and bills payables	14,623	11,985	17,280
Other payables and accrued expenses	1,140	1,550	1,549
Amount due to a shareholder of the holding company	—	81	—
Amounts due to related companies	12,259	8,720	5,267
Tax payable	3,056	5,187	7,812
Bank overdrafts — secured	<u>2,729</u>	<u>2,404</u>	<u>—</u>
	37,644	40,242	38,726
<b>Net current assets</b>	<u>27,287</u>	<u>50,737</u>	<u>47,263</u>
<b>Total assets less current liabilities</b>	<u><u>27,353</u></u>	<u><u>50,846</u></u>	<u><u>47,399</u></u>
<b>Capital and reserves</b>			
Share capital	25	7	8
Reserves	<u>27,328</u>	<u>50,839</u>	<u>47,391</u>
	<u><u>27,353</u></u>	<u><u>50,846</u></u>	<u><u>47,399</u></u>

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### DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

#### Plant and equipment

Our plant and equipment principally comprised furniture, fixtures and equipment and motor vehicles. As of 31 December 2015, 31 December 2016 and 31 August 2017, our plant and equipment amounted to approximately HK\$66,000, HK\$109,000 and HK\$136,000, respectively. The increase in plant and equipment from 31 December 2015 to 31 December 2016 and from 31 December 2016 to 31 August 2017 was principally attributable to our purchase of office equipment, furniture and fixture.

#### Amounts due from/to customers for contract works

We recognise revenue from our contracts based on the stage of completion of the contracts as certified by our customers and our customers issue interim certificates which our billing bases upon. Our Group records gross amounts due from customers for contract works when the sum of the costs incurred for a project and the respective recognised profit (less recognised loss) is greater than the amount of progress billings of the project. On the other hand, our Group records gross amounts due to customers for contract works when the sum of the costs incurred for a project and the respective recognised profit (less recognised loss) is less than the amount of progress billings of the project.

The following table sets out our Group's gross amounts due from/to customers for contract works as at each reporting date:

	As at 31 December		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2017
			HK\$'000
Amounts due from customers for contract works	4,866	9,079	5,742
Amounts due to customers for contract works	(3,837)	(10,315)	(6,818)
Net amounts due from/(to) customers for contract works	1,029	(1,236)	(1,076)

The amounts due from/to customers for contract works are usually affected by the volume and value of the works we performed close to the end of each reporting period and the timing of receiving interim certificates, and thus vary from period to period.

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**Trade and other receivables, deposits and prepayments**

The following table sets out the breakdown of trade and other receivables, deposits and prepayments as at the dates indicated:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2017</b>
			<i>HK\$'000</i>
Trade receivables	29,902	28,304	24,898
Retention receivables	11,686	16,859	18,344
Deferred listing expenses	—	—	2,912
Other receivables, deposits and prepayments	<u>2,135</u>	<u>1,052</u>	<u>2,004</u>
	<u><u>43,723</u></u>	<u><u>46,215</u></u>	<u><u>48,158</u></u>

*Trade receivables*

Our trade receivables were relatively stable at approximately HK\$29.9 million as at 31 December 2015 and approximately HK\$28.3 million as at 31 December 2016. Our trade receivables decreased from approximately HK\$28.3 million as at 31 December 2016 to approximately HK\$24.9 million as at 31 August 2017 which was mainly due to the collection of trade receivables from our three major customers including Customer Group A, Customer B and Customer Group D.

The following table sets out our aging analysis of trade receivables from customers, presented based on valuation dates of payment certificates which approximate the revenue recognition date, as at the dates indicated:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2017</b>
			<i>HK\$'000</i>
0 to 30 days	13,156	17,044	9,330
31 to 60 days	12,000	9,048	502
61 to 90 days	2,510	—	7,284
91 to 180 days	—	—	5,990
181 days to 1 year	2,236	—	—
Over 1 year	<u>—</u>	<u>2,212</u>	<u>1,792</u>
	<u><u>29,902</u></u>	<u><u>28,304</u></u>	<u><u>24,898</u></u>

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Approximately HK\$5.3 million, HK\$2.2 million and HK\$15.6 million of our trade receivables as at 31 December 2015, 31 December 2016 and 31 August 2017 respectively were past due at the end of the year/period for which our Group has not recognised an allowance for doubtful debts. Of the approximately HK\$15.6 million that were past due as at 31 August 2017, approximately HK\$13.3 million which aged from 61 to 180 days was attributable to Customer Group F. The credit period we agreed with Customer Group F was 45 days in general from our application of interim payment to our customer. As the customer had been late in issuing the interim certificate to certify our work done in Project #19 for the two months ended 30 June 2017, the relevant settlement had been delayed as well. Our Directors consider that there has not been a significant change in credit quality of the trade receivables and there is no recent history of default, therefore the amounts are considered recoverable.

As at the Latest Practicable Date, approximately 92.8% of the trade receivables outstanding as at 31 August 2017 were settled.

The outstanding amount of our trade receivables which had aged over 1 year of approximately HK\$2.2 million as at 31 December 2016 and approximately HK\$1.8 million as at 31 August 2017 represented the trade receivables from our customer for a project in Macau which was completed before the Track Record Period. To the best knowledge of our Directors and project team, the developer of such project is holding the contract payment to the main contractor and therefore the contract payment from such main contractor to our customer and from our customer to us was also delayed. Our Directors are of the view that the balances are still considered fully recoverable as our Group has continuous communication with the customer and the partial settlement of approximately HK\$0.4 million was received by us subsequent to 31 December 2016 and up to 31 August 2017.

The following table sets out the trade receivables turnover days for the years/period indicated:

	<b>Year ended 31 December</b>			<b>Eight months ended</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>	
	<i>days</i>	<i>days</i>	<b>2017</b>	
			<i>days</i>	
Trade receivables turnover days	75.8	79.1	51.6	

*Note:* Trade receivables turnover days are calculated by dividing the average of beginning and ending trade receivable balances by revenue for the relevant year/period and multiplied by 365 days for the two years ended 31 December 2016 and by 243 days for the eight months ended 31 August 2017.

The credit period we agreed with our customers ranges from 30 to 45 days in general from our application of interim payment to our customer or, if applicable, our issuance of invoice. In practice, we generally submit interim payment applications for work done in the preceding month in the middle of a month. The customer will issue an interim certificate to

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certify our work done within 30 days from our payment application. The customer will then make payment based on the certified amount less the retention money within 45 days from the issuance of the certificate. Given that our trade receivables are recognised based on valuation dates of payment certificates, we recorded a longer trade receivables turnover days than the stipulated credit period we agreed with our customers but are in line with the payment practice of our customers. In addition, some of our customers may require us to further issue invoices to them after their issuance of payment certificates and therefore it may take an even longer period for the settlement.

### *Retention receivables*

Retention money is retained by some of our customers at a rate of 10% usually of each interim payment made to us, subject to a cap of 5% of the contract sum. In general, 50% of the retention money is released to us upon receipt of certificate of practical completion by the main contractors from the ultimate customers and the remaining 50% will be released to us upon expiration of the defect liability period of a project, which is 12 months in general.

The following table sets out the aging analysis of the retention receivables based on the expiry of the defect liability period as at the dates indicated:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2017</b>
			<i>HK\$'000</i>
Within one year	—	7,659	7,249
After one year	<u>11,686</u>	<u>9,200</u>	<u>11,095</u>
	<u><u>11,686</u></u>	<u><u>16,859</u></u>	<u><u>18,344</u></u>

Our retention receivables increased from approximately HK\$11.7 million as at 31 December 2015 to approximately HK\$16.9 million as at 31 December 2016 alongside with the increase in our revenue. Our retention receivables was relatively stable at approximately HK\$18.3 million as at 31 August 2017.

### *Other receivables, deposits and prepayments*

Other receivables, deposits and prepayments mainly represented deposits for our purchase of materials and equipment, deposits for office and car park.

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### **Amounts due from (to) a director/a shareholder of the holding company/related companies**

Amount due from a director as at 31 December 2015 and 31 December 2016 represents the amount due from Mr. Chung to our Group. The amount is non-trade related, unsecured, interest-free and repayable on demand.

Amount due to a shareholder of the holding company as at 31 December 2016 represents the amount due to Ms. Chung from our Group, which represented the unsettled amount of dividend to Ms. Chung. For details, please refer to the paragraphs headed “Dividend” in this section below. The amount is non-trade related, unsecured, interest-free and repayable on demand.

As at 31 August 2017, the amount due from a director and the amount due to a shareholder of the holding company had been fully settled.

As at 31 December 2015, there were approximately HK\$1.2 million due from Garwin Engineering (Macau) Limited for our provision of fitting-out works for Project #16 and approximately HK\$27,000 due from Star Champion Engineering Limited for our provision of accounting services to it and our purchase of materials and subcontracting services from it. Garwin Engineering (Macau) Limited, a company incorporated in Macau on 17 April 2008 with limited liability, was principally engaged in the installation and fitting-out services of MVAC system and provision of fire engineering services and was owned as to 50% by Mr. Chung and 50% by an Independent Third Party. Mr. Chung has subsequently disposed of his entire interest in Garwin Engineering (Macau) Limited in January 2017. Star Champion Engineering Limited, a company incorporated in Hong Kong on 11 November 2006 with limited liability, was principally engaged in the installation and fitting-out services of MVAC system and is owned as to 40% by Mr. Chung’s brother and 30% by Mr. Chung’s spouse. The remaining interests in Star Champion Engineering Limited was owned by an Independent Third Party. Mr. Chung has confirmed to our Company that Star Champion Engineering Limited has ceased its business operation as at the Latest Practicable Date. The amounts due from the above related companies have been fully settled during the year ended 31 December 2016.

Amounts due to related companies represented (i) the amounts due to Cheuk Yat Engineering, a company controlled by Mr. Chung Cheuk Him, who is Mr. Chung’s nephew-in-law and a previous employee of Wing Fung HK, for our procurement of subcontracting and consultancy services from it; (ii) the amounts due to Tai Tak HK for our unsettled fee of the subcontracting services we procured from it; (iii) the amounts due to Tai Tak Macau, for our unsettled fee of the subcontracting services we procured from it before and during the Track Record Period; and (iv) the amounts due to Wing Fung Engineering Limited, a company in which children of Mr. Chung have controlling interests, for our purchase of subcontracting and rental services from it. Amounts due to Wing Fung Engineering Limited had been fully settled as at 31 August 2017.

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**Trade and bills payables**

The following table sets forth a breakdown of trade and bills payables as at the dates indicated:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	9,723	8,341	11,095
Retention payables	1,971	3,644	6,185
Bills payables	<u>2,929</u>	<u>—</u>	<u>—</u>
	<u>14,623</u>	<u>11,985</u>	<u>17,280</u>

*Trade payables*

Our trade payables mainly represented amounts payable to our suppliers and subcontractors.

Our trade payables decreased from approximately HK\$9.7 million as at 31 December 2015 to approximately HK\$8.3 million as at 31 December 2016 alongside with the decrease in our aggregate actual subcontracting charges and materials and equipment costs (before net movement of amounts due from (to) customers for contract works) from approximately HK\$99.1 million for the year ended 31 December 2015 to approximately HK\$97.3 million for the year ended 31 December 2016. The increase in our trade payables from approximately HK\$8.3 million as at 31 December 2016 to approximately HK\$11.1 million as at 31 August 2017 was principally due to the postponement of the settlement of our outstanding payment to Subcontractor A and Subcontractor F as we required additional time to negotiate with such subcontractors on their work done in Project #24 and Project #19 respectively.

The following table sets out the aging analysis of our trade payables as at the end of each of the reporting dates presented based on the invoice dates and the valuation dates of the payment certificates of our suppliers and subcontractors:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	6,670	5,703	6,802
31 to 60 days	1,659	1,979	3,578
61 to 90 days	497	290	391
91 to 180 days	595	28	—
181 days to 1 year	183	42	—
Over 1 year	<u>119</u>	<u>299</u>	<u>324</u>
	<u>9,723</u>	<u>8,341</u>	<u>11,095</u>

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The credit period granted by our suppliers ranges from 30 to 60 days against delivery in general. The credit period that we agreed with our subcontractors ranges from 25 to 35 days from the application of interim payment by our subcontractors in general.

As at the Latest Practicable Date, approximately 91.8% of the trade payables outstanding as at 31 August 2017 were settled.

The following table sets out our trade payables turnover days for the years/period indicated:

	Year ended 31 December		Eight months ended
	2015	2016	31 August 2017
	days	days	days
Trade payables turnover days	34.6	30.0	23.7

*Note:* Trade payables turnover days are calculated by dividing the average of beginning and ending trade payable balances by cost of services for the relevant year/period and multiplied by 365 days for the two years ended 31 December 2016 and by 243 days for the eight months ended 31 August 2017.

Our trade payables turnover days were approximately 34.6 days, 30.0 days and 23.7 days for the years ended 31 December 2015 and 31 December 2016 and the eight months ended 31 August 2017 respectively and are in line with the credit period we agreed with our suppliers and subcontractors.

### *Retention payables*

Retention payables mainly represent the amounts we withhold from progress payments to some of our subcontractors for 10% of the respective payment amount until the total retained sum reaches 5% of the total contract value to guarantee their work quality. 50% of the retention money is released to our subcontractors upon the receipt of certificate of practical completion by the main contractors from the ultimate customers and the remaining 50% will be released to them upon expiration of the defect liability period of a project, which is 12 months in general. For certain subcontractors, all of the retention money will be released in one go after the expiry of the defect liability period of the project.

### *Bills payables*

Our bills payables mainly represented the utilised amount of the trade facility granted by our bank for the settlement of our purchase from the suppliers and subcontractors. Our bills payables decreased from approximately HK\$2.9 million as at 31 December 2015 to nil as at 31 December 2016 and 31 August 2017.

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During the period from 1 January 2015 to 6 July 2017, such trade facility amounted to HK\$12.0 million and increased to HK\$13.0 million pursuant to the renewed banking facility agreement dated 6 July 2016 and carried interest rates at the bank's prime rate per annum for Hong Kong dollar and the bank's best rate per annum for foreign currencies and was secured by (i) the two legal charges over two properties of which one is held by Ms. Wong Sau Ping, the spouse of Mr. Chung, and one is held by Botop Engineering Limited, a company in which Mr. Chung and Ms. Wong Sau Ping have 65% and 35% equity interest respectively; (ii) the personal guarantee by Mr. Chung for HK\$15.0 million which was increased to HK\$20.0 million pursuant to the renewed banking facility agreement dated 6 July 2016; and (iii) the corporate guarantee by a company in which the associates of Mr. Chung have controlling interest and Mr. Chung has 0.02% equity interest (the "**Trade Facility**"). On 6 July 2017, the Trade Facility had been superseded and replaced by a new facility letter. For details, please refer to the paragraphs headed "Description of certain items of consolidated statements of financial position — Bank overdrafts and bank borrowing" in this section.

### **Other payables and accrued expenses**

Other payables and accrued expenses, which remained relatively stable at approximately HK\$1.1 million, HK\$1.6 million and HK\$1.5 million as at 31 December 2015, 31 December 2016 and 31 August 2017 respectively, mainly represented our accrued staff costs.

### **Tax payable**

Our tax payable as at 31 December 2015, 31 December 2016 and 31 August 2017 were approximately HK\$3.1 million, HK\$5.2 million and HK\$7.8 million respectively. Our income tax expenses for the years ended 31 December 2015 and 2016 and for the eight months ended 31 August 2017 were approximately HK\$2.2 million, HK\$2.5 million and HK\$2.6 million respectively. Our tax paid for the years ended 31 December 2015 and 2016 were approximately HK\$211,000 and HK\$426,000 respectively. We recorded a tax refund of approximately HK\$77,000 for the eight months ended 31 August 2017.

The disparity between our income tax expenses and tax paid for the two years ended 31 December 2016 was mainly due to the difference between the financial results reported for taxation purposes by our subsidiaries and the amount as reported in the accountants' report for the preparation of Listing. Please refer to the paragraphs headed "Business — Legal and regulatory compliance — Non-compliance — Non-compliance with the IRO in relation to the application for revision of tax returns and the CTR in relation to the application for revision of tax returns and tax enquiry from the FSB" in this prospectus for the details of and reasons for such difference.

### **Bank overdrafts and bank borrowing**

Our Group had an outstanding amount of approximately HK\$2.7 million and HK\$2.4 million bank overdrafts as at 31 December 2015 and 2016 respectively generated from two bank overdraft facilities, which were used for financing our Group's working capital. Our Group did not have any outstanding bank overdraft as at 31 August 2017.

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One of the two above-mentioned bank overdraft facilities amounted to HK\$3.0 million and increased to HK\$3.5 million pursuant to the renewed banking facility agreement dated 6 July 2016 and carried interest rates at 1% over the bank's prime rate per annum and was secured by the same collaterals under the Trade Facility during the period from 1 January 2015 to 6 July 2017 (the "**Overdraft Facility I**").

Another bank overdraft facility amounted to MOP5.0 million and carries interest rates at 1.5% over the bank's best lending rate per annum and was secured by (i) the pledge of fixed deposit of approximately RMB1.3 million of Mr. Chung; (ii) the promissory note for MOP5.0 million signed by Botop Macau; (iii) the personal guarantee by an associate of Mr. Chung for MOP1.5 million; and (iv) the personal guarantee by Mr. Chung for MOP5.0 million during the Track Record Period (the "**Overdraft Facility II**"). On 21 March 2017, we obtained a revised banking facility letter for the Overdraft Facility II stating that the above mentioned securities will be replaced by (i) the promissory note for MOP5.0 million signed by Botop Macau; and (ii) corporate guarantee of our Company upon Listing.

In addition to the Trade Facility, the Overdraft Facility I and the Overdraft Facility II, there were two other bank overdraft facilities and one corporate credit card facility available to us during the Track Record Period. One of the two bank overdraft facilities amounted to approximately HK\$2.6 million and carried interest rates at three-month Hong Kong Interbank Offered Rate ("**HIBOR**") plus 1.5% per annum and is secured by a life insurance policy with Mr. Chung as insured party during the period from 1 January 2015 to 6 July 2017 (the "**Overdraft Facility III**").

Another bank overdraft facility amounted to MOP0.5 million and carried fixed interest rate at 7.75% per annum and was secured by the fixed deposit of approximately HK\$0.6 million of Mr. Chung and his spouse during the period from 1 January 2015 to 27 February 2017 (the "**Overdraft Facility IV**"). On 27 February 2017, the Overdraft Facility IV had been terminated. The corporate credit card facility amounted to HK\$0.1 million and was secured by the same collaterals under the Trade Facility during the period from 1 January 2015 to 6 July 2017 (the "**Credit Card Facility**").

On 6 July 2017, the facility letter containing the Trade Facility, the Overdraft Facility I, the Overdraft Facility III and the Credit Card Facility had been superseded and replaced by a new facility letter containing (i) a bank overdraft of HK\$1.0 million secured by the deposit of Wing Fung HK of HK\$1.0 million and carries an interest rate at the deposit rate of the deposit securing the bank overdraft; and (ii) a trade facility of HK\$2.0 million secured by the deposit of Wing Fung HK of HK\$2.0 million and carries an interest rate at prime rate of the bank for HK\$ and best lending rate of the bank for foreign currencies.

On 6 November 2017, we obtained a term loan facility of up to HK\$20.0 million for a term of 36 months for our general working capital use (the "**Term Loan**"). The Term Loan carries an interest rate at prime rate of the bank for HK\$ plus 0.25% per annum and is secured by (i) the personal guarantee by Mr. Chung; and (ii) the corporate guarantee by a company in which the associates of Mr. Chung have controlling interest and Mr. Chung has 0.02% equity interest and the above mentioned securities shall be replaced by the corporate guarantee of our Company upon Listing.

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As at the Latest Practicable Date, the total amount of banking facilities available to our Group was approximately HK\$26.9 million and the total unutilised banking facilities of our Group was approximately HK\$5.6 million.

Our Directors confirm that our banking facilities were not subject to material covenants and our Group has not experienced any difficulty in obtaining bank borrowing, default in payment on bank borrowings or breach of finance covenants during the Track Record Period and up to the Latest Practicable Date and that they do not foresee any difficulty for our Group in obtaining bank borrowing after the Latest Practicable Date.

### **LIQUIDITY AND CAPITAL RESOURCES**

Our operation had been principally funded through a combination of cash generated from our operations, bank overdrafts, bank borrowings and advance from related parties during the Track Record Period. We also relied partly on the proceeds from the subscription of Shares by the Pre-IPO Investors to fund our operations for the year ended 31 December 2017. Upon completion of the Share Offer, our liquidity will be satisfied by a combination of proceeds from the Share Offer, cash generated from our operations and bank overdrafts.

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**Cash flow**

The following table summarises the net cash flow of our activities for the Track Record Period:

	Year ended 31 December		Eight months ended 31 August	
	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)			
Net cash from operating activities	5,821	12,988	12,113	7,841
Net cash used in investing activities	(6,593)	(13,039)	(11,313)	(5,772)
Net cash (used in) from financing activities	(2,138)	9,886	(107)	11,779
Net (decrease) increase in cash and cash equivalents	(2,910)	9,835	693	13,848
Effect of foreign exchange rate changes	(200)	(82)	(90)	(48)
Cash and cash equivalents at beginning of the year/period	5,930	2,820	2,820	12,573
Cash and cash equivalents at end of the year/period	2,820	12,573	3,423	26,373

*Net cash from operating activities*

Net cash from operating activities primarily consisted of profit before tax adjusted for non-cash items, such as depreciation of plant and equipment, loss on write-off of plant and equipment, interest expense and the effect of changes in working capital.

Cash flow generated from operating activities is the major source of funds of our Group during the Track Record Period. We primarily derive our cash inflows from the receipt of payments from our work. Our cash used in operations principally comprises payment of administrative expenses, purchases of materials and equipment and payment of subcontracting fees.

For the year ended 31 December 2015, our net cash from operating activities was approximately HK\$5.8 million, primarily as a result of the combined effects of (i) approximately HK\$18.3 million operating cash flows before movements in working capital; (ii) the increase in trade and bills payables of approximately HK\$0.8 million; (iii) the increase in other payables and accrued expenses of approximately HK\$0.3 million; and (iv) the increase in amounts due to related companies of approximately HK\$3.1 million, which was partially offset by (i) the net movement in amounts due from (to) customers for contract works of approximately HK\$2.6 million; (ii) the increase in trade and other

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receivables, deposits and prepayments of approximately HK\$12.7 million; (iii) the increase in amounts due from related companies of approximately HK\$1.2 million; and (iv) the income tax paid of approximately HK\$0.2 million.

For the year ended 31 December 2016, our net cash from operating activities was approximately HK\$13.0 million, primarily as a result of the combined effects of (i) approximately HK\$18.1 million operating cash flows before movements in working capital; (ii) the net movement in amounts due from (to) customers for contract works of approximately HK\$2.2 million; (iii) the decrease in amount due from related companies of approximately HK\$1.2 million; and (iv) the increase in other payables and accrued expenses of approximately HK\$0.4 million, which was partially offset by (i) the increase in trade and other receivables, deposits and prepayments of approximately HK\$2.3 million; (ii) the decrease in trade and bills payables of approximately HK\$2.7 million; (iii) the decrease in amounts due to related companies of approximately HK\$3.6 million; and (iv) the income tax paid of approximately HK\$0.4 million.

For the eight months ended 31 August 2017, our net cash from operating activities was approximately HK\$7.8 million, primarily as a result of the combined effects of (i) approximately HK\$8.1 million operating cash flows before movements in working capital; (ii) the increase in trade and bills payables of approximately HK\$5.3 million; (iii) the increase in other payables and accrued expenses of approximately HK\$3,000; and (iv) the income tax refund of approximately HK\$77,000, which was partially offset by (i) the net movement in amounts due from (to) customers for contract works of approximately HK\$0.1 million; (ii) the increase in trade and other receivables, deposits and prepayments of approximately HK\$2.2 million; and (iii) the decrease in amounts due to related companies of approximately HK\$3.4 million.

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### *Net cash used in investing activities*

For the years ended 31 December 2015 and 2016 and the eight months ended 31 August 2017, we had net cash used in investing activities of approximately HK\$6.6 million, HK\$13.0 million and HK\$5.8 million respectively which was mainly attributable to (i) the purchase of office equipment, furniture and fixture and motor vehicles of approximately HK\$10,000, HK\$78,000 and HK\$60,000; (ii) our advance to a director of approximately HK\$6.6 million, HK\$13.0 million and nil; and (iii) our placement of pledged bank deposits of nil, nil, and approximately HK\$5.7 million during the same years/period respectively.

### *Net cash (used in) from financing activities*

For the year ended 31 December 2015, our net cash used in financing activities was approximately HK\$2.1 million, mainly attributable to (i) repayment of a bank borrowing of approximately HK\$1.8 million; and (ii) payment of interest for our bank borrowing and bank overdrafts of approximately HK\$379,000; which was partially offset by the advance from Ms. Chung of approximately HK\$81,000 during the same year.

For the year ended 31 December 2016, our net cash from financing activities was approximately HK\$9.9 million, mainly attributable to the proceeds from the subscription of Shares by the First Pre-IPO Investor under the First Pre-IPO Subscription Agreement in the amount of HK\$10.0 million; which was partially offset by the payment of interest for our bank overdrafts and bills payable of approximately HK\$114,000 during the same year.

For the eight months ended 31 August 2017, our net cash from financing activities was approximately HK\$11.8 million, mainly attributable to the proceeds from the subscription of Shares by the Second Pre-IPO Investor under the Second Pre-IPO Subscription Agreement in the amount of HK\$15.0 million; which was partially offset by (i) the payment of interest for our bank overdrafts of approximately HK\$24,000 (ii) the repayment of advance from Ms. Chung of approximately HK\$81,000 and (iii) the dividend paid of approximately HK\$3.1 million during the same period.

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**Net current assets**

The following table sets forth the breakdown of our current assets and current liabilities as at the dates indicated:

	<b>As at 31 December</b>		<b>As at</b>	<b>As at 31</b>
	<b>2015</b>	<b>2016</b>	<b>31 August</b>	<b>December</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>	<i>2017</i>
			<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
<b>Current assets</b>				
Amounts due from customers for contract works	4,866	9,079	5,742	10,108
Trade and other receivables, deposits and prepayments	43,723	46,215	48,158	40,617
Amount due from a director	9,554	20,708	—	—
Amounts due from related companies	1,239	—	—	—
Pledged and restricted bank deposits	—	—	5,716	5,725
Bank balances and cash	<u>5,549</u>	<u>14,977</u>	<u>26,373</u>	<u>17,284</u>
	64,931	90,979	85,989	73,734
<b>Current liabilities</b>				
Amounts due to customers for contract works	3,837	10,315	6,818	4,909
Trade and bills payables	14,623	11,985	17,280	14,554
Other payables and accrued expenses	1,140	1,550	1,549	4,797
Amount due to a shareholder of the holding company	—	81	—	—
Amounts due to related companies	12,259	8,720	5,267	5,041
Tax payable	3,056	5,187	7,812	3,343
Bank borrowing	—	—	—	19,485
Bank overdrafts — secured	<u>2,729</u>	<u>2,404</u>	<u>—</u>	<u>72</u>
	37,644	40,242	38,726	52,201
<b>Net current assets</b>	<u><u>27,287</u></u>	<u><u>50,737</u></u>	<u><u>47,263</u></u>	<u><u>21,533</u></u>

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Our net current assets increased from approximately HK\$27.3 million as at 31 December 2015 to approximately HK\$50.7 million as at 31 December 2016. The increase in the net current assets was mainly due to (i) an increase of approximately HK\$4.2 million in amounts due from customers for contract works; (ii) an increase of approximately HK\$2.5 million in trade and other receivables, deposits and prepayments; (iii) an increase of approximately HK\$11.2 million in amount due from a director; (iv) an increase of approximately HK\$9.4 million in bank balances and cash; (v) a decrease of approximately HK\$2.6 million in trade and bills payables; (vi) a decrease of approximately HK\$3.5 million in amounts due to related companies; and (vii) a decrease of approximately HK\$0.3 million in bank overdrafts, which was partially offset by (i) a decrease of approximately HK\$1.2 million in amounts due from related companies; (ii) an increase of approximately HK\$6.5 million in amounts due to customers for contract works; (iii) an increase of approximately HK\$0.4 million in other payables and accrued expenses; (iv) an increase of approximately HK\$81,000 in amount due to a shareholder of the holding company; and (v) an increase of approximately HK\$2.1 million in tax payable.

Our net current assets decreased from approximately HK\$50.7 million as at 31 December 2016 to approximately HK\$47.3 million as at 31 August 2017. The decrease in the net current assets was mainly due to (i) a decrease of approximately HK\$3.3 million in amounts due from customers for contract works; (ii) a decrease of approximately HK\$20.7 million in amount due from a director; (iii) an increase of approximately HK\$5.3 million in trade and bills payables and (iv) an increase of approximately HK\$2.6 million in tax payable, which was partially offset by (i) an increase of approximately HK\$1.9 million in trade and other receivables, deposits and prepayments; (ii) an increase of approximately HK\$5.7 million in pledged bank deposits; (iii) an increase of approximately HK\$11.4 million in bank balances and cash; (iv) a decrease of approximately HK\$3.5 million in amounts due to customers for contract works; (v) a decrease of approximately HK\$1,000 in other payables and accrued expenses; (vi) a decrease of approximately HK\$81,000 in amounts due to a shareholder of the holding company; (vii) a decrease of approximately HK\$3.5 million in amounts due to related companies; and (viii) a decrease of approximately HK\$2.4 million in bank overdrafts.

Our net current assets decreased from approximately HK\$47.3 million as at 31 August 2017 to approximately HK\$21.5 million as at 31 December 2017. The decrease in the net current assets was mainly due to (i) a decrease of approximately HK\$7.5 million in trade and other receivables, deposits and prepayments; (ii) a decrease of approximately HK\$9.1 million in bank balances and cash; (iii) an increase of approximately HK\$3.2 million in other payables and accrued expenses; (iv) an increase of HK\$19.5 million in bank borrowing; and (v) an increase of approximately HK\$72,000 in bank overdrafts, which was partially offset by (i) an increase of approximately HK\$4.4 million in amounts due from customers for contract works; (ii) an increase of approximately HK\$9,000 in pledged bank deposits; (iii) a decrease of approximately HK\$1.9 million in amounts due to customers for contract works; (iv) a decrease of approximately HK\$2.7 million in trade and bills payables; (v) a decrease of approximately HK\$0.2 million in amounts due to related companies; and (vi) a decrease of approximately HK\$4.5 million in tax payable.

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For details of the movement of our current assets and liabilities items, please refer to the paragraphs headed “Description of certain items of consolidated statements of financial position” in this section.

### INDEBTEDNESS

The following table sets out our Group’s indebtedness as at the respective financial position dates:

	<b>As at 31 December</b>		<b>As at 31 August</b>	<b>As at 31 December</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current</b>				
Bills payables	2,929	—	—	—
Amount due to a shareholder of the holding company	—	81	—	—
Bank overdrafts — secured and guaranteed	2,729	2,404	—	72
Bank borrowing — unsecured and guaranteed	—	—	—	19,485
	<u>5,658</u>	<u>2,485</u>	<u>—</u>	<u>19,557</u>

Our total indebtedness decreased from approximately HK\$5.7 million as at 31 December 2015 to approximately HK\$2.5 million as at 31 December 2016 principally due to our repayment of bills payables.

Our total indebtedness decreased from approximately HK\$2.5 million as at 31 December 2016 to nil as at 31 August 2017 principally due to the full repayment of all of our indebtedness.

Our total indebtedness increased from nil as at 31 August 2017 to HK\$19.6 million as at 31 December 2017 due to the drawdown of the Term Loan and one of our bank overdraft facilities. As at 31 December 2017, the outstanding balances of the Term Loan was approximately HK\$19.5 million which was secured by (i) the personal guarantee by Mr. Chung for HK\$20.0 million; and (ii) the corporate guarantee for HK\$20.0 million by Wing Fung Engineering Limited, in which the associates of Mr. Chung have controlling interest and Mr. Chung has 0.02% equity interest and the above mentioned securities shall be replaced by the corporate guarantee of our Company upon Listing. In addition, as at 31 December 2017, the outstanding balances of the said bank overdrafts (i.e. the Overdraft Facility II) was approximately HK\$72,000 which was secured by (i) the pledge of fixed deposit of approximately RMB1.3 million of Mr. Chung; (ii) the promissory note for

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MOP5.0 million signed by Botop Macau; (iii) the personal guarantee by an associate of Mr. Chung for MOP1.5 million; and (iv) the personal guarantee by Mr. Chung for MOP5.0 million and the above mentioned securities shall be replaced by (i) the promissory note for MOP5.0 million signed by Botop Macau and (ii) corporate guarantee of our Company upon Listing.

Except as disclosed above, our Directors confirm that we do not have any material external financing plans.

For details of our indebtedness items, please refer to the paragraphs headed “Description of certain items of consolidated statements of financial position” in this section.

### **WORKING CAPITAL**

Our Directors have confirmed that we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus, taking into account our cash flows from operations, our available banking facilities and the expected net proceeds from the Share Offer.

### **CAPITAL EXPENDITURES**

Our Group’s capital expenditures consisted mainly of purchase of office equipment, furniture and fixture and motor vehicles of approximately HK\$10,000, HK\$78,000 and HK\$60,000 for the years ended 31 December 2015 and 2016 and for the eight months ended 31 August 2017 respectively. Our Group primarily funded our capital expenditures through internal resources.

### **COMMITMENTS**

#### **Capital commitment**

As at 31 December 2015, 31 December 2016 and 31 August 2017, we had no significant capital commitment.

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### Operating lease commitment

During the Track Record Period, our Group leased office premises, staff quarters and car parks under operating lease. The leases run for an initial period of 6 months to 2 years and are non-cancellable. The total future minimum lease payments under these leases are due as follow:

	As at 31 December		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2017
			HK\$'000
Within one year	619	880	598
In the second to fifth years inclusive	<u>321</u>	<u>401</u>	<u>120</u>
	<u>940</u>	<u>1,281</u>	<u>718</u>

Save as disclosed above, our Group did not have any outstanding contractual and capital commitments as at the Latest Practicable Date.

### CONTINGENT LIABILITIES, GUARANTEES AND PERFORMANCE BONDS

On 21 August 2015, Wing Fung HK provided a corporate guarantee to Wing Fung Engineering Limited, a company in which the associates of Mr. Chung have controlling interest and Mr. Chung has 0.02% equity interest, in an unlimited amount for a bank overdraft facility of HK\$1.0 million which was subsequently increased to HK\$1.2 million on 6 July 2016 (which is also under the personal guarantee from Mr. Chung). As at 31 December 2015 and 2016, the utilised amount of such bank overdraft facility by Wing Fung Engineering Limited was approximately HK\$1.0 million and nil respectively. On 9 March 2017, such bank overdraft facility has been terminated.

On 31 August 2015, Wing Fung HK provided a corporate guarantee to Botop Engineering Limited, a company in which Mr. Chung and his spouse have 65% and 35% equity interest respectively, in an unlimited amount for the residual balance of the mortgage loan facility of approximately HK\$2.9 million (which is also under the personal guarantee from Mr. Chung, Ms. Wong Sau Ping, and the children of Mr. Chung). Botop Engineering Limited is principally engaged in property holding business. The residual balance of the mortgage loan facility of approximately HK\$2.9 million is in relation to the residential property held by Botop Engineering Limited. As at the Latest Practicable Date, other than the holding of such residential property, Botop Engineering Limited had no other business operation. As at 31 December 2015 and 2016, the residual balances of such facility by Botop Engineering Limited was approximately HK\$2.9 million and HK\$2.7 million respectively. On 25 July 2017, the corporate guarantee by Wing Fung HK has been released.

On 6 July 2016, Wing Fung HK provided a corporate guarantee to Ms. Wong Sau Ping, the spouse of Mr. Chung, in an unlimited amount for a term loan of approximately HK\$6.4 million (which is also under the personal guarantee from Mr. Chung and the child

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of Mr. Chung). As at 31 December 2016, the residual balance of such term loan was approximately HK\$6.3 million. On 4 July 2017, the corporate guarantee by Wing Fung HK was released.

For certain projects, we are required to provide performance bonds at specified amount with a financial institution in favour of our customers, which will remain in effect until the end of defect liability period of the project. We had contingent liabilities with regard to performance bonds of approximately HK\$2.7 million and HK\$2.7 million as at 31 August 2017 and 31 December 2017 respectively. These performance bonds are secured by restricted bank deposits of the Group to a bank. On 16 January 2018, we have further purchased the performance bond for Project#20.

Furthermore, we are required by the customer of Project #26 to provide performance guarantee of such project by way of performance bond in an amount of approximately HK\$1.7 million, being 5% of the original contract sum of the project of approximately HK\$34.2 million before the commencement of the project i.e. June 2018. We intend to purchase such performance bond either by (i) our internal resources; or (ii) our internal resources as well as the additional net proceeds to us from the Share Offer if the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.42 per Offer Share.

As at 31 December 2017, being the latest practicable date for determining our indebtedness, save as disclosed above and apart from intra-group liabilities, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, or other similar indebtedness, or hire purchase commitments, liabilities under acceptances or acceptance credits, any guarantees or other material contingent liabilities.

### **OFF-BALANCE SHEET ARRANGEMENT**

As at the Latest Practicable Date, our Group did not have any off-balance sheet arrangements or commitments.

### **TRANSACTIONS WITH RELATED PARTIES**

During the Track Record Period, we had entered into certain related party transactions in relation to provision of supply, installation and fitting-out services of MVAC system to related parties, procurement of subcontracting services from related parties, purchase of materials from related parties, accounting services provided to related parties, procurement of consultancy services from related parties and procurement of rental services from related parties. Please refer to the paragraph headed “Related party transactions” in note 27 to the accountants’ report in Appendix I to this prospectus.

Other than (i) the procurement of subcontracting services from each of Star Champion Engineering Limited and Wing Fung Engineering Limited for the ad-hoc maintenance services of MVAC system of approximately HK\$0.5 million for the year ended 31 December 2015; and (ii) the procurement of consultancy services from Cheuk Yat Engineering of approximately HK\$1.4 million for the year ended 31 December 2015, all three transactions of which are not in relation to the principal business of our Group and therefore no independent third parties quotations were obtained at the time of entering into these

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contracts, the amounts of other related party transactions in relation to provision of supply, installation and fitting-out services of MVAC system to related parties, procurement of subcontracting services from other related parties, purchase of materials from related parties, accounting services provided to related parties and procurement of rental services from related parties were determined based on, where appropriate, the prevailing market price and/or quotations from independent third parties for similar scope of services. By comparing the quotations from related parties with the prevailing market price and quotation from independent third parties, our Directors are of the view and the Sponsor concurred that the related party transactions during the Track Record Period were conducted in arm's length basis and on normal commercial terms and terms that were comparable to those available from the Independent Third Parties in all material aspects and were fair and reasonable and in the interest of our Group as a whole.

Having considered the above and that the amounts of these related party transactions are immaterial as compared to the revenue and costs generated and incurred by our Group during the Track Record Period, in particular, (i) the provision of supply, installation and fitting-out services of MVAC system to related parties only accounted for approximately 0.9%, nil and nil of our total revenue during each of the Track Record Period respectively; (ii) the aggregate procurement of subcontracting services and materials from related parties only accounted for approximately 9.0%, 9.9% and 6.0% of our total cost of services during each of the Track Record Period respectively; (iii) the accounting services provided to related parties only accounted for approximately 3.7%, 2.1% and nil of our total other income during each of the Track Record Period respectively; and (iv) the aggregate procurement of consultancy services and rental services from related parties only accounted for approximately 24.3%, 5.6% and 0.8% of our total administrative expenses during each of the Track Record Period respectively, our Directors are of the view that 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 future performance.

### **DIVIDEND**

For the year ended 31 December 2016, a final dividend of HK\$2,038,000 was recognised as distribution by Botop Macau to its then shareholders, Mr. Chung and Ms. Chung, which was settled through the current account with them.

On 10 April 2017, an interim dividend of HK\$27,000,000 was declared and approved by our Company in favour of our Shareholders whose names appeared on the register of members of our Company on 31 December 2016, namely Wing Fung BVI and the First Pre-IPO Investor. For the dividend payable to Wing Fung BVI of approximately HK\$23,824,000, approximately HK\$20,708,000 of which had been settled by offsetting with amount due from a director on 10 April 2017 and the remaining approximately HK\$3,116,000 had been settled in cash on 10 April 2017. The remaining HK\$3,176,000 payable to the First Pre-IPO Investor was irrevocably waived by the First Pre-IPO Investor pursuant to a deed of waiver dated 10 April 2017. The amount waived was deemed as capital contribution from a shareholder and credited to capital reserve.

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On 24 October 2017, an interim dividend of HK\$34,000,000 was declared and approved by our Company in favour of our Shareholders whose names appeared on the registered of members of our Company as at the same date, namely Wing Fung BVI, the First Pre-IPO Investor and the Second Pre-IPO Investor. The dividend payable to Wing Fung BVI of approximately HK\$25,500,000 had been settled in cash on 24 October 2017 using our then internal resources. The bank balances and cash position of our Group was approximately HK\$31.7 million as at 30 September 2017. The remaining HK\$3,400,000 and HK\$5,100,000 payable to the First Pre-IPO Investor and the Second Pre-IPO Investor were irrevocably waived by the First Pre-IPO Investor and the Second Pre-IPO Investor respectively pursuant to a deed of waiver dated 24 October 2017. The amount waived was deemed as capital contribution from the shareholders and credited to capital reserve.

All the above mentioned dividend has been fully settled as at the Latest Practicable Date. Other than these payouts, no member of our Group had declared any dividend during the Track Record Period and up to the Latest Practicable Date.

There is no expected dividend payout ratio after the Listing. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Any final dividend for a financial year will be subject to Shareholders' approval. Shareholders will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares.

Dividends may be paid only out of our Company's distributable profits as permitted under the relevant laws. There can be no assurance that our Company will be able to declare or distribute the amount set out in any plan of our Board or at all. The past dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

### KEY FINANCIAL RATIOS

The following table sets out the key financial ratios of our Group during the Track Record Period:

	Year ended/ As at 31 December		Eight months ended/as at 31 August
	2015	2016	2017
Return on total assets <i>(Note 1)</i>	24.1%	16.9%	N/A
Return on equity <i>(Note 2)</i>	57.3%	30.3%	N/A
Current ratio <i>(Note 3)</i>	1.7 times	2.3 times	2.2 times
Quick ratio <i>(Note 4)</i>	1.7 times	2.3 times	2.2 times
Gearing ratio <i>(Note 5)</i>	10.0%	4.9%	—
Debt to equity ratio <i>(Note 6)</i>	0.4%	Net cash	Net cash
Interest coverage <i>(Note 7)</i>	48.1 times	158.3 times	336.6 times

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*Notes:*

1. Return on total assets is calculated by dividing net profit for the year by the total assets at the end of the respective year and expressed as a percentage. Return on total assets for the eight months ended 31 August 2017 is not comparable to full year figures.
2. Return on equity is calculated by dividing net profit for the year by the total equity at the end of the respective year and expressed as a percentage. Return on equity for the eight months ended 31 August 2017 is not comparable to full year figures.
3. Current ratio is calculated by dividing the total current assets by the total current liabilities as at the year/period-end date.
4. Quick ratio is calculated by dividing total current assets net of inventories by total current liabilities as at the year/period-end date.
5. Gearing ratio is calculated by dividing the amount due to a shareholder of the holding company and the bank overdrafts by total equity at the year/period-end date and expressed as a percentage.
6. Debt to equity ratio is calculated by dividing the bank overdrafts, the bills payables and the amount due to a shareholder of the holding company net of bank balances and cash at the end of the year/period by total equity at the end of the respective year/period and expressed as a percentage.
7. Interest coverage is calculated by the profit before interest and tax divided by the interest for the year/period.

### **Return on total assets**

Our return on total assets decreased from approximately 24.1% for the year ended 31 December 2015 to approximately 16.9% for the year ended 31 December 2016 principally due to the increase in our total assets which was mainly resulted from the increase in our bank balances and cash brought by the proceeds from the subscription of Shares by the First Pre-IPO Investor under the First Pre-IPO Subscription Agreement in the amount of HK\$10.0 million which was completed on 28 December 2016.

### **Return on equity**

Our return on equity decreased from approximately 57.3% for the year ended 31 December 2015 to approximately 30.3% for the year ended 31 December 2016 principally due to (i) the reason for the decrease in our return on total assets as discussed above; and (ii) the decrease in the our use of leverage for operation as our indebtedness level decreased from approximately HK\$5.7 million as at 31 December 2015 to approximately HK\$2.5 million as at 31 December 2016 principally due to our repayment of bills payables.

### **Current ratio and quick ratio**

Our current ratio improved from approximately 1.7 times as at 31 December 2015 to approximately 2.3 times as at 31 December 2016 principally due to the increase in our current assets resulted from the increase in our bank balances and cash brought by the proceeds from the subscription of Shares by the First Pre-IPO Investor under the First Pre-IPO Subscription Agreement which was completed on 28 December 2016 but a relatively

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## FINANCIAL INFORMATION

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stable current liabilities level of approximately HK\$37.6 million and approximately HK\$40.2 million as at 31 December 2015 and 2016 respectively. Our current ratio remained stable at approximately 2.2 times as at 31 August 2017. Our quick ratio was same as current ratio given that we had no inventory during the Track Record Period.

### **Gearing ratio**

Our gearing ratio improved from approximately 10.0% as at 31 December 2015 to approximately 4.9% as at 31 December 2016 principally due to the decrease in the our indebtedness level from approximately HK\$5.7 million as at 31 December 2015 to approximately HK\$2.5 million as at 31 December 2016 mainly resulted from our repayment of bills payables. Our gearing ratio further improved from approximately 4.9% as at 31 December 2016 to nil as at 31 August 2017 principally due to the full repayment of our indebtedness in the same period.

### **Debt to equity ratio**

Our debt to equity ratio improved from approximately 0.4% as at 31 December 2015 to net cash position as at 31 December 2016 principally due to the combined effect of (i) our repayment of bills payables; and (ii) the increase in our bank balances and cash brought by the proceeds from the subscription of Shares by the First Pre-IPO Investor under the First Pre-IPO Subscription Agreement. Our debt to equity ratio remained as net cash position as at 31 August 2017.

### **Interest coverage**

Our interest coverage ratio improved from approximately 48.1 times as at 31 December 2015 to approximately 158.3 times as at 31 December 2016 principally due to the larger extent of decrease in our finance costs of approximately 69.9% as compared with the extent of the decrease in our profit before interest and tax of approximately 1.0%. The decrease in our finance costs was resulted from (i) our full repayment of a bank borrowing during the year ended 31 December 2015 and hence the absence of interest on a bank borrowing for the year ended 31 December 2016; and (ii) the decrease in the interest on bills payables given the balance of our bills payables decreased from approximately HK\$2.9 million as at 31 December 2015 to nil as at 31 December 2016. Our interest coverage ratio further improved from approximately 158.3 times as at 31 December 2016 to approximately 336.6 times as at 31 August 2017 in light of our minimal finance costs of approximately HK\$24,000 incurred for the eight months ended 31 August 2017 as compared to our profit before interest and tax of approximately HK\$8.1 million for the same period.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

Please refer to the paragraph headed “Financial instruments — Financial risk management objectives and policies — Market risks” in note 25 to the accountants’ report in Appendix I to this prospectus.

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## FINANCIAL INFORMATION

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### DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which could give rise to a disclosure obligation pursuant to Rules 17.15 to 17.21 of the GEM Listing Rules.

### LISTING EXPENSES

Assuming an Offer Price of HK\$0.40 (being the mid-point of the indicated Offer Price range), the total amount of listing expenses in connection with the Share Offer is expected to be approximately HK\$27.4 million, of which approximately HK\$9.7 million has been charged to our profit or loss for the eight months ended 31 August 2017. Our Group expects that listing expenses of approximately HK\$11.3 million and HK\$8.5 million will be charged to our profit or loss for the years ending 31 December 2017 and 2018 respectively. The balance of approximately HK\$7.6 million which is directly attributable to the issue of the Offer Shares is expected to be accounted for as a deduction from equity upon Listing. Accordingly, the financial performance for the years ending 31 December 2017 and 2018 is expected to be adversely affected by the expected expenses in relation to the Listing. Expenses in relation to the Listing are non-recurring in nature. The amount of listing expenses is a current prediction for reference only and the final amount to be recognised to the consolidated statement of comprehensive income of our Group for the years ending 31 December 2017 and 2018 is subject to audit and the actual changes in variables and assumptions.

### PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2017

Estimated combined profit attributable to equity

holders of our Company (*Note 1*) . . . . . Not less than HK\$5.2 million

Unaudited pro forma estimated earnings per Share

(*Note 2*) . . . . . Not less than HK0.92 cents

*Notes:*

1. The bases on which the profit estimate has been prepared are set out in Appendix III to this prospectus. The directors of our Company have prepared the estimated consolidated profit attributable to equity holders of our Company for the year ended 31 December 2017 based on the audited consolidated results of our Group for the eight months ended 31 August 2017 and the unaudited consolidated results of our Group based on our unaudited management accounts for the four months ended 31 December 2017. The estimated consolidated profit attributable to equity holders of our Company for the year ended 31 December 2017 has been taken into account of the expected listing expenses to be incurred during the year ended 31 December 2017 of approximately HK\$11.3 million.
2. The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to owners of our Company for the year ended 31 December 2017 taking into account the number of shares that are outstanding during the year ended 31 December 2017 and on the assumption that the Capitalisation Issue and Share Offer had been completed on 1 January 2017, resulted in a weighted average of 566,392,534 Shares for the year ended 31 December 2017. The calculation of the estimated earnings per Share does not take into account of any Shares which may be allotted and issued or repurchased by our Company pursuant to our Company's general mandates.

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## FINANCIAL INFORMATION

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### DISTRIBUTABLE RESERVES

Our Company was incorporated on 29 September 2016 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at the Latest Practicable Date.

### UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to Appendix II — “Unaudited pro forma financial information” for details.

### RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking MVAC installation and fitting-out projects in Hong Kong and Macau. We have been awarded 3 new projects in Hong Kong of a total contract sum of approximately HK\$103.9 million. Please refer to the paragraphs headed “Business — Our projects” in this prospectus for further details. As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and none of them have encountered any material interruption.

On 24 October 2017, Wing Fung BVI purchased 78,000 Shares from the First Pre-IPO Investor at a consideration of HK\$10,000,000, and on the same date, Wing Fung BVI further purchased 117,000 Shares from the Second Pre-IPO Investor at a consideration of HK\$15,000,000. Upon completion, our Company became wholly-owned by Wing Fung BVI. For details of the exit of the Pre-IPO Investments, please refer to the paragraphs headed “History, development and Reorganisation — Pre-IPO investments — Exit of the Pre-IPO Investments” in this prospectus.

Furthermore, given that we had utilised most of our available cash on hand to settle the interim dividend payable to Wing Fung BVI of HK\$25.5 million on 24 October 2017, we had obtained a term loan facility on 6 November 2017 with a limit up to HK\$20.0 million for a term of 36 months to fund our operations. For further details of the term loan facility, please refer to the paragraphs headed “Description of certain items of consolidated statements of financial position — Bank overdrafts and bank borrowing” in this section.

In addition, on 16 January 2018, we had purchased the performance bond for Project#20 in an amount of approximately HK\$2.7 million, being 5% of the original contract sum of the project i.e. approximately HK\$53.7 million.

Save and except for the listing expenses as disclosed above, our Group did not have any significant non-recurrent items in our consolidated statements of profit or loss and other comprehensive income subsequent to the Track Record Period.

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## FINANCIAL INFORMATION

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### **MATERIAL ADVERSE CHANGE**

Save and except for the listing expenses as disclosed above, our Directors confirm that up to the date of this prospectus, there has been no material adverse change in our Group's financial and trading position since 31 August 2017 and there is no event since 31 August 2017 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.

### **POST BALANCE SHEET EVENTS**

Please refer to the paragraphs headed "Recent developments" in this section and "Events after the reporting period" in note 33 to the accountant's report.

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## FUTURE PLANS AND USE OF PROCEEDS

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### BUSINESS OBJECTIVES AND STRATEGIES

Please see the section headed “Business — Business strategies” in this prospectus for a detailed description of our future plans.

### IMPLEMENTATION PLANS

Our Group’s implementation plans are set forth below for each of the six-month periods up to 31 December 2020. Investors should note that the implementation plan is drawn up based on the current economic status and the assumptions as set out in the paragraphs headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in the section headed “Risk factors” in this prospectus. Therefore, there is no assurance that our business plans will materialise in accordance with the expected time frame and that our future plans will be accomplished at all.

#### Upon Listing to 30 June 2018

<b>Business strategies</b>	<b>Use of proceeds (HK\$'000)</b>	<b>Implementation plan</b>
Acquisition of performance bond for new projects	587	Satisfy customers’ requirements for performance bonds for new projects to be awarded to our Group
Employment of additional staff and provision of relevant training	1,224	Payroll for newly employed staff
	12	Sponsor project team to attend technical seminars and occupational health and safety courses
Leasing of a new office and employment of additional staff in Macau	75	Rental for new Macau office
	90	Payroll for newly employed administrative staff in Macau

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## FUTURE PLANS AND USE OF PROCEEDS

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For the six months ending 31 December 2018

<b>Business strategies</b>	<b>Use of proceeds (HK\$'000)</b>	<b>Implementation plan</b>
Acquisition of performance bond for new projects	1,174	Satisfy customers' requirements for performance bonds for new projects to be awarded to our Group
Employment of additional staff and provision of relevant training	2,856	Payroll for newly employed staff
	24	Sponsor project team to attend technical seminars and occupational health and safety courses
	750	Purchase building information modeling (BIM) software
	105	Provide training to staff for the building information modeling (BIM) software
Leasing of a new office and employment of additional staff in Macau	150	Rental for new Macau office
	210	Payroll for newly employed administrative staff in Macau
	400	Purchase leasehold improvement, purchase of furniture and fixtures for new Macau office

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**FUTURE PLANS AND USE OF PROCEEDS**

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**For the six months ending 30 June 2019**

<b>Business strategies</b>	<b>Use of proceeds (HK\$'000)</b>	<b>Implementation plan</b>
Acquisition of performance bond for new projects	1,296	Satisfy customers' requirements for performance bonds for new projects to be awarded to our Group
Employment of additional staff and provision of relevant training	2,688	Payroll for newly employed staff
	24	Sponsor project team to attend technical seminars and occupational health and safety courses
	105	Provide training to staff for the building information modeling (BIM) software
Leasing of a new office and employment of additional staff in Macau	150	Rental for new Macau office
	198	Payroll for newly employed administrative staff in Macau

**For the six months ending 31 December 2019**

<b>Business strategies</b>	<b>Use of proceeds (HK\$'000)</b>	<b>Implementation plan</b>
Acquisition of performance bond for new projects	1,296	Satisfy customers' requirements for performance bonds for new projects to be awarded to our Group
Employment of additional staff and provision of relevant training	3,136	Payroll for newly employed staff
	24	Sponsor project team to attend technical seminars and occupational health and safety courses
Leasing of a new office and employment of additional staff in Macau	150	Rental for new Macau office
	231	Payroll for newly employed administrative staff in Macau

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## FUTURE PLANS AND USE OF PROCEEDS

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### For the six months ending 30 June 2020

<b>Business strategies</b>	<b>Use of proceeds (HK\$'000)</b>	<b>Implementation plan</b>
Acquisition of performance bond for new projects	1,438	Satisfy customers' requirements for performance bonds for new projects to be awarded to our Group
Employment of additional staff and provision of relevant training	2,940	Payroll for newly employed staff
	24	Sponsor project team to attend technical seminars and occupational health and safety courses
Leasing of a new office and employment of additional staff in Macau	150	Rental for new Macau office
	216	Payroll for newly employed administrative staff in Macau

### For the six months ending 31 December 2020

<b>Business strategies</b>	<b>Use of proceeds (HK\$'000)</b>	<b>Implementation plan</b>
Acquisition of performance bond for new projects	1,438	Satisfy customers' requirements for performance bonds for new projects to be awarded to our Group
Employment of additional staff and provision of relevant training	3,430	Payroll for newly employed staff
	24	Sponsor project team to attend technical seminars and occupational health and safety courses
Leasing of a new office and employment of additional staff in Macau	150	Rental for new Macau office
	252	Payroll for newly employed 2 administrative staff in Macau

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## FUTURE PLANS AND USE OF PROCEEDS

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### **Bases and assumptions**

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

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no significant economic change in respect of inflation, interest rate, tax rate and currency exchange rate in Hong Kong and Macau which will adversely affect our Group's business;
- there will be no material adverse changes in the existing laws and regulations, policies or industry or regulatory treatment relating to our Group, or in the political, economic, fiscal or market conditions in which our Group operates;
- we will be able to retain our directors, senior management team and key staff in our operations;
- our Group is able to retain our customers, suppliers and subcontractors;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group or cause substantial loss, damage or destruction to our properties; and
- our Group will not be adversely affected by the risk factors as set out under the section headed "Risk factors" in this prospectus.

### **REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS**

Our Directors believe that the net proceeds from the Share Offer will strengthen our financial position and will enable our Group to implement our business plans set out in the paragraphs headed "Implementation plans" in this section without exerting additional financial pressure to our liquidity. In particular, as at 31 December 2017, our bank balances and cash amounted to approximately HK\$17.3 million only while our indebtedness, including the outstanding balances of our bank overdraft and borrowings, amounted to approximately HK\$19.6 million and our current ratio had been decreased from approximately 2.2 times as at 31 August 2017 to approximately 1.4 times as at 31 December 2017. In view of (i) that our indebtedness level was higher than our cash and bank balances as at 31 December 2017; (ii) the fact that our cash payment to our suppliers, subcontractors and direct labors is over HK\$10.0 million per month and our Directors' view that we could not take the risk for not being able to pay to our suppliers, subcontractors and direct labors within the prescribed credit period offered considering that any delay of which could negatively affect our relationship with them and we may not be able to retain their services in long run, in any event that our customers are not able to issue payment certificate for our work done on time or in an amount significantly lower than the amount we applied or settle their payment to us on time for any reason, our financial

## FUTURE PLANS AND USE OF PROCEEDS

position might be seriously deteriorated in a short period of time e.g. within several months, not to mention that the implementation of our business plan as detailed in the paragraphs headed “Business — Business strategies” in this prospectus in future shall further exert additional financial pressure to us if the Listing and the Share Offer are not realised. In light of the total capital expenditure of our business plans of approximately HK\$27.0 million upon Listing to 31 December 2020, even taken into account of our total unutilised banking facilities of only approximately HK\$5.6 million as at the Latest Practicable Date (of which 2.0 million is specified for the bills financing purpose), our Directors are of the view that the net proceeds from the Share Offer is immensely crucial to the financial position of our Group and the effectiveness to implement our business plan in future.

Furthermore, a public listing status on the Stock Exchange will enhance our corporate profile and brand image and offer our Group access to capital market for corporate finance exercise to assist in future business development, enhance our corporate profile and strengthen our competitiveness.

We expect that the aggregate net proceeds to us from the Share Offer, after deducting related underwriting fees and expected expenses in connection with the Share Offer, assuming an Offer Price of HK\$0.40 per Share (being the mid-point of the Offer Price range of HK\$0.38 to HK\$0.42), will be approximately HK\$30.0 million. Our Directors presently intend to apply such net proceeds as follows:

	For the six months ending	For the six months ending	For the six months ending	For the six months ending	For the six months ending		Percentage of use of net proceeds	
Upon Listing to 30 June 2018 <i>HK\$'000</i>	31 December 2018 <i>HK\$'000</i>	30 June 2019 <i>HK\$'000</i>	31 December 2019 <i>HK\$'000</i>	30 June 2020 <i>HK\$'000</i>	31 December 2020 <i>HK\$'000</i>	Total <i>HK\$'000</i>	%	
Acquisition of performance bond for new projects	587	1,174	1,296	1,296	1,438	1,438	7,229	24.1%
Employment of additional staff and provision of relevant training	1,236	3,735	2,817	3,160	2,964	3,454	17,366	57.9%
Leasing of a new office and employment of additional staff in Macau	165	760	348	381	366	402	2,422	8.0%
Working capital	500	500	500	500	500	500	3,000	10.0%
<b>Total</b>	<b>2,488</b>	<b>6,169</b>	<b>4,961</b>	<b>5,337</b>	<b>5,268</b>	<b>5,794</b>	<b>30,017</b>	<b>100.0%</b>

The above total use amount represents our total capital expenditure for each of our strategies upon Listing and up to 31 December 2020. Any additional capital expenditure for each of our strategies after 31 December 2020 will be financed by our internal funding.

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## FUTURE PLANS AND USE OF PROCEEDS

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If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.42 per Offer Share, the net proceeds we receive from the Share Offer will increase by approximately HK\$2.8 million. In such case, our Directors currently intend to deploy such additional proceeds to finance our purchase of the performance bond for Project #26 in an amount of approximately HK\$1.7 million and the residual amount will be used to purchase any additional amount of performance bond after Listing. For details, please refer to the paragraphs headed “Financial information — Contingent liabilities, guarantees and performance bonds” in this prospectus. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$0.38 per Offer Share, the net proceeds we receive from the Share Offer will decrease by approximately HK\$2.8 million. In such case, our Directors currently intend to decrease the amount to be used for general working capital.

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

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new project of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, our Group will issue an announcement in accordance with the GEM Listing Rules.

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## UNDERWRITING

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### **PUBLIC OFFER UNDERWRITERS**

#### **Joint Bookrunners and Joint Lead Managers**

CLC Securities Limited

Ping An Securities Limited

#### **Co-lead Manager**

Prudential Brokerage Limited

#### **Underwriter**

TC Capital International Limited

### **UNDERWRITING ARRANGEMENT AND EXPENSES**

#### **The Public Offer Underwriting Agreement**

Pursuant to the Public Offer Underwriting Agreement, we are offering 14,350,000 Public Offer Shares (subject to reallocation) for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to (i) the Stock Exchange granting listing of, and permission to deal in, the Shares (including the additional Shares to be issued pursuant to the Capitalisation Issue); and (ii) certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus, the related Application Forms and the Public Offer Underwriting Agreement, for the Public Offer Shares now being offered and which are not taken up under the Public Offer.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional.

#### **Grounds for termination**

The Joint Bookrunners shall be entitled, in their sole discretion, by notice in writing to our Company to terminate the Public Offer Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. on the Listing Date:

- (i) there shall develop, occur, exist or come into effect:
  - (a) any event, or series of events, beyond the reasonable control of the Public Offer Underwriters (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation) in or

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## UNDERWRITING

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affecting Hong Kong, Macau the Cayman Islands or any jurisdiction relevant to any member of our Group or the Share Offer (collectively, the “**Relevant Jurisdictions**”) which in the reasonable opinion of the Joint Bookrunners has or would have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof; 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 involving a prospective change in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster or any monetary or trading settlement systems (including any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency, or any interruption in securities settlement or clearance service or procedures in the Relevant Jurisdictions); or
- (c) any new law or change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in any of the Relevant Jurisdictions; or
- (d) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for any of the Relevant Jurisdictions adversely affecting an investment in the Shares; or
- (e) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in any of the Relevant Jurisdictions adversely affecting an investment in the Shares; or
- (f) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group (other than those fully covered by an insurance policy of the member of our Group); or
- (g) a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

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## UNDERWRITING

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- (h) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or any of the Relevant Jurisdictions,

which in each case in the absolute opinion of the Joint Bookrunners:

- (1) is/are or shall have or could be reasonably expected to have a material adverse effect on the business, financial or other condition or prospects of our Group as a whole; or
  - (2) has/have or shall have or could reasonably be expected to have an adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
  - (3) make(s) it inadvisable, inexpedient or impracticable for the Share Offer to proceed; or
- (ii) there has come to the notice of the Joint Bookrunners:
- (a) that any statement, considered by the Joint Bookrunners to be material in their absolute discretion, contained in any of this prospectus, Application Forms and any document issued by the Company in connection with the Share Offer was, when the same was issued, or has become, untrue, incorrect or misleading in any material respect; 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 an omission therefrom reasonably considered by the Joint Bookrunner to be material to the Share Offer; or
  - (c) any material breach of any of the obligations imposed upon any of the covenantors under the Public Offer Underwriting Agreement; or
  - (d) any breach, reasonably considered by the Joint Bookrunner to be material, of any of the warranties; or
- (iii) the Placing Underwriting Agreement and/or Price Determination Agreement shall not have been duly executed at or before 8:00 p.m. on 20 February 2018 (or such other date or time as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters)).

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## UNDERWRITING

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### **Placing Underwriting Agreement**

In connection with the Placing, it is expected that we will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters 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 129,150,000 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 sub-paragraphs headed “Undertakings by our Company” and “Undertakings by our Controlling Shareholders” below in this section.

### **UNDERTAKINGS TO THE STOCK EXCHANGE**

#### **Undertakings by our Company**

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company has undertaken to the Stock Exchange that save as pursuant to the Share Offer, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the commencement of dealings), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

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## UNDERWRITING

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### Undertakings by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of the Controlling Shareholders has undertaken to our Company and the Stock Exchange that, except for the circumstances permitted pursuant to Rule 13.18 of the GEM Listing Rules, he/it shall not, and shall procure that the relevant registered holder(s) shall not,

- (a) during the period from the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date falling six months from the Listing Date (the “**First Six-month Period**”) dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which he/it is or they are shown by this prospectus to be the beneficial owner(s) (the “**Relevant Securities**”); and
- (b) in the six-month period commencing on the expiry of the First Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities 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 of our Company for purposes of the GEM Listing Rules.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of the Controlling Shareholders further has undertaken to our Company and the Stock Exchange that he/it shall, and shall procure that the relevant registered holder(s) shall,

- (c) in the event that he/it pledges or charges any direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the First Six-Month Period, inform our Company immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (d) having pledged or charged any interest in the Shares under (c) above, inform our Company immediately in the event that he/it becomes aware that the pledgee or charge has disposed of or intends to dispose of such interest and of the number of Shares affected.

Our Company shall, upon being informed of any matter under (c) or (d) above, forthwith publish an announcement giving details of the same in accordance with the GEM Listing Rules.

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## UNDERWRITING

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### UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

#### Undertakings by our Company

Our Company has undertaken to each of the Sponsor and the Joint Bookrunners that we shall not, unless in compliance with the requirements of the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules), except for the issue of Shares under the Share Offer and the Capitalisation Issue or otherwise with the Joint Bookrunners' prior written consent (such consent shall not be unreasonably withheld, delayed or conditioned), at any time during the First Six-month Period:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of our Company, with a depositary in connection with the issue of depositary receipts;
- (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 any Shares or other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares);
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company, or in cash or otherwise (whether or not such transaction will be completed within the First Six-month Period).

#### Undertakings by our Controlling Shareholders

Each of the Controlling Shareholders has jointly and severally undertaken to each of our Company, the Sponsor, the Joint Bookrunners and the Public Offer Underwriter that, save as provided under Rule 13.18 of the GEM Listing Rules and subject to compliance with the GEM Listing Rules, he/she/it shall not, and shall procure that his/her/its associates

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## UNDERWRITING

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or the relevant registered holder(s), nominee(s) or trustee(s) holding on trust for him/she/it or the companies controlled by him/her/it shall not, without the prior written consent of the Joint Bookrunners (which consent shall not be unreasonably withheld, delayed or conditioned), during the First Six-month Period:

- (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create any encumbrances over, or agree to transfer or dispose of or create an encumbrances over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) in respect of which he/she/it is shown by this prospectus to be the beneficial owner (whether direct or indirect) (the “**Lock-Up Securities**”) or any interest therein;
- (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 the Lock-Up Securities or any interest therein;
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of the Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period).

In the event of a disposal of any Lock-Up Securities (or any interest therein) at any time during the period of six months commencing on the expiry of the First Six-month Period (the “**Second Six-month Period**”), (i) such disposal shall not result in any of our Controlling Shareholders ceasing to be a Controlling Shareholder of our Company at any time during the Second Six-month Period; and (ii) he/she/it shall take all reasonable steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

### **Total commission, fee and expenses**

The Underwriters will receive an underwriting commission of 4% of the aggregate Offer Price of all Offer Shares, out of which they will pay any sub-underwriting commissions and praecipium.

In connection with the Listing and the Share Offer, the total expenses to be borne by our Company (assuming the Offer Price of HK\$0.40 (being the mid-point of the stated range of the Offer Price) including underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation fee,

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## UNDERWRITING

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the listing fees and legal and other professional fees, printing and other expenses are expected to be approximately HK\$26.9 million in aggregate and are payable by our Company under the Share Offer.

### **Sponsor and Underwriters' interest in our Company**

The Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

Following the completion of the Share Offer, the Underwriters and their respective affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Save for their interests and obligations under the Underwriting Agreements, the sponsorship and documentation fee payable to the Sponsor in connection with the Listing, and the fee payable to the Sponsor for its acting as our compliance adviser, none of the Sponsor, the Joint Bookrunners, Joint Lead Managers and the Underwriters is interested, beneficially or otherwise, in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 143,500,000 Offer Shares will be made available under the Share Offer, of which 129,150,000 Placing Shares (subject to reallocation), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the Placing. The remaining 14,350,000 Public Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus. Investors may apply for Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

#### The Placing

Our Company is expected to offer initially 129,150,000 Shares (subject to reallocation) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

It is expected that the Placing Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional 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. Private investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

Our Company, our Directors, the Sponsor and Joint Bookrunners are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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The Placing is expected to be subject to the conditions as stated in the paragraph headed “Conditions of the Share Offer” of this section.

### **The Public Offer**

Our Company is initially offering 14,350,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the Offer Price being agreed on or before the Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$0.42 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investor. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Public Offer is liable to be rejected. Multiple applications or suspected multiple applications and any application made for more than 50% of the Shares initially comprised in the Public Offer (i.e. 7,170,000 Public Offer Shares) are liable to be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

### **RE-ALLOCATION OF THE OFFER SHARES BETWEEN PLACING AND PUBLIC OFFER**

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (a) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 43,050,000 Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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- (b) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 57,400,000 Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and
- (c) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 71,750,000 Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

In all cases, 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 Joint Bookrunners. With reference to Guidance Letter HKEX-GL91-18, if such reallocation is done other than pursuant to paragraph (a), (b) or (c) above, the maximum total number of Offer Shares that may be allocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer i.e. 28,700,000 Offer Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Share Offer.

### OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Bookrunners (for themselves and on behalf of the other Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on or before Tuesday, 20 February 2018.

**Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lowered than the indicative Offer Price range as stated in this prospectus.** The Offer Price will not be more than HK\$0.42 per Offer Share and is expected to be not less than HK\$0.38 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, not later than the morning of the last day for lodging applications under the Public Offer.

The Joint Bookrunners (for themselves and on behalf of the other Underwriters) may, where they consider appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company, reduce the number of the Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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not later than the morning of the last day lodging applications under the Public Offer, cause there to be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.wingfunggroup.com](http://www.wingfunggroup.com) notices of reduction in the number of the Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of the Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised number of the Offer Shares and/or Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.wingfunggroup.com](http://www.wingfunggroup.com) of a reduction in the number of the Offer Shares and/or the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If, for any reason, the Offer Price is not agreed between us and the Joint Bookrunners on or before Tuesday, 20 February 2018, the Share Offer will not proceed and will lapse.

### ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATIONS

Announcement of the final Offer Price, together with the level of indication of interests in the Placing and the level of applications in the Public Offer the basis of allotment and the results of applications in the Public Offer is expected to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website on or before Monday, 26 February 2018.

### PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.42 per Offer Share and is expected to be not less than HK\$0.38 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.42 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$4,242.32 per board lot of 10,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.42 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

Further details are set out in the section headed "How to apply for Public Offer Shares" in this prospectus.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, among others:

- (i) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM;
- (ii) the Price Determination Agreement between our Company and the Joint Bookrunners being entered into on or before the Price Determination Date; and
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Joint Bookrunners and the Underwriting Agreements not being terminated in accordance with the terms of that agreement or otherwise).

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Share Offer will lapse and the application money will be returned to the applicants, without interest. Notice of the lapse of the Public Offer will be published by our Company on the websites of our Company and the Stock Exchange at [www.wingfunggroup.com](http://www.wingfunggroup.com) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, on the next day following such lapse. The terms on which the application money will be returned to the applicants are set out in the section headed “How to apply for Public Offer Shares — 13. Despatch/Collection of share certificates and refund monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

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

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## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

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

### **DEALINGS AND SETTLEMENT**

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Tuesday, 27 February 2018. Shares will be traded in board lots of 10,000 Shares each and are freely transferable.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 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; 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.

Our Company, the Joint Lead Managers, and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Public Offer Shares 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 are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Lead Managers may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- an associate (as defined in the GEM Listing Rules) of any of the above;
- a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our 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.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 12 February 2018 to 12:00 noon on Thursday, 15 February 2018 from:

- (i) any of the following offices of the Public Offer Underwriters:

CLC Securities Limited	13th Floor, Nan Fung Tower 88 Connaught Road Central Central, Hong Kong
Ping An Securities Limited	Unit 02, 2/F, China Merchants Building 152–155 Connaught Road Central Central, Hong Kong
Prudential Brokerage Limited	901–4 World Wide House 19 Des Voeux Road Central Hong Kong
TC Capital International Limited	Suite 1903–4, 19/F Tower 6, The Gateway Harbour City 9 Canton Road, Tsim Sha Tsui Kowloon Hong Kong

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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(ii) any of the following branches of The Bank of East Asia, Limited:

District	Branch	Address
Hong Kong	Main Branch	10 Des Voeux Road Central, Central
	North Point Branch	326–328 King’s Road, North Point
Kowloon	Kwun Tong Branch	7 Hong Ning Road, Kwun Tong
	Yaumatei Branch	G/F, 526 Nathan Road, Yaumatei
New Territories	Shatin Plaza Branch	Shop 3–4, Level 1, Shatin Plaza, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 12 February 2018 until 12:00 noon on Thursday, 15 February 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker’s cashier order attached and marked payable to “The Bank of East Asia (Nominees) Limited — Wing Fung Group Public Offer” for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

<b>Monday, 12 February 2018</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Tuesday, 13 February 2018</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Wednesday, 14 February 2018</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Thursday, 15 February 2018</b>	—	<b>9:00 a.m. to 12:00 noon</b>

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 15 February 2018, the last application day or such later time as described in the paragraph headed “9. Effect of bad weather on the opening of the applications lists” in this section.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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behalf of each person of whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any 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 Law, the Companies (WUMP) Ordinance, the Companies Ordinance and the Memorandum and Articles of Association of our Company;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, 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 Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (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 Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (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 U.S. 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;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, 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 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 and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the 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 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.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

### 5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

#### General

CCASS Participants may give **electronic application instructions** to apply for the 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 Center

1/F, One & Two Exchange Square,

8 Connaught Place,

Central,

Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 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;
- (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 Placing 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 and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the 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 our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the 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 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 bank, the Joint Lead Managers, the Underwriters and/or its 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 (WUMP) 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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## HOW 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 Law, the Companies (WUMP) Ordinance, the Companies Ordinance and the Memorandum and Articles of Association of our Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### 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 10,000 Public Offer Shares. Instructions for more than 10,000 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.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

<b>Monday, 12 February 2018</b>	—	<b>9:00 a.m. to 8:30 p.m.</b>	<i>(Note 1)</i>
<b>Tuesday, 13 February 2018</b>	—	<b>8:00 a.m. to 8:30 p.m.</b>	<i>(Note 1)</i>
<b>Wednesday, 14 February 2018</b>	—	<b>8:00 a.m. to 8:30 p.m.</b>	<i>(Note 1)</i>
<b>Thursday, 15 February 2018</b>	—	<b>8:00 a.m.</b>	<i>(Note 1)</i> <b>to 12:00 noon</b>

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 12 February 2018 until 12:00 noon on Thursday, 15 February 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 15 February 2018, the last application day or such later time as described in the paragraph headed “9. Effect of bad weather on the opening of the application lists” in this section.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (WUMP) 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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### 6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 15 February 2018.

### 7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- 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).

### 8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 10,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Share Offer — Offer Price” in this prospectus.

### 9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 15 February 2018.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 15 February 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

### 10. PUBLICATION OF RESULTS

Our 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 Monday, 26 February 2018 on our Company’s website at [www.wingfunggroup.com](http://www.wingfunggroup.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at [www.wingfunggroup.com](http://www.wingfunggroup.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 8:00 a.m. on Monday, 26 February 2018;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, 26 February 2018 to 12:00 midnight on Friday, 2 March 2018;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 26 February 2018 to Thursday, 1 March 2018 on a business day;
- in the special allocation results booklets, which will be available for inspection during opening hours from Monday, 26 February 2018 to Wednesday, 28 February 2018 at the designated receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the 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”.

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.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) 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:**

Our Company, the Joint Lead Managers, and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Division of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- within a longer period of up to six weeks if the Listing Division of the Stock Exchange 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;
- 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 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;
- our Company or the Joint Lead Managers 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 50% of the Public Offer Shares initially offered under the Public Offer.

### 12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.42 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 Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 26 February 2018.

### 13. 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).

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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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 dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Monday, 26 February 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 27 February 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar at Level 22 Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 26 February 2018 or such other date as notified by us in the newspapers.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

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 Monday, 26 February 2018, by ordinary post and at your own risk.

***(ii) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). 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 Monday, 26 February 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 26 February 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our 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 Monday, 26 February 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### *(iii) If you apply via Electronic Application Instructions to HKSCC*

#### *Allocation of Public Offer Shares*

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

#### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 26 February 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our 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 the sub-paragraph headed "Publication of results" above in this section on Monday, 26 February 2018.

You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 26 February 2018 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 Monday, 26 February 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 26 February 2018.

### 14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement 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 inclusion in this prospectus, received from the independent reporting accountants of the company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.*

# Deloitte.

# 德勤

## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WING FUNG GROUP ASIA LIMITED AND TC CAPITAL INTERNATIONAL LIMITED

### Introduction

We report on the historical financial information of Wing Fung Group Asia Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-52, which comprises the consolidated statements of financial position as at 31 December 2015 and 2016 and 31 August 2017, the Company's statements of financial position as at 31 December 2016 and 31 August 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the two years ended 31 December 2016 and the eight-month period ended 31 August 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-52 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 12 February 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

### Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### Reporting Accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Opinion*

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2015 and 2016 and 31 August 2017, of the Company's financial position as at 31 December 2016 and 31 August 2017, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

#### **Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the eight-month period ended 31 August 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to

believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the GEM of 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 12 to the Historical Financial Information which contains information about the dividends recognised as distribution by the Company in respect of the Track Record Period.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
12 February 2018

**HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies that conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us 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 dollars" or "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	For the year ended 31 December		For the eight-month period ended 31 August	
		2015 HK\$'000	2016 HK\$'000	2016 HK\$'000	2017 HK\$'000
Revenue	6	128,592	134,366	80,643	125,213
Cost of services		<u>(105,855)</u>	<u>(109,733)</u>	<u>(66,295)</u>	<u>(99,686)</u>
Gross profit		22,737	24,633	14,348	25,527
Other income	7	2,924	731	675	156
Administrative expenses		(7,427)	(7,315)	(4,768)	(7,910)
Listing expenses		—	—	—	(9,694)
Finance costs	8	<u>(379)</u>	<u>(114)</u>	<u>(107)</u>	<u>(24)</u>
Profit before tax	9	17,855	17,935	10,148	8,055
Income tax expense	10	<u>(2,171)</u>	<u>(2,530)</u>	<u>(1,397)</u>	<u>(2,597)</u>
Profit for the year/period		15,684	15,405	8,751	5,458
Other comprehensive (expense) income for the year/period					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of a foreign operation		<u>(250)</u>	<u>126</u>	<u>(38)</u>	<u>(81)</u>
Total comprehensive income for the year/ period		<u>15,434</u>	<u>15,531</u>	<u>8,713</u>	<u>5,377</u>
Basic earnings per share (HK cents)	13	<u>4.86</u>	<u>4.76</u>	<u>2.71</u>	<u>1.30</u>

## STATEMENTS OF FINANCIAL POSITION

	NOTES	THE GROUP			THE COMPANY	
		As at 31 December		As at	As at	As at
		2015	2016	31 August	31 December	31 August
		HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Non-current assets						
Plant and equipment	14	66	109	136	—	—
Investments in subsidiaries	15	—	—	—	22,966	37,966
		<u>66</u>	<u>109</u>	<u>136</u>	<u>22,966</u>	<u>37,966</u>
Current assets						
Amounts due from customers for contract works	16	4,866	9,079	5,742	—	—
Trade and other receivables, deposits and prepayments	17	43,723	46,215	48,158	—	2,932
Amount due from a director	18	9,554	20,708	—	—	—
Amounts due from related companies	18	1,239	—	—	—	—
Pledged and restricted bank deposits	19	—	—	5,716	—	—
Bank balances and cash	19	5,549	14,977	26,373	—	4,249
		<u>64,931</u>	<u>90,979</u>	<u>85,989</u>	<u>—</u>	<u>7,181</u>
Current liabilities						
Amounts due to customers for contract works	16	3,837	10,315	6,818	—	—
Trade and bills payables	20	14,623	11,985	17,280	—	—
Other payables and accrued expenses	21	1,140	1,550	1,549	—	134
Amount due to a shareholder of the holding company	18	—	81	—	—	—
Amounts due to related companies	18	12,259	8,720	5,267	—	—
Amount due to a subsidiary	18	—	—	—	—	13,886
Tax payable		3,056	5,187	7,812	—	—
Bank overdrafts — secured	19	2,729	2,404	—	—	—
		<u>37,644</u>	<u>40,242</u>	<u>38,726</u>	<u>—</u>	<u>14,020</u>
Net current assets (liabilities)		<u>27,287</u>	<u>50,737</u>	<u>47,263</u>	<u>—</u>	<u>(6,839)</u>
Total assets less current liabilities		<u>27,353</u>	<u>50,846</u>	<u>47,399</u>	<u>22,966</u>	<u>31,127</u>
Capital and reserves						
Share capital	22	25	7	8	7	8
Reserves	23	27,328	50,839	47,391	22,959	31,119
		<u>27,353</u>	<u>50,846</u>	<u>47,399</u>	<u>22,966</u>	<u>31,127</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Exchange translation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(Note)</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>							
At 1 January 2015	25	—	3	—	—	11,891	11,919
Profit for the year	—	—	—	—	—	15,684	15,684
Exchange differences arising on translation of a foreign operation	—	—	(250)	—	—	—	(250)
Total comprehensive (expense) income for the year	—	—	(250)	—	—	15,684	15,434
At 31 December 2015	25	—	(247)	—	—	27,575	27,353
Profit for the year	—	—	—	—	—	15,405	15,405
Exchange differences arising on translation of a foreign operation	—	—	126	—	—	—	126
Total comprehensive income for the year	—	—	126	—	—	15,405	15,531
Dividend paid <i>(Note 12)</i>	—	—	—	—	—	(2,038)	(2,038)
Issue of shares by the Company <i>(Note 22)</i> Arising from the Reorganisation <i>(as defined and detailed in Note 2)</i>	1	9,999	—	—	—	—	10,000
	(19)	12,960	—	—	(12,941)	—	—
At 31 December 2016	7	22,959	(121)	—	(12,941)	40,942	50,846
Profit for the period	—	—	—	—	—	5,458	5,458
Exchange differences arising on translation of a foreign operation	—	—	(81)	—	—	—	(81)
Total comprehensive (expense) income for the period	—	—	(81)	—	—	5,458	5,377
Issue of shares by the Company <i>(Note 22)</i>	1	14,999	—	—	—	—	15,000
Dividend paid <i>(Note 12)</i>	—	(10,946)	—	3,176	—	(16,054)	(23,824)
At 31 August 2017	8	27,012	(202)	3,176	(12,941)	30,346	47,399
At 1 January 2016	25	—	(247)	—	—	27,575	27,353
Profit for the period (unaudited)	—	—	—	—	—	8,751	8,751
Exchange differences arising on translation of a foreign operation (unaudited)	—	—	(38)	—	—	—	(38)
Total comprehensive (expense) income for the period (unaudited)	—	—	(38)	—	—	8,751	8,713
Dividend paid <i>(Note 12)</i>	—	—	—	—	—	(2,038)	(2,038)
At 31 August 2016 (unaudited)	25	—	(285)	—	—	34,288	34,028

*Note:* The other reserve represents the difference between the share capital of Wing Fung Engineering (H.K.) Limited (“Wing Fung HK”) and Botop Engineering (Macau) Limited (“Botop Macau”) at the dates on which they were acquired by the Company and the Company’s direct wholly owned subsidiary, respectively, and the nominal value and share premium of the newly issued share capital of the Company for the acquisition of Wing Fung HK, pursuant to the reorganisation completed on 28 December 2016 and detailed in Note 2 to the Historical Financial Information.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December		For the eight-month period ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Operating activities				
Profit before tax	17,855	17,935	10,148	8,055
Adjustments for:				
Depreciation of plant and equipment	29	31	19	33
Loss on write-off of plant and equipment	47	4	4	—
Interest expense	379	114	107	24
Interest income	—	—	—	(4)
Operating cash flows before movements in working capital	18,310	18,084	10,278	8,108
Changes in amounts due from (to) customers for contract works	(2,570)	2,232	10,863	(120)
(Increase) decrease in trade and other receivables, deposits and prepayments	(12,744)	(2,296)	6,305	(2,159)
(Increase) decrease in amounts due from related companies	(1,168)	1,245	104	—
Increase (decrease) in trade and bills payables	778	(2,664)	(9,972)	5,343
Increase (decrease) in other payables and accrued expenses	332	405	(643)	3
Increase (decrease) in amounts due to related companies	3,094	(3,592)	(4,822)	(3,411)
Cash generated from operations	6,032	13,414	12,113	7,764
Income tax (paid) refunded	(211)	(426)	—	77
Net cash from operating activities	5,821	12,988	12,113	7,841
Investing activities				
Advance to a director	(6,583)	(12,961)	(11,273)	—
Additions to plant and equipment	(10)	(78)	(40)	(60)
Placement of pledged and restricted bank deposits	—	—	—	(5,716)
Interest received	—	—	—	4
Net cash used in investing activities	(6,593)	(13,039)	(11,313)	(5,772)
Financing activities				
Repayment of a bank borrowing	(1,840)	—	—	—
Interest paid	(379)	(114)	(107)	(24)
Advance from a shareholder of the holding company	81	—	—	—
Repayment to a shareholder of the holding company	—	—	—	(81)
Issue of shares	—	10,000	—	15,000
Dividend paid	—	—	—	(3,116)
Net cash (used in) from financing activities	(2,138)	9,886	(107)	11,779

	For the year ended 31 December		For the eight-month period ended 31 August	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i>
Net (decrease) increase in cash and cash equivalents	(2,910)	9,835	693	13,848
Cash and cash equivalents at beginning of the year/period	5,930	2,820	2,820	12,573
Effect of foreign exchange rate changes	<u>(200)</u>	<u>(82)</u>	<u>(90)</u>	<u>(48)</u>
Cash and cash equivalents at end of the year/period	<u>2,820</u>	<u>12,573</u>	<u>3,423</u>	<u>26,373</u>
Cash and cash equivalents at end of the year/period, represented by:				
Bank balances and cash	5,549	14,977	5,233	26,373
Bank overdrafts	<u>(2,729)</u>	<u>(2,404)</u>	<u>(1,810)</u>	<u>—</u>
	<u>2,820</u>	<u>12,573</u>	<u>3,423</u>	<u>26,373</u>

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1. GENERAL**

The Company was incorporated under the name Wing Fung Capital Holdings Limited as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 29 September 2016. On 30 December 2016, the name of the Company was changed to Wing Fung Group Asia Limited. The address of the Company's registered office and the principal place of business is disclosed in the section "Corporate Information" in the Prospectus. The Company's immediate and ultimate holding company is Wing Fung Capital Limited, a private company incorporated in the British Virgin Islands (the "BVI"), which is owned as to 78.87% and 21.13% by Mr. Chung Chi Keung ("Mr. Chung") and Ms. Chung Mei Lin Joanne ("Ms. Chung"), sister of Mr. Chung (collectively referred to as the "Controlling Shareholders"), respectively.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of supply, installation and fitting-out services of mechanical ventilation and air-conditioning ("MVAC") system for buildings.

The Historical Financial Information is presented in Hong Kong dollar ("HK\$"), which is the same as the functional currency of the Company.

**2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION**

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs and the principles of merger accounting under Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the HKICPA.

On 29 May 2017, Mr. Chung and Ms. Chung entered into the Deed of Acting in Concert to reiterate, amongst other things, that they have been parties acting in concert (within the meaning under the Takeovers Code) in respect of Wing Fung Capital Limited, Wing Fung HK and Botop Macau since the respective incorporation dates of Wing Fung HK, Botop Macau and Wing Fung Capital Limited and until any of Mr. Chung and Ms. Chung ceases to be an ultimate shareholder of the relevant companies or the date of termination of the Deed of Acting in Concert. For further details, please refer to the section headed "History, Development and Reorganisation" in the Prospectus.

Through a group reorganisation, as more fully explained in the section headed "History, Development and Reorganisation" in the Prospectus and as summarised below (the "Reorganisation"), the Company became the holding company of the Group on 28 December 2016. Prior to the Reorganisation, the entire equity interests of Botop Macau and Wing Fung HK, being the operating subsidiaries of the Group, were directly held by the Controlling Shareholders, namely Mr. Chung and Ms. Chung.

Pursuant to the Reorganisation, the Company incorporated Wing Fung Investment Management Limited ("Wing Fung Investment"), a company incorporated in the BVI, on 22 September 2016. Wing Fung Investment then acquired the entire share capital of Botop Macau of MOP25,000 (approximately HK\$25,000) from the Controlling Shareholders on 16 December 2016, at a consideration of MOP25,000 (approximately HK\$25,000) in cash.

On 15 December 2016, a sale and purchase agreement was entered into between the Controlling Shareholders and the Company, pursuant to which the Company acquired the entire share capital of Wing Fung HK of HK\$700 at the consideration of HK\$6,846,855 (determined based on the net assets value of Wing Fung HK as at 30 June 2016), to be satisfied by the Company issuing and allotting 749 new shares to Wing Fung Capital Limited. The transfer was completed on 28 December 2016 and Wing Fung HK became a direct wholly-owned subsidiary of the Company. At the time of completion, the net assets value of Wing Fung HK was

approximately HK\$12,966,000, which was recognised as the investment cost in Wing Fung HK by the Company. On the same date, the Reorganisation was completed and the Company became the holding company of the companies now comprising the Group.

The Group comprising the Company and its subsidiaries resulting from the Reorganisation has been under the common control of the controlling shareholders and is regarded as a continuing entity. Accordingly, the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows which include the results, changes in equity and cash flows of the companies now comprising the Group for the Track Record Period have been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation of the relevant entities, where there is a shorter period.

The consolidated statement of financial position as at 31 December 2015 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date.

### 3. APPLICATION OF HKFRSs

For the purposes of preparing and presenting the consolidated financial statements for the Track Record Period, the Group has adopted all HKFRSs, Hong Kong Accounting Standards (“HKASs”), amendments and interpretations (“HK(IFRIC) — Int”) issued by the HKICPA which are effective for the Group’s accounting periods beginning on 1 January 2017 consistently throughout the Track Record Period.

At the date of this report, the Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>3</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC) — Int 23	Uncertainty Over Income Tax Treatments <sup>3</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>3</sup>
Amendments to HKFRS 10 HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>3</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

#### HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which is relevant to the Group is in relation to the impairment of financial assets, of which HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 August 2017, except for the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost, the application of HKFRS 9 in the future may not have a material impact on the financial statements of the Group in the future.

#### **HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Based on preliminary analysis, the management of the Group anticipates that the adoption of HKFRS 15 in the future will have no significant impact on recognition of revenue from provision of supply, installation, and fitting-out services of MVAC system for buildings.

#### **HKFRS 16 Leases**

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents other operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 August 2017, the Group had non-cancellable operating lease commitments of HK\$718,000 as disclosed in Note 26. The directors of the Company do not expect the adoption of HKFRS 16 as compared with HKAS 17 would result in significant impact on the Group's result but expected that the above operating lease arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

The principal accounting policies are set out below:

**Basis of consolidation**

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the four elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Merger accounting for business combination involving entities under common control**

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

**Investments in subsidiaries**

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment losses.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's policy for the recognition of revenue from construction services is described in the accounting policy for "construction contracts" below.

#### ***Construction contracts***

When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the surveys of work performed to date relative to the estimated total contract revenue, that the management of the Group would consider that be more representative of stage of completion. Variations in contract work and claims are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract works. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract works. Amounts received before the related work is performed are included in the consolidated statements of financial position as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under trade and other receivables, deposits and prepayments.

#### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### ***The Group as lessee***

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### **Retirement benefit costs and termination benefits**

##### *Pension schemes*

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

##### *Termination benefits*

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination.

#### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of the transactions are used.

Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange translation reserve.

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from

the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

#### **Plant and equipment**

Plant and equipment including motor vehicles and furniture and office equipment held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

*Financial assets*

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and deposits, amounts due from a director and related companies, pledged and restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit periods, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised costs, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### ***Financial liabilities and equity instruments***

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

#### **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

#### **Financial liabilities**

Financial liabilities, including trade and bills payables, other payables, amounts due to a shareholder of the holding company, related companies and a subsidiary, and bank overdrafts, are subsequently measured at amortised cost, using the effective interest method.

#### ***Financial guarantee contracts***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and are subsequently measured at the higher of:

- (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Impairment losses on tangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**5. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make estimates and assumptions about the carrying amount 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 may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and the future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets in the future:

**(a) Construction contracts**

The Group recognises contract revenue and profit of a construction contract according to the management's estimation of the total outcome of the project as well as the percentage of completion of construction works. Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised. As at 31 December 2015 and 2016 and 31 August 2017, the carrying amounts of amounts due from customers for contract works were HK\$4,866,000, HK\$9,079,000 and HK\$5,742,000 respectively, and the carrying amounts of amounts due to customers for contract works were HK\$3,837,000, HK\$10,315,000 and HK\$6,818,000 respectively.

**(b) Trade receivables and retention receivables**

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015 and 2016 and 31 August 2017, the carrying amounts of trade receivables were HK\$29,902,000, HK\$28,304,000 and HK\$24,898,000 respectively, and the carrying amounts of retention receivables were HK\$11,686,000, HK\$16,859,000 and HK\$18,344,000 respectively.

**6. REVENUE AND SEGMENT INFORMATION**

Revenue represents the fair value of amounts received and receivable by the Group in respect of the provision of supply, installation, and fitting-out services of MVAC system for buildings from external customers. The Group's operations are derived from the provision of supply, installation, and fitting-out services of MVAC system for buildings in Hong Kong and Macau during the Track Record Period. For the purposes of resources allocation and performance assessment, the chief operating decision maker (the "CODM"), Mr. Chung, reviews the overall results and financial position of the Group as a whole prepared based on the same set of accounting policies as set out in Note 4. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

	For the year ended 31 December		For the eight-month period ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000	2017 HK\$'000
Revenue from construction contracts	128,592	134,366	80,643	125,213

The following table provides an analysis of the Group's revenue from external customers based on geographical location of the customers:

	For the year ended 31 December		For the eight-month period ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000	2017 HK\$'000
			(Unaudited)	
Hong Kong	35,973	89,404	51,506	84,281
Macau	<u>92,619</u>	<u>44,962</u>	<u>29,137</u>	<u>40,932</u>
	<u>128,592</u>	<u>134,366</u>	<u>80,643</u>	<u>125,213</u>

The following is an analysis of the carrying amounts of non-current assets, analysed by the geographical area in which the assets are located:

	As at 31 December		As at 31 August
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Hong Kong	20	80	119
Macau	<u>46</u>	<u>29</u>	<u>17</u>
	<u>66</u>	<u>109</u>	<u>136</u>

#### Information about major customers

Revenue from customers in respect of construction contracts for the provision of supply, installation and fitting-out service of MVAC system for buildings individually contributed more than 10% of total revenue of the Group during the Track Record Period is as follows:

	For the year ended 31 December		For the eight-month period ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000	2017 HK\$'000
			(Unaudited)	
Customer F	N/A <sup>1</sup>	42,376	12,349	72,094
Customer B	16,857	40,252	33,493	N/A <sup>1</sup>
Customer A	87,885	35,501	27,866	15,010
Customer C	<u>15,788</u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>36,131</u>

<sup>1</sup> Revenue from the customer is less than 10% of the total revenue of the Group for the relevant year/period.

## 7. OTHER INCOME

	For the year ended 31 December		For the eight-month period ended 31 August	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
			(Unaudited)	
Income from provision of labour to subcontractors	787	91	91	—
Consultancy income	1,737	—	—	—
Repair and maintenance service income	174	229	217	121
Sales of materials	118	122	66	9
Income from insurance compensation	—	210	210	—
Net exchange gain	—	—	12	—
Bank interest income	—	—	—	4
Others	108	79	79	22
	<u>2,924</u>	<u>731</u>	<u>675</u>	<u>156</u>

## 8. FINANCE COSTS

	For the year ended 31 December		For the eight-month period ended 31 August	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
			(Unaudited)	
Interest on bills payable	260	83	76	19
Interest on a bank borrowing	79	—	—	—
Interest on bank overdrafts	40	31	31	5
	<u>379</u>	<u>114</u>	<u>107</u>	<u>24</u>

## 9. PROFIT BEFORE TAX

	For the year ended 31 December		For the eight-month period ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000	2017 HK\$'000
Profit before tax has been arrived at after charging (crediting):				
Staff costs				
Directors' remuneration ( <i>Note 11</i> )	1,273	1,374	943	2,501
Other staff costs	5,129	7,887	4,474	7,817
Contributions to retirement benefits schemes, other than those of directors	160	223	125	214
Total staff costs	<u>6,562</u>	<u>9,484</u>	<u>5,542</u>	<u>10,532</u>
Auditors' remuneration	67	42	28	28
Depreciation of plant and equipment	29	31	19	33
Loss on write-off of plant and equipment	47	4	4	—
Contract costs recognised as expenses	105,855	109,733	66,295	99,686
Operating lease rentals in respect of minimum lease payments of rented premises	1,075	1,038	545	481
Net exchange loss (gain)	<u>410</u>	<u>122</u>	<u>(12)</u>	<u>73</u>

## 10. INCOME TAX EXPENSE

	For the year ended 31 December		For the eight-month period ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000	2017 HK\$'000
Hong Kong Profits Tax				
Current tax	—	1,562	792	1,482
Macau Complementary Tax				
Current tax	<u>2,171</u>	<u>968</u>	<u>605</u>	<u>1,115</u>
	<u>2,171</u>	<u>2,530</u>	<u>1,397</u>	<u>2,597</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Track Record Period.

Pursuant to tax incentive approved under Section 20 of Decree Law No. 9/2014, Macau Complementary Tax is levied at a fixed rate of 12% on the taxable income above MOP600,000.

The income tax expense for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	For the year ended 31 December		For the eight-month period ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000	2017 HK\$'000
			(Unaudited)	
Profit before tax	<u>17,855</u>	<u>17,935</u>	<u>10,148</u>	<u>8,055</u>
Tax at the domestic income tax rate of 16.5%	2,946	2,959	1,674	1,329
Tax effect of expenses not deductible for tax purpose	59	130	101	1,758
Tax effect of income not taxable for tax purpose	(110)	(98)	(66)	(68)
Tax effect of utilisation of tax losses previously recognised	—	(65)	(65)	—
Tax effect of different tax rate of subsidiary operating in other jurisdiction	(807)	(362)	(229)	(410)
Tax effect of tax losses not recognised	65	—	—	—
Others	<u>18</u>	<u>(34)</u>	<u>(18)</u>	<u>(12)</u>
Income tax expense	<u>2,171</u>	<u>2,530</u>	<u>1,397</u>	<u>2,597</u>

The Group had unused estimated tax losses of HK\$396,000 at 31 December 2015 available to offset against future profits. No deferred tax asset was recognised in respect of HK\$396,000 of such losses at 31 December 2015 due to the unpredictability of future profit streams.

The Group had no unused tax losses as at 31 December 2016 and 31 August 2017.

#### 11. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES

Mr. Chung was appointed as an executive director, chairman and chief executive officer of the Company on 29 September 2016. Ms. Lai Suk Fan was appointed as an executive director of the Company on 24 March 2017. Mr. Tan Kean Ee and Mr. Kung Yuk Tung were appointed as non-executive directors of the Company on 24 March 2017 and they resigned subsequently as the non-executive directors of the Company on 24 October 2017. Mr. Choy Hiu Fai Eric, Mr. Lei and Mr. Lai Wai Ming were appointed as the independent non-executive directors of the Company on 31 January 2018.

**Directors and Chief Executive**

During the Track Record Period, the emoluments paid or payable to the directors of the Company (including emoluments for his services as the directors of the group entities prior to becoming the directors of the Company) are as follows:

**For the year ended 31 December 2015**

	Executive directors		Non-executive directors		Independent non-executive directors			Total
	Mr. Chung	Ms. Lai Suk Fan	Mr. Tan Kean Ee	Mr. Kung Yuk Tung	Mr. Choy Hiu Fai Eric	Mr. Lei For	Mr. Lai Wai Ming	
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Fees	—	—	—	—	—	—	—	—
Other emoluments								
— Salaries and other benefits	864	375	—	—	—	—	—	1,239
— Contribution to retirement benefits scheme	18	16	—	—	—	—	—	34
<b>Total</b>	<b>882</b>	<b>391</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,273</b>

**For the year ended 31 December 2016**

	Executive directors		Non-executive directors		Independent non-executive directors			Total
	Mr. Chung	Ms. Lai Suk Fan	Mr. Tan Kean Ee	Mr. Kung Yuk Tung	Mr. Choy Hiu Fai Eric	Mr. Lei For	Mr. Lai Wai Ming	
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Fees	—	—	—	—	—	—	—	—
Other emoluments								
— Salaries and other benefits	960	380	—	—	—	—	—	1,340
— Contribution to retirement benefits scheme	18	16	—	—	—	—	—	34
<b>Total</b>	<b>978</b>	<b>396</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,374</b>

**Eight-month period ended 31 August 2016 (Unaudited)**

	Executive directors		Non-executive directors		Independent non-executive directors			Total
	Mr. Chung	Ms. Lai Suk Fan	Mr. Tan Kean Ee	Mr. Kung Yuk Tung	Mr. Choy Hiu Fai Eric	Mr. Lei For	Mr. Lai Wai Ming	
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Fees	—	—	—	—	—	—	—	—
Other emoluments								
— Salaries and other benefits	641	280	—	—	—	—	—	921
— Contribution to retirement benefits scheme	12	10	—	—	—	—	—	22
<b>Total</b>	<b>653</b>	<b>290</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>943</b>

**Eight-month period ended 31 August 2017**

	Executive directors		Non-executive directors		Independent non-executive directors			Total
	Mr. Chung	Ms. Lai Suk Fan	Mr. Tan Kean Ee	Mr. Kung Yuk Tung	Mr. Choy Hiu Fai Eric	Mr. Lei For	Mr. Lai Wai Ming	
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Fees	—	—	—	—	—	—	—	—
Other emoluments								
— Salaries and other benefits	1,587	390	—	—	—	—	—	1,977
— Discretionary bonus	500	—	—	—	—	—	—	500
— Contribution to retirement benefits scheme	12	12	—	—	—	—	—	24
<b>Total</b>	<b>2,099</b>	<b>402</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,501</b>

Mr. Chung is also the Chief Executive Officer of the Company.

Discretionary bonus was determined with reference to the Group's operating results and individual performance.

**Employees' emoluments**

The five highest paid individuals of the Group included two directors for the year ended 31 December 2015 and the eight-month period ended 31 August 2016 (unaudited) and 2017, and one director for the year ended 31 December 2016, details of whose remunerations are set out above. Details of the remuneration for the Track Record Period of the remaining highest paid employees who are neither director nor chief executive of the Company are as follows:

	For the year ended 31 December		For the eight-month period ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Salaries and other benefits	944	1,588	829	1,157
Contribution to retirement benefits scheme	43	64	35	36
	<u>987</u>	<u>1,652</u>	<u>864</u>	<u>1,193</u>

The number of the highest paid employees who are not the directors or chief executive of the Company whose remuneration fell within the following bands as follows:

	Number of employees			
	For the year ended 31 December		For the eight-month period ended 31 August	
	2015	2016	2016 (Unaudited)	2017
Nil to HK\$1,000,000	<u>3</u>	<u>4</u>	<u>3</u>	<u>3</u>

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. Directors did not waive or agree to waive any emoluments during the Track Record Period.

**12. DIVIDENDS**

A final dividend of HK\$2,038,000 was recognised as distribution by Botop Macau to its then shareholders, Mr. Chung and Ms. Chung, during the year ended 31 December 2016.

On 10 April 2017, an interim dividend of HK\$27,000,000 was declared and approved by the Company in favor of its shareholders whose names appeared on the registered of members of the Company on 31 December 2016, namely Wing Fung Capital Limited and the First Pre-IPO Investor (as defined in Note 22(b)). Among the dividend declared, HK\$10,946,000 was paid out of share premium and HK\$16,054,000 was paid out of retained profits of the Company. For the dividend payable to Wing Fung Capital Limited of HK\$23,824,000, HK\$20,708,000 of which had been settled by offsetting with amount due from a director and the remaining amount of HK\$3,116,000 had been settled in cash. The remaining HK\$3,176,000 payable to the First Pre-IPO Investor, was irrevocably waived by the First Pre-IPO Investor pursuant to a deed of waiver dated 10 April 2017. The amount waived was deemed as capital contribution from a shareholder and credited to capital reserve.

No other dividend was declared or paid by the Company or any of its subsidiaries during the Track Record Period. Subsequent to 31 August 2017, an interim dividend was declared by the Company, details of which are set out in Note 33.

Dividend per share is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

## 13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	For the year ended 31 December		For the eight-month period ended 31 August	
	2015	2016	2016	2017
	(Unaudited)			
Earnings:				
Earnings for the purpose of calculating basic earnings per share (profit for the year/period) (in HK\$'000)	<u>15,684</u>	<u>15,405</u>	<u>8,751</u>	<u>5,458</u>
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>322,785,000</u>	<u>323,345,492</u>	<u>322,875,000</u>	<u>419,073,148</u>

The weighted average number of ordinary shares for the purpose of calculating the basic earnings per share during the Track Record Period is based on the assumption that the Reorganisation, the increase in authorised share capital and redenomination of share capital, the share subdivision and the capitalisation issue as explained in the section headed "History, Development and Reorganisation" in the Prospectus, in the Prospectus, had been effective on 1 January 2015.

No diluted earnings per share for the Track Record Period is presented as there were no potential dilutive ordinary shares in issue during the Track Record Period.

## 14. PLANT AND EQUIPMENT

	Motor vehicles <i>HK\$'000</i>	Furniture and office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>			
At 1 January 2015	155	387	542
Currency realignment	(1)	(1)	(2)
Additions	—	10	10
Write-off	(83)	—	(83)
	<u>71</u>	<u>396</u>	<u>467</u>
At 31 December 2015	71	396	467
Currency realignment	1	—	1
Additions	8	70	78
Write-off	(18)	—	(18)
	<u>62</u>	<u>466</u>	<u>528</u>
At 31 December 2016	62	466	528
Currency realignment	(1)	—	(1)
Additions	—	60	60
	<u>61</u>	<u>526</u>	<u>587</u>
At 31 August 2017	61	526	587
<b>DEPRECIATION</b>			
At 1 January 2015	59	351	410
Currency realignment	(1)	(1)	(2)
Provided for the year	16	13	29
Eliminated on write-off	(36)	—	(36)
	<u>38</u>	<u>363</u>	<u>401</u>
At 31 December 2015	38	363	401
Currency realignment	—	1	1
Provided for the year	11	20	31
Eliminated on write-off	(14)	—	(14)
	<u>35</u>	<u>384</u>	<u>419</u>
At 31 December 2016	35	384	419
Currency realignment	—	(1)	(1)
Provided for the period	7	26	33
	<u>42</u>	<u>409</u>	<u>451</u>
At 31 August 2017	42	409	451
<b>CARRYING VALUES</b>			
At 31 December 2015	<u>33</u>	<u>33</u>	<u>66</u>
At 31 December 2016	<u>27</u>	<u>82</u>	<u>109</u>
At 31 August 2017	<u>19</u>	<u>117</u>	<u>136</u>

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Motor vehicles	20%–25%
Furniture and office equipment	20%

## 15. INVESTMENTS IN SUBSIDIARIES

	The Company	
	At 31 December 2016	At 31 August 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments	<u>22,966</u>	<u>37,966</u>

Investments in subsidiaries as at 31 December 2016 and 31 August 2017 represent the cost of investments amounting to HK\$12,966,000 in Wing Fung HK and US\$1 in Wing Fung Investment. Balance as at 31 December 2016 and 31 August 2017 also included amounts due from Wing Fung HK capitalised as deemed capital contribution of HK\$10,000,000 and HK\$25,000,000, respectively.

Particulars of the Company's subsidiaries are set out in Note 30.

## 16. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

	As at 31 December		As at
	2015	2016	31 August 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracts in progress at the end of the reporting period:			
Contract costs incurred	140,115	97,251	189,760
Recognised profits less recognised losses	<u>37,284</u>	<u>26,487</u>	<u>48,456</u>
	177,399	123,738	238,216
Less: Progress billings	<u>(176,370)</u>	<u>(124,974)</u>	<u>(239,292)</u>
	<u>1,029</u>	<u>(1,236)</u>	<u>(1,076)</u>
Analysed for reporting purposes as:			
Amounts due from customers for contract works	4,866	9,079	5,742
Amounts due to customers for contract works	<u>(3,837)</u>	<u>(10,315)</u>	<u>(6,818)</u>
	<u>1,029</u>	<u>(1,236)</u>	<u>(1,076)</u>

As at 31 December 2015 and 2016 and 31 August 2017, retention held by customers for contract works amounted to HK\$11,686,000, HK\$16,859,000 and HK\$18,344,000 respectively, which are set out in Note 17.

## 17. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

## The Group

	As at 31 December		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2017
			HK\$'000
Trade receivables	29,902	28,304	24,898
Retention receivables ( <i>Note</i> )	11,686	16,859	18,344
Deferred listing expenses	—	—	2,912
Other receivables, deposits and prepayments	2,135	1,052	2,004
	<u>43,723</u>	<u>46,215</u>	<u>48,158</u>

*Note:* Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, all being one year from the date of the completion of the respective projects.

The retention receivables are to be settled, based on the expiry of the defect liability period, at the end of each reporting period:

	As at 31 December		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2017
			HK\$'000
Within one year	—	7,659	7,249
After one year	11,686	9,200	11,095
	<u>11,686</u>	<u>16,859</u>	<u>18,344</u>

Trade receivables arise from the provision of supply, installation and fitting-out services of MVAC system for buildings.

The Group grants an average credit period ranged from 30 days to 45 days to its customers. The following is an aged analysis of trade receivables based on valuation dates of payment certificates, which approximate the revenue recognition date, net of allowance for doubtful debts at the end of each reporting period:

	As at 31 December		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2017
			HK\$'000
0 to 30 days	13,156	17,044	9,330
31 to 60 days	12,000	9,048	502
61 to 90 days	2,510	—	7,284
91 to 180 days	—	—	5,990
181 days to 1 year	2,236	—	—
Over 1 year	—	2,212	1,792
	<u>29,902</u>	<u>28,304</u>	<u>24,898</u>

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits granted to customers are reviewed periodically. The majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

The management of the Group closely monitors the credit quality of trade receivables and considers the debts that are neither past due nor impaired to be of good credit quality. Trade receivables that are neither past due nor impaired have good credit quality with reference to respective settlement history.

Included in the Group's trade receivables balance are debtors with aggregate carrying amounts of HK\$5,302,000, HK\$2,212,000 and HK\$15,568,000 as at 31 December 2015 and 2016 and 31 August 2017 respectively which are past due at the end of the year for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The aged analysis presented based on the valuation dates of payment certificates of the trade receivables which are past due but not impaired is as follows:

	As at 31 December		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2017
			HK\$'000
31 to 60 days	3,066	—	502
61 to 90 days	—	—	13,274
91 to 180 days	—	—	—
181 days to 1 year	2,236	—	—
Over 1 year	—	2,212	1,792
	<u>5,302</u>	<u>2,212</u>	<u>15,568</u>

All of the trade receivables that are neither past due nor impaired have no default payment history.

#### The Company

	As at	As at
	31 December	31 August
	2016	2017
	HK\$'000	HK\$'000
Prepaid listing expenses	—	20
Deferred listing expenses	—	2,912
	<u>—</u>	<u>2,932</u>

## 18. AMOUNTS DUE FROM (TO) A DIRECTOR/A SHAREHOLDER OF THE HOLDING COMPANY/A SUBSIDIARY/RELATED COMPANIES

## The Group

	As at			Maximum balances outstanding			
	1 January	As at 31 December		31 August	for the year ended		
	2015	2015	2016	2017	31 December	for the eight-month period ended	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	2015	2016	31 August 2017
Amounts due from related companies							
Garwin Engineering (Macau) Limited (Note a)	—	1,212	—	—			
Star Champion Engineering Limited (Note b)	75	27	—	—			
	<u>75</u>	<u>1,239</u>	<u>—</u>	<u>—</u>			
Amount due from a director (Note c)	<u>3,087</u>	<u>9,554</u>	<u>20,708</u>	<u>—</u>	<u>9,635</u>	<u>20,708</u>	<u>20,708</u>
Amount due to a shareholder of the holding company (Note d)		<u>—</u>	<u>(81)</u>	<u>—</u>			
Amounts due to related companies							
Cheuk Yat Engineering (Note e)		(4,048)	(1,123)	(740)			
Tai Tak E & M Co. (Note f)		(3,371)	(3,879)	(2,195)			
Tai Tak Engineering (Macau) Limited (Note g)		(3,340)	(3,368)	(2,332)			
Wing Fung Engineering Limited (Note h)		<u>(1,500)</u>	<u>(350)</u>	<u>—</u>			
		<u>(12,259)</u>	<u>(8,720)</u>	<u>(5,267)</u>			

## Notes:

- (a) The amount represents amount due from Garwin Engineering (Macau) Limited, a company in which Mr. Chung has joint control, at 1 January 2015, 31 December 2015, 31 December 2016 and 31 August 2017. The amount is of trade nature and has a credit term of 45 days. The balance at 31 December 2015 is neither past due nor impaired.
- (b) The amount represents amount due from Star Champion Engineering Limited, a company in which Mr. Chung Chu Sun, Mr. Chung's brother, and Ms. Wong Sau Ping, spouse of Mr. Chung, had 40% and 30% equity interests respectively. The amount is of trade nature and has a credit term of 45 days. The balance at 31 December 2015 is neither past due nor impaired.
- (c) The amount represents amount due from Mr. Chung and is non-trade in nature, unsecured, interest-free and repayable on demand. The amount as at 31 December 2016 was offset by dividend declared by the Company in April 2017, details of which are set out in Note 12.
- (d) The amount represents amount due to Ms. Chung, one of the Controlling Shareholders, and is non-trade in nature, unsecured, interest free and repayable on demand. The amount as at 31 December 2016 was settled in full during the eight-month period ended 31 August 2017.

- (e) The amount represents amount due to Cheuk Yat Engineering, in which Mr. Chung Cheuk Him, a senior project manager of the Group during the Track Record Period and Mr. Chung's nephew-in-law, has controlling interest. The amount is of trade nature and has a credit term of 30 days.
- (f) The amount represents amount due to Tai Tak E & M Co., a company in which Mr. Chung Chu Sum, Mr. Chung's brother, has joint control. The amount is of trade nature and has a credit term of 30 days.
- (g) The amount represents amount due to Tai Tak Engineering (Macau) Limited, a company in which Mr. Chung Chu Sum, Mr. Chung's brother, has controlling interest. The amount is of trade nature and has a credit term of 30 days.
- (h) The amount represents amount due to Wing Fung Engineering Limited, in which daughters of Mr. Chung have controlling interests. The amount is of trade nature and has a credit term of 30 days.

The aged analysis of trade nature amounts due from related companies, which is prepared based on invoice date of each transaction, which approximated the respective revenue recognition dates, at the end of the reporting period is as follows:

	As at 31 December		As at 31 August
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
0 to 30 days	1,239	—	—

The aged analysis of amounts due to related companies, which is prepared based on the dates of application of interim payment of each transaction, at the end of the reporting period is as follows:

	As at 31 December		As at 31 August
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
0 to 30 days	1,182	568	384
31 to 60 days	1,619	—	—
61 to 90 days	—	—	—
91 to 180 days	1,775	—	—
181 days to 1 year	1,338	1,016	1,035
Over 1 year	6,345	7,136	3,848
	<u>12,259</u>	<u>8,720</u>	<u>5,267</u>

#### The Company

The amount due to a subsidiary as at 31 August 2017 represents the amount due to Wing Fung HK. The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

## 19. PLEDGED AND RESTRICTED BANK DEPOSITS, BANK BALANCES AND CASH AND BANK OVERDRAFTS

	As at 31 December		As 31 August
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Pledged bank deposits	—	—	3,000
Restricted bank deposits	—	—	2,716
Bank balances and cash	5,549	14,977	26,373
Bank overdrafts	(2,729)	(2,404)	—
	2,820	12,573	32,089
Less: Pledged and restricted bank deposits	—	—	(5,716)
Cash and cash equivalents	2,820	12,573	26,373

The pledged bank deposits represent deposits pledged to a bank to secure a banking facility granted to the Group with maturity within one year from the end of the reporting period and is therefore classified as a current asset. The pledged bank deposits carried interest at a fixed rate of 0.8% per annum at 31 August 2017.

The restricted bank deposits represent cash held at banks as security for due performance under several services contracts of MVAC system for buildings with prevailing market rate of 0.02% per annum at 31 August 2017.

The bank overdrafts carry interest at a rate of 1.5% over the prime rate of the relevant bank per annum at 31 December 2015 and 2016. No bank overdrafts was drawn by the Group as at 31 August 2017.

As at 31 December 2015 and 2016, bank overdrafts of Wing Fung HK amounting to HK\$1,564,000 and HK\$2,016,000 respectively were secured by two legal charges over two properties of which one is held by Ms. Wong Sau Ping, the spouse of Mr. Chung, and one is held by Botop Engineering Limited, a company in which Mr. Chung has controlling interest, and guaranteed by Wing Fung Engineering Limited, a company in which daughters of Mr. Chung have controlling interests, for an unlimited amount. The bank overdraft was also guaranteed by Mr. Chung for HK\$15,000,000 as at 31 December 2015 which increased to HK\$20,000,000 as at 31 December 2016, and was secured by a personal insurance policy of Mr. Chung as at 31 December 2016. The legal charges over these two properties, two guarantees provided by Mr. Chung and Wing Fung Engineering Limited, and the security by the personal insurance policy of Mr. Chung have been released during the eight-month period ended 31 August 2017.

As at 31 December 2015 and 2016, another bank overdraft of Botop Macau amounting to HK\$1,165,000 and HK\$388,000 respectively was secured by a personal bank deposit of RMB1,250,000 of Mr. Chung, a Livranca (i.e. promissory note) for MOP5,000,000 signed by Botop Macau, and guaranteed by Mr. Tam Chan Sing Joseph, the spouse of Mr. Chung's sister for MOP1,500,000 and Mr. Chung for MOP5,000,000. As at 31 August 2017, the facility for bank overdraft of Botop Macau was still secured by a personal bank deposit of RMB1,250,000 of Mr. Chung, a Livranca (i.e. promissory note) for MOP5,000,000 signed by Botop Macau, and guaranteed by Mr. Tam Chan Sing Joseph for MOP1,500,000 and Mr. Chung for MOP5,000,000. As represented by the directors of the Company, the personal bank deposit of Mr. Chung and the guarantees by Mr. Tam Chan Sing Joseph and Mr. Chung will be released upon listing of the Company on the GEM of the Stock Exchange.

The Group's bank balances and cash, and pledged and restricted bank deposits that are denominated in HK\$ other than the functional currency of the subsidiary of the Company are set out below:

	As at 31 December		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2017
			HK\$'000
Denominated in HK\$	3,160	3,060	3,535

## 20. TRADE AND BILLS PAYABLES

	As at 31 December		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2017
			HK\$'000
Trade payables	9,723	8,341	11,095
Retention payables ( <i>note</i> )	1,971	3,644	6,185
Bills payable	2,929	—	—
	<u>14,623</u>	<u>11,985</u>	<u>17,280</u>

*Note:* Retention payables to subcontractors are interest-free and payable at the end of the defect liability period of individual contracts, normally one year from the completion date of the respective project.

The retention payables are expected to be settled, based on the expiry date of the defect liability period, at the end of each reporting period as follows:

	As at 31 December		As at
	2016	2015	31 August
	HK\$'000	HK\$'000	2017
			HK\$'000
Due with one year	289	2,671	2,256
Due after one year	1,682	973	3,929
	<u>1,971</u>	<u>3,644</u>	<u>6,185</u>

The average credit period of trade payables granted by suppliers is from 30 to 60 days upon the issue of invoices or application of interim payment generally.

The following is an aged analysis of trade payables based on the invoice dates and the dates of application of interim payment.

	As at 31 December		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2017
0 to 30 days	6,670	5,703	6,802
31 to 60 days	1,659	1,979	3,578
61 to 90 days	497	290	391
91 to 180 days	595	28	—
181 days to 1 year	183	42	—
Over 1 year	119	299	324
	<u>9,723</u>	<u>8,341</u>	<u>11,095</u>

The following is an aged analysis of bills payable based on the issuance date of each bill:

	As at 31 December		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2017
0 to 30 days	2,243	—	—
31 days to 60 days	—	—	—
61 days to 90 days	686	—	—
	<u>2,929</u>	<u>—</u>	<u>—</u>

The above bills payable are held by Wing Fung HK which is under the same banking facility with a bank overdraft of Wing Fung HK, details of which are set out in Note 19.

## 21. OTHER PAYABLES AND ACCRUED EXPENSES

### The Group

	As at 31 December		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2017
Accrued staff costs	1,115	1,201	1,225
Other accrued charges	25	—	—
Accrued listing expenses	—	—	134
Other payables	—	349	190
	<u>1,140</u>	<u>1,550</u>	<u>1,549</u>

**The Company**

	<b>As at 31 December 2016 HK\$'000</b>	<b>As at 31 August 2017 HK\$'000</b>
Accrued listing expenses	—	134

**22. SHARE CAPITAL****The Group**

For the purpose of this report, the issued capital of the Group of HK\$25,000 as at 1 January 2015 and 31 December 2015 represented the combined share capital of Botop Macau of MOP25,000 (equivalent to HK\$24,000) and Wing Fung HK of HK\$700. The issued capital of the Group of HK\$7,000 as at 31 December 2016 represented the share capital of the Company of 850 shares of US\$1 each. The issued capital of the Group of HK\$7,800 as at 31 August 2017 represented the share capital of the Company of 780,000 shares of HK\$0.01 each.

**The Company**

	<b>Nominal value per share</b>	<b>Number of shares</b>	<b>Amount</b>	
			<i>US\$'000</i>	<i>HK\$'000</i>
<b>Authorised:</b>				
At 29 September 2016 (date of incorporation) and 31 December 2016	US\$1	50,000	50	390
Creation of shares ( <i>note d</i> )	HK\$0.1	10,000,000,000	N/A	1,000,000
Cancellation of shares ( <i>note d</i> )	US\$1	(50,000)	(50)	(390)
Subdivision of shares ( <i>note e</i> )	HK\$0.01	90,000,000,000	N/A	—
At 31 August 2017	HK\$0.01	100,000,000,000	N/A	1,000,000
<b>Issued and fully paid:</b>				
At 29 September 2016 (date of incorporation) ( <i>note a</i> )	US\$1	1	—	—
Issue of shares ( <i>note b</i> )	US\$1	849	1	7
At 31 December 2016	US\$1	850	1	7
Issue of shares ( <i>note c</i> )	US\$1	150	—	1
Issue of shares ( <i>note d</i> )	HK\$0.1	78,000	N/A	8
Cancellation of shares ( <i>note d</i> )	US\$1	(1,000)	(1)	(8)
Subdivision of shares ( <i>note e</i> )	HK\$0.01	702,000	N/A	—
At 31 August 2017	HK\$0.01	780,000	N/A	8

*Notes:*

- a. On 29 September 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1 each. 1 share of US\$1 was issued and allotted to the initial subscriber, which was on the same day transferred to Wing Fung Capital Limited, a company wholly owned by the Controlling Shareholders.

- b. On 15 December 2016, 749 shares of US\$1 each were issued and allotted to Wing Fung Capital Limited for acquisition of Wing Fung HK pursuant to the Reorganisation as details in Note 2.

On 15 December 2016, a subscription agreement was entered into between (i) the Company; (ii) Global Equity Value Fund SPC — Frotivoti Sunshine Liyao Capital Fund I SP (the “First Pre-IPO Investor”); and (iii) Mr. Chung, pursuant to which the First Pre-IPO Investor subscribed for 100 new shares of the Company at a cash consideration of HK\$10,000,000 (the “First Pre-IPO Investment”). The First Pre-IPO Investment was completed on 28 December 2016.

The new shares rank *pari passu* with the then existing shares in all respects.

- c. On 15 December 2016, a subscription agreement was entered into between (i) the Company; (ii) Global Equity Value Fund SPC — FC Treasure Fund I SP (the “Second Pre-IPO Investor”) and (iii) Mr. Chung as guarantor, pursuant to which the Second Pre-IPO Investor subscribed for 150 new shares of the Company at a cash consideration of HK\$15,000,000 (the “Second Pre-IPO Investment”). The Second Pre-IPO Investment was completed on 13 February 2017.

The new shares rank *pari passu* with the then existing shares in all respects.

- d. Pursuant to the written resolutions of the shareholders passed on 22 March 2017, the authorised share capital of the Company was increased from US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each to the aggregate of (i) US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each; and (ii) HK\$1,000,000,000 divided into 10,000,000,000 shares with a par value of HK\$0.10 each, by the creation of an additional 10,000,000,000 ordinary share of HK\$0.10 each. The increase in authorised share capital of the Company was completed on 31 March 2017.

On the same day, the Company allotted and issued 58,500, 7,800 and 11,700 shares with a par value of HK\$0.10 each to Wing Fung Investment, the First Pre-IPO Investor and the Second Pre-IPO Investor, respectively and repurchased the 1,000 then existing issued shares of US\$1.00 each. Also on the same day, the Company cancelled 50,000 authorised but unissued shares of US\$1.00 each in the share capital of the Company, such that the authorised share capital of the Company became HK\$1,000,000,000 divided into 10,000,000,000 Shares of a par value of HK\$0.10 each.

- e. Pursuant to the written resolutions of the shareholders passed on 10 April 2017, each of the issued and unissued shares of the Company of HK\$0.10 each was subdivided into 10 shares with a par value of HK\$0.01 each. Upon completion of the share subdivision, the authorised share capital of the Company became HK\$1,000,000,000 divided into 100,000,000,000 shares of HK\$0.01 each, and the issued share capital of the Company became HK\$7,800 divided into 780,000 shares of HK\$0.01 each.

**23. RESERVES****The Group**

The details of reserve movements of the Group are set out in the consolidated statements of changes in equity.

**The Company**

	<b>Share premium</b> <i>HK\$'000</i>	<b>Capital reserve</b> <i>HK\$'000</i>	<b>Retained profits</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 29 September 2016 (date of incorporation)	—	—	—	—
Issue of shares	<u>22,959</u>	<u>—</u>	<u>—</u>	<u>22,959</u>
At 31 December 2016	22,959	—	—	22,959
Profit and total comprehensive income for the period	—	—	16,985	16,985
Issue of shares	14,999	—	—	14,999
Dividend paid ( <i>Note 12</i> )	<u>(10,946)</u>	<u>3,176</u>	<u>(16,054)</u>	<u>(23,824)</u>
At 31 August 2017	<u>27,012</u>	<u>3,176</u>	<u>931</u>	<u>31,119</u>

**24. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of equity of the Group, which comprises share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost and the risks associate with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts or repayment of existing debts.

## 25. FINANCIAL INSTRUMENTS

## Categories of financial instruments

*The Group*

	As at 31 December		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2017
			HK\$'000
<b>Financial assets</b>			
Loans and receivables (including pledged and restricted bank deposits and bank balances and cash)	59,768	81,120	71,239
<b>Financial liabilities</b>			
Amortised cost	29,611	23,539	22,871

*The Company*

	As at	As at
	31 December	31 August
	2016	2017
	HK\$'000	HK\$'000
<b>Financial asset</b>		
Loan and receivable (representing bank balances and cash)	—	4,249
<b>Financial liabilities</b>		
Amortised cost	—	14,020

**Financial risk management objectives and policies**

The Group's major financial instruments include trade and other receivables and deposits, amounts due from (to) a director, a shareholder of the holding company and related companies, pledged and restricted bank deposits, bank balances and cash, trade and bills payables, other payables, accrued listing expenses and bank overdrafts. The Company's major financial instruments represent bank balances and cash, other payable and amount due to a subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Market risks**Currency risk*

The Group's exposure to currency risk mainly arises from the fluctuation of HK\$ against the functional currencies of the relevant companies now comprising the Group. The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities other than the functional currencies of the relevant companies now comprising the Group are as follows. The management closely monitors foreign exchange exposure to mitigate the foreign currency risk.

	Assets			Liabilities		
	As at 31 December		As at 31 August	As at 31 December		As at 31 August
	2015	2016	2017	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	19,908	8,574	6,338	2,966	—	—

A subsidiary of the Company has MOP as functional currency and has foreign currency denominated monetary assets denominated in HK\$. As MOP is pegged to HK\$ the Group's foreign currency risk exposure is not considered to be significant.

#### *Interest rate risk*

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances, pledged and restricted bank deposits and bank overdrafts as disclosed in Note 19 due to the fluctuation of the prevailing market interest rate. The Group currently does not have a policy on hedging interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

#### **Sensitivity analysis**

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate bank overdrafts. The analysis is prepared assuming the amount of liability outstanding at each reporting period end was outstanding for the whole year. A 100 basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit after tax for the years ended 31 December 2015 and 2016 and the eight-month period ended 31 August 2017 would decrease/increase by HK\$23,000, HK\$20,000 and HK\$Nil respectively.

No sensitivity analysis has been prepared for the exposure to interest rate risk on the Group's pledged and restricted bank deposits and bank balances as the directors of the Company consider that the exposure is minimal.

#### *Credit risk*

At the end of each reporting period, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liabilities in relation to financial guarantees provided by the Group to related companies and a related party is disclosed in Note 29.

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk in a few customers. At the end of the reporting period, the outstanding balances from the five largest customers, which have been included in trade receivables and retention receivables, amounted to HK\$40,273,000, HK\$41,876,000 and HK\$41,784,000 in aggregate, which represents approximately 97%, 93% and 97% of the total trade

receivables and retention receivables as at 31 December 2015 and 2016 and 31 August 2017 respectively. In view of their credit standings, good payment record in the past and long term relationships with the Group, the directors of the Company consider that the Group's credit risk is not material.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Other than concentration of credit risk on trade and retention receivables, the Group also has concentration of credit risk on amount due from a director as at 31 December 2015 and 2016. As at 31 December 2015 and 2016, amount due from a director amounted to HK\$9,554,000 and HK\$20,708,000 respectively. The management of the Group considers the default risk to be insignificant as the director is also one of the Controlling Shareholders of the Group. Details are set out in Note 18.

Other than the above, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties.

#### *Liquidity risk*

Ultimate responsibility for liquidity risk management rests with the directors of the Company, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for the non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

*Liquidity and interest risk tables*

## THE GROUP

	Weighted average interest rate %	On demand or with 90 days <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Carrying amounts <i>HK\$'000</i>
<b>At 31 December 2015</b>				
Trade and retention payables	—	11,694	11,694	11,694
Bills payable	5.25	2,929	2,929	2,929
Amounts due to related companies	—	12,259	12,259	12,259
Bank overdrafts	6.46	2,729	2,729	2,729
Financial guarantee contracts	—	3,855	3,855	—
		<u>33,466</u>	<u>33,466</u>	<u>29,611</u>
<b>At 31 December 2016</b>				
Trade and retention payables	—	11,985	11,985	11,985
Other payables	—	349	349	349
Amount due to a shareholder of the holding company	—	81	81	81
Amounts due to related companies	—	8,720	8,720	8,720
Bank overdrafts	6.33	2,404	2,404	2,404
Financial guarantee contracts	—	8,937	8,937	—
		<u>32,476</u>	<u>32,476</u>	<u>23,539</u>
<b>At 31 August 2017</b>				
Trade and retention payables	—	17,280	17,280	17,280
Accrued listing expenses	—	134	134	134
Other payables	—	190	190	190
Amounts due to related companies	—	5,267	5,267	5,267
		<u>22,871</u>	<u>22,871</u>	<u>22,871</u>

The amounts included above for financial guarantee contracts as at 31 December 2015 and 2016 are the maximum amounts the Group could be required to settle under the arrangements for the guaranteed amounts if those amounts are claimed by the counterparties to the guarantees after consideration of the amounts utilised by the related companies and the related party in the facility limit. Based on the expectations at the end of each reporting period, management considers that it is more likely than not that no amounts will be payable under the arrangements. However, this estimate is subject to change depending on the probability of the counterparties claiming under the guarantees which is a function of the likelihood that the financial receivables held by the counterparties which are guaranteed suffer credit losses. Details of the financial guarantees are set out in Note 29(a).

#### Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the statements of financial position approximate their fair values.

## 26. OPERATING LEASE COMMITMENTS

#### The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2017
			HK\$'000
Within one year	619	880	598
In the second to fifth years inclusive	<u>321</u>	<u>401</u>	<u>120</u>
	<u>940</u>	<u>1,281</u>	<u>718</u>

Operating lease payments represent rentals payable by the Group for offices premises. These leases are negotiated for terms ranging from six months to two years. None of the leases include any contingent rentals.

Included above are the commitments for future minimum lease payments to Botop Engineering Limited, a company in which Mr. Chung has controlling interest, and Wing Fung Engineering Limited, a company in which children of Mr. Chung have controlling interests.

	As at 31 December		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2017
			HK\$'000
Within one year	<u>168</u>	<u>240</u>	<u>—</u>

## 27. RELATED PARTY DISCLOSURES

## (i) Related party transactions

The Group had entered into the following transactions with related parties during the Track Record Period:

Name of related company	Relationship	Nature of transaction	For the year ended 31 December		For the eight-month period ended 31 August	
			2015 HK\$'000	2016 HK\$'000	2016 HK\$'000	2017 HK\$'000
					(Unaudited)	
Botop Engineering Limited	Mr. Chung has controlling interest	Rental expenses	220	240	160	20
Cheuk Yat Engineering	Mr. Chung Cheuk Him, a senior project manager of the Group during the Track Record Period and Mr. Chung's nephew-in-law, has controlling interest	Sub-contracting expense from supply, installation and fitting-out services of MVAC system	2,213	1,165	—	—
		Consultancy fee expense	1,420	—	—	—
Garwin Engineering (Macau) Limited	Mr. Chung had joint control	Supply, installation and fitting-out services of MVAC system	1,215	—	—	—
Star Champion Engineering Limited	Mr. Chung Chu Sun, Mr. Chung's brother, and Ms. Wong Sau Ping, spouse of Mr. Chung, had 40% and 30% equity interests respectively	Accounting services income	108	15	15	—
		Purchase of materials	1,028	—	—	—
		Sub-contracting expense from supply, installation and fitting-out services of MVAC system	533	—	—	—
Tai Tak E & M Co.	Mr. Chung Chu Sum, Mr. Chung's brother, has joint control	Sub-contracting expense from installation services of MVAC system	5,285	9,678	6,981	5,796
Tai Tak Engineering (Macau) Limited	Mr. Chung Chu Sum, Mr. Chung's brother, has controlling interest	Sub-contracting expense from installation services of MVAC system	—	—	—	228
Wing Fung Engineering Limited	Daughters of Mr. Chung have controlling interests	Rental expenses	168	168	112	42
		Sub-contracting expense from supply, installation and fitting-out services of MVAC system	500	—	—	—

**(ii) Pledge of assets held by Mr. Chung and related parties and financial guarantees provided by Mr. Chung and related parties to the Group**

Details of pledge of assets held by a shareholder of the Company and related parties and financial guarantees provided by a shareholder of the Company and related parties to the Group for bank overdrafts and bills payable are disclosed in Notes 19 and 20.

**(iii) Indemnities provided by Mr. Chung**

As at 31 December 2015 and 2016 and 31 August 2017, indemnities amounting to HK\$21,221,000, HK\$21,283,000 and HK\$4,870,000 were provided by Mr. Chung in favor of the Group in respect of construction contracts respectively.

**(iv) Financial guarantees provided by the Group to related companies and a related party**

Details of corporate guarantee provided by the Group for general banking facilities granted to related companies and a related party are disclosed in Note 29.

**(v) Compensation of key management personnel**

The remuneration of directors and other members of key management during the Track Record Period is as follows:

	For the year ended 31 December		For the eight-month period ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000	2017 HK\$'000
			(Unaudited)	
Salaries and allowances	1,786	2,284	1,461	3,623
Contributions to retirement benefits schemes	<u>56</u>	<u>71</u>	<u>46</u>	<u>61</u>
	<u>1,842</u>	<u>2,355</u>	<u>1,507</u>	<u>3,684</u>

**28. RETIREMENT BENEFIT PLAN**

The Group participates in a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. For members of the MPF Scheme, the Group contributes at the lower of HK\$1,500 per month or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The Group operates a defined contribution retirement scheme for eligible employee in Macau. The assets of the scheme are held separately from those of the Group in funds under the control of an independent trustee. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

The total expenses recognised in profit or loss of HK\$194,000, HK\$257,000, HK\$147,000 (unaudited) and HK\$238,000 for the years ended 31 December 2015 and 2016 and the eight-month periods ended 31 August 2016 and 2017 respectively represent contributions paid and payable to these plans by the Group at rates specified in the rules of the plan.

## 29. FINANCIAL GUARANTEES AND PERFORMANCE BONDS

## (a) Financial guarantees

*The Group*

On 21 August 2015, Wing Fung HK, a subsidiary of the Group, provided a corporate guarantee to Wing Fung Engineering Limited, a company in which daughters of Mr. Chung have controlling interests for a banking facility of HK\$1,000,000 for an unlimited amount. The banking facility amount was increased to HK\$1,200,000 pursuant to the renewed banking facility agreement dated 6 July 2016. The banking facility is available to Wing Fung Engineering Limited only and Wing Fung Engineering Limited can draw down the facility in full at any time. As represented by the directors of the Company, the fair value of the financial guarantee provided by Wing Fung HK is insignificant. As at 31 December 2015 and 2016, Wing Fung Engineering Limited utilised the banking facility of HK\$1,000,000 and HK\$Nil respectively. The corporate guarantee provided by Wing Fung HK was released on 9 March 2017.

On 31 August 2015, Wing Fung HK provided a corporate guarantee to Botop Engineering Limited, a company in which Mr. Chung has controlling interest, for a banking facility of HK\$2,913,000 for an unlimited amount. The banking facility is available to Botop Engineering Limited only. The banking facility was drawn down in full at 31 August 2015 and is repayable by 188 equal monthly instalments. As represented by the directors of the Company, the fair value of the financial guarantee provided by Wing Fung HK is insignificant. As at 31 December 2015 and 2016, Botop Engineering Limited utilised the facility of HK\$2,855,000 and HK\$2,680,000 respectively. The corporate guarantee by Wing Fung HK was released on 25 July 2017.

On 6 July 2016, Wing Fung HK provided a corporate guarantee to Ms. Wong Sau Ping, the spouse of Mr. Chung, for a banking facility of HK\$6,355,000 for an unlimited amount. The banking facility is available to Ms. Wong Sau Ping only. The banking facility was drawn down in full at 6 July 2016 and is repayable by 291 equal monthly instalments. As represented by the directors of the Company, the fair value of the financial guarantee provided by Wing Fung HK is insignificant. As at 31 December 2016, Ms. Wong Sau Ping utilised the banking facility of approximately HK\$6,257,000. The corporate guarantee provided by Wing Fung HK was released on 4 July 2017.

*The Company*

	<b>As at</b> <b>31 December</b> <b>2016</b> <i>HK\$'000</i>	<b>As at</b> <b>31 August</b> <b>2017</b> <i>HK\$'000</i>
Guarantee given to a bank, in respect of a banking facility granted to a subsidiary:		
— amount guaranteed	—	4,934
— amount utilised	—	—

**(b) Performance bonds***The Group*

	<b>As at 31 December 2016 HK\$'000</b>	<b>As at 31 August 2017 HK\$'000</b>
Indemnities issued to a bank for performance bonds in respect of construction contracts	—	<u>2,716</u>

**30. PARTICULARS OF SUBSIDIARIES**

As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation	Issued and fully paid share capital/ quota capital	Equity interest attributable to the Group as at			Date of this report	Principal activities
			31 December 2015	31 August 2016	31 August 2017		
Botop Macau*	Macau, 5 March 2007	MOP25,000	100%	100%	100%	100%	Provision of supply, installation and fitting-out services of MVAC system for buildings
Wing Fung HK#	Hong Kong, 25 July 1996	HK\$700	100%	100%	100%	100%	Provision of supply, installation and fitting-out services of MVAC system for buildings
Wing Fung Investment#	The BVI, 22 September 2016	US\$1	N/A	100%	100%	100%	Investment holding

\* Subsidiary indirectly held by the Company

# Subsidiaries directly held by the Company

All the subsidiaries have adopted 31 December as their financial year end date except for Wing Fung HK which changed the financial year end date from 30 September to 31 December during the financial year ended 31 December 2016 to make the financial year of Wing Fung HK conterminous with that of the Company.

- (a) No audited financial statements of the Company, Botop Macau and Wing Fung Investment have been prepared since its date of incorporation as they are incorporated in jurisdictions where there are no statutory audit requirements.
- (b) The statutory financial statements of Wing Fung HK for the year ended 30 September 2015 and for the 15-month period ended 31 December 2016 were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by the HKICPA and Hong Kong Financial Reporting Standards for Private Entities issued by the HKICPA respectively and were audited by Y.F. Tam & Co., Certified Public Accountants registered in Hong Kong.

**31. PLEDGE OF ASSET**

The following asset was pledged to secure certain banking facilities granted to the Group at the end of the reporting period:

	As at 31 December		As at
	2015	2016	31 August
	HK\$'000	HK\$'000	2017
			HK\$'000
Pledged and restricted bank deposits	—	—	5,716

**32. MAJOR NON-CASH TRANSACTIONS**

During the year ended 31 December 2016, a final dividend amounting to HK\$2,038,000 declared by Botop Macau was settled through the current account with a director and a shareholder of the holding company.

During the eight-month period ended 31 August 2017, interim dividend declared by the Company amounting to HK\$20,708,000 was settled through the current account with a director.

**33. EVENTS AFTER THE REPORTING PERIOD**

- (a) On 24 October 2017, an interim dividend of HK\$34,000,000 was declared and approved by the Company in favor of its shareholders whose names appeared on the registered of members of the Company on 24 October 2017, namely Wing Fung Capital Limited, the First Pre-IPO Investor and the Second Pre-IPO Investor. The dividend payable to Wing Fung Capital Limited of HK\$25,500,000 was settled in cash. The dividend payables of HK\$3,400,000 to the First Pre-IPO Investor and HK\$5,100,000 to the Second Pre-IPO Investor were both irrevocably waived by the First Pre-IPO Investor and the Second Pre-IPO Investor respectively pursuant to deeds of waiver dated 24 October 2017. The amounts waived would be deemed as capital contribution from shareholders and credited to capital reserve.
- (b) On 24 October 2017, Wing Fung Capital Limited, the Company's immediate and ultimate holding company, entered into a sale and purchase agreement with the First Pre-IPO Investor, pursuant to which Wing Fung Capital Limited acquired 78,000 shares of the Company from the First Pre-IPO Investor at a consideration of HK\$10,000,000. On the same date, Wing Fung Capital Limited entered into another sale and purchase agreement with the Second Pre-IPO Investor, pursuant to which Wing Fung Capital Limited acquired 117,000 shares from the Second Pre-IPO Investor at a consideration of HK\$15,000,000. Both transactions were completed on 24 October 2017.
- (c) On 31 January 2018, resolutions in writing were passed by the shareholders of the Company to approve the matters set out in the paragraph headed "3. Written resolutions of our sole shareholder passed on 31 January 2018" in Appendix V to the Prospectus. It was resolved, among other things, conditional on the share premium account of the Company being credited as a result of the Share Offer, the directors of the Company were authorised to capitalise an amount of HK\$4,297,200 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 429,720,000 shares for allotment and issue to the sole shareholder whose name appear on the register of members of the Company at the close of business on 31 January 2018 in proportion, and the directors of the Company were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved.

**34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows financing activities.

	<b>Bank borrowings</b> <i>HK\$'000</i>	<b>Amount due to a shareholder of the holding company</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2015	1,840	—	1,840
Interest expenses	79	—	79
Financing cash flows	<u>(1,919)</u>	<u>81</u>	<u>(1,838)</u>
At 31 December 2015 and 31 December 2016	—	81	81
Financing cash flows	<u>—</u>	<u>(81)</u>	<u>(81)</u>
At 31 August 2017	<u>—</u>	<u>—</u>	<u>—</u>
At 1 January 2016	—	81	81
Financing cash flow (unaudited)	<u>—</u>	<u>—</u>	<u>—</u>
At 31 August 2016 (unaudited)	<u>—</u>	<u>81</u>	<u>81</u>

**35. DIRECTORS' REMUNERATION**

Under the arrangement presently in force, the aggregate remuneration of the Company's directors for the year ended 31 December 2017, excluding discretionary bonus, is estimated to be approximately HK\$4,657,000.

**36. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to 31 August 2017.

*The information set out below does not form part of the Accountants' Report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, as set out in Appendix I to this prospectus, and is included in this prospectus for information purposes only.*

*The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of this prospectus and the Accountants' Report as set out in Appendix I to this prospectus.*

**A.    UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out to illustrate the effect of the Share Offer (as defined in the Prospectus) on our net tangible assets of the Group as at 31 August 2017 as if it had taken place on 31 August 2017. The unaudited pro forma statement of 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 our consolidated net tangible assets of the Group as at 31 August 2017 or any future date following the Share Offer. It is prepared based on our net assets of the Group as at 31 August 2017 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group does not form part of the Accountants' Report in Appendix I to this prospectus.

	<b>Audited consolidated net tangible assets of the Group as at 31 August 2017 HK\$'000 (Note 1)</b>	<b>Estimated net proceeds from the Share Offer HK\$'000 (Note 2)</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 August 2017 HK\$'000</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 August 2017 per Share HK\$ (Note 3)</b>
Based on the Offer Price of HK\$0.38 per Share	<u>47,399</u>	<u>36,956</u>	<u>84,355</u>	<u>0.15</u>
Based on the Offer Price of HK\$0.42 per Share	<u>47,399</u>	<u>42,466</u>	<u>89,865</u>	<u>0.16</u>

*Notes:*

1. The consolidated net tangible assets of the Group as at 31 August 2017 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company of HK\$47,399,000 as at 31 August 2017.
2. The estimated net proceeds from the Share Offer are based on 143,500,000 Shares to be issued at a minimum Offer Price of HK\$0.38 or a maximum Offer Price of HK\$0.42 per Share, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred by the Group subsequent to 31 August 2017 and does not take into account of any Shares which may be issued or repurchased pursuant to the Company's general mandate, as referred to in the sections headed "Share Capital — General Mandate to Issue Shares" and "Share Capital — General Mandate to Repurchase Shares" in this prospectus.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is arrived on the basis of 574,000,000 Shares in issue, taking into account of 780,000 Shares in issue as at 31 August 2017, 429,720,000 Shares to be issued pursuant to the Capitalisation Issue, and 143,500,000 Shares to be issued pursuant to the completion of the Share Offer. It does not take into account of any Shares which may be issued or repurchased pursuant to the Company's general mandate, as referred to in the sections headed "Share Capital — General Mandate to Issue Shares" and "Share Capital — General Mandate to Repurchase Shares" in this prospectus.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 August 2017 to reflect any operating result or other transactions of the Group entered into subsequent to that date. In particular, the unaudited pro forma adjusted consolidated net tangible assets on the table above have not been adjusted to show the effect of the interim dividend declared and approved by the Company as detailed below.

Subsequent to 31 August 2017, on 24 October 2017, an interim dividend of HK\$34,000,000 was declared and approved by the Company, of which HK\$25,500,000 was payable to Wing Fung Capital Limited, HK\$3,400,000 was waived by the first Pre-IPO Investor, and HK\$5,100,000 was waived by the Second Pre-IPO Investor (the “Dividend Declaration and Waiver”). Had the Dividend Declaration and Waiver been completed on August 31, 2017, the unaudited pro forma adjusted consolidated net tangible assets of the Group would decrease from HK\$84,355,000 to HK\$58,855,000 based on Offer Price of HK\$0.38 per Share, or from HK\$89,865,000 to HK\$64,365,000 based on Offer Price of HK\$0.42 per Share. The following table illustrates the impact of the Share Offer and the Dividend Declaration and Waiver on the pro forma financial information had the Share Offer and the Dividend Declaration and Waiver been completed on 31 August 2017.

	<b>Unaudited proforma adjusted consolidated net tangible assets of the Group taking into account of the Share Offer and the Dividend Declaration and Waiver as at 31 August 2017 HK\$'000</b>	<b>Unaudited proforma adjusted consolidated net tangible assets of the Group taking into account the Share Offer and the Dividend Declaration and Waiver as at 31 August 2017 per Share HK\$</b>
Based on the Offer Price of HK\$0.38 per Share	58,855	0.10
Based on the Offer Price of HK\$0.42 per Share	64,365	0.11

*Note:* The number of shares used for calculating the unaudited pro forma adjusted consolidated net tangible assets of the Group per share of 574,000,000 Shares is calculated after taking into account the 780,000 shares in issue as at 31 August 2017, the Capitalisation Issue of 429,720,000 Shares and 143,500,000 Shares from the Share Offer and does not take into account of any Shares which may be issued or repurchased pursuant to the Company’s general mandate, as referred to in the sections headed “Share Capital — General Mandate to Issue Shares” and “Share Capital — General Mandate to Repurchase Shares” in this prospectus.

**B. UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE**

The following unaudited pro forma estimated earnings per Share for the year ended 31 December 2017 has been prepared in accordance with paragraph 7.31 of the GEM Listing Rules on the basis set out in the notes below for the purpose of illustrating the effect of the Share Offer, as if it had taken place on 1 January 2017. The unaudited pro forma estimated earnings per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Share Offer.

Estimated consolidated profit attributable to owners of the Company	Not less than HK\$5.2 million
Unaudited pro forma estimated earnings per Share	Not less than HK0.92 cent

*Notes:*

- (1) The bases on which the above estimate for the year ended 31 December 2017 has been prepared are summarised in Appendix III to this prospectus. The estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2017 is based on the audited consolidated result of the Group for the eight months ended 31 August 2017 and the unaudited consolidated result of the Group based on the management accounts for the four months ended 31 December 2017.
- (2) The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2017 taking into account the number of shares that are outstanding during the year ended 31 December 2017 and on the assumption that the Capitalisation Issue and Share Offer had been completed on 1 January 2017, resulted in a weighted average of 566,392,534 Shares for the year ended 31 December 2017. The calculation of the estimated earnings per Share does not take into account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the Company's general mandates.

**C. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.*

**Deloitte.****德勤****Independent Reporting Accountants' Assurance Report on the Compilation of Unaudited Pro Forma Financial Information****To the Directors of Wing Fung Group Asia Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Wing Fung Group Asia Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 August 2017 and the unaudited pro forma estimated earnings per share for the year ended 31 December 2017 and related notes as set out on pages II-1 to II-4 of Appendix II to the prospectus issued by the Company dated 12 February 2018 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-4 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Share Offer (as defined in the Prospectus) on the Group's financial position as at 31 August 2017 and the Group's estimated earnings per share for the year ended 31 December 2017 as if the Share Offer had taken place at 31 August 2017 and 1 January 2017 respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the two years ended 31 December 2016 and the eight-month period ended 31 August 2017, on which an accountants' report set out in Appendix I to the Prospectus has been published and information about the estimate of the consolidated profit of the Group attributable to the owners of the Company for the year ended 31 December 2017, on which no auditor's report or review report has been published.

**DIRECTORS' RESPONSIBILITIES FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

(the “GEM Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### **OUR INDEPENDENCE AND QUALITY CONTROL**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **REPORTING ACCOUNTANTS’ RESPONSIBILITIES**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Share Offer at 31 August 2017 or 1 January 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **OPINION**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong, 12 February 2018

*Our estimate of the consolidated profit for the year ended 31 December 2017 is set out in the section headed “Financial information — Profit estimate for the year ended 31 December 2017” in this prospectus.*

**(A) PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2017**

Our Directors have prepared the estimate of the consolidated profit of the Group for the year ended 31 December 2017 based on the audited consolidated results of the Group for the eight months ended 31 August 2017 and the unaudited consolidated results of the Group based on its unaudited management accounts for the four months ended 31 December 2017. The estimate has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by the Group as summarised in the accountants’ report, the text of which is set out in Appendix I to this prospectus.

**PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2017**

Estimated combined profit attributable to owners of our Company	Not less than HK\$5.2 million
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*Note:* The estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2017 has been taken into account of the expected listing expenses to be incurred during the year ended 31 December 2017 of approximately HK\$11.3 million.

**(B) LETTER FROM THE REPORTING ACCOUNTANTS**

*The following is the text of a letter, prepared for inclusion in this prospectus, received by the Directors and the Sole Sponsor from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in connection with the estimate of the consolidated profit attributable to owners of the Company for the year ended 31 December 2017.*

**Deloitte.****德勤**

12 February 2018

The Board of Directors  
Wing Fung Group Asia Limited  
Unit 13 & 14, 9th Floor  
Worldwide Industrial Centre  
43–47 Shan Mei Street  
Fotan  
New Territories  
Hong Kong

TC Capital International Limited  
Suite 1903–4, 19/F  
Tower 6, The Gateway  
Harbour City  
9 Canton Road  
Tsim Sha Tsui  
Kowloon  
Hong Kong

Dear Sirs,

**Wing Fung Group Asia Limited (the “Company”)****Profit Estimate for Year Ended 31 December 2017**

We refer to the estimate of the consolidated profit of the Company and its subsidiaries (collectively referred to as the “**Group**”) attributable to owners of the Company for the year ended 31 December 2017 (the “**Profit Estimate**”) set forth in the section headed Financial Information in the prospectus of the Company dated 12 February 2018 (the “**Prospectus**”).

**Directors' Responsibilities**

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Group for the eight-month period ended 31 August 2017, the unaudited consolidated results based on the management accounts of the Group for the four-month period ended 31 December 2017.

The Company's directors are solely responsible for the Profit Estimate.

### **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 Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

**Opinion**

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 12 February 2018, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,  
**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

**(C) LETTER FROM TC CAPITAL INTERNATIONAL LIMITED**

*The following is the text of letter, prepared for inclusion in this prospectus by the Sponsor, in connection with the estimate of the consolidated profit attributable to equity holders of the Company for the year ended 31 December 2017.*



12 February 2018

The Directors

**Wing Fung Group Asia Limited**

Dear Sirs,

We refer to the estimated consolidated profit of Wing Fung Group Asia Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) attributable to the equity holders of the Company for the year ended 31 December 2017 (the “**Profit Estimate**”) as set out in the prospectus issued by the Company dated 12 February 2018 (the “**Prospectus**”).

The Profit Estimate, for which you as the directors of the Company (the “**Directors**”) are solely responsible, has been prepared based on (i) the audited consolidated results of the Group for the eight months ended 31 August 2017; and (ii) the unaudited consolidated results of the Group based on its unaudited management accounts for the four months ended 31 December 2017.

We have discussed with you the bases made by you, as set forth in Part A of Appendix III to the Prospectus, upon which the Profit Estimate has been made. We have also considered the letter dated 12 February 2018 addressed to yourselves and ourselves from Deloitte Touche Tohmatsu regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations normally adopted by you and reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Profit Estimate, for which you as Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,  
For and on behalf of  
**TC Capital International Limited**  
**Stanley Chung**  
*Managing Director*

## 1 MEMORANDUM OF ASSOCIATION

The Memorandum of Association of the Company was conditionally adopted on 31 January 2018 and states, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix VI in the section headed “Documents delivered to the Registrar of Companies and available for inspection”.

## 2 ARTICLES OF ASSOCIATION

The Articles of Association of the Company were conditionally adopted on 31 January 2018 and include provisions to the following effect:

### 2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is HK\$1,000,000,000 divided into 100,000,000,000 shares of HK\$0.01 each.

### 2.2 Directors

#### *(a) Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

*(b) Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

*(c) Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

*(d) Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

*(e) Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

*(f) Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of

being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the GEM Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
  - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme under which the Director or any of his close associates may benefit; or
  - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the

Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

*(g) Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

*(h) Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

*(i) Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

*(j) Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

### **2.3 Alteration to constitutional documents**

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

### **2.4 Variation of rights of existing shares or classes of shares**

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### **2.5 Alteration of capital**

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be

questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

## **2.6 Special resolution — majority required**

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

## 2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the GEM Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised

clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

## **2.8 Annual general meetings**

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

## **2.9 Accounts and audit**

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general

meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

#### **2.10 Notice of meetings and business to be conducted thereat**

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

#### **2.11 Transfer of shares**

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

#### **2.12 Power of the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and

to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

### **2.13 Power of any subsidiary of the Company to own shares**

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

### **2.14 Dividends and other methods of distribution**

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment

of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

### **2.15 Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

### **2.16 Calls on shares and forfeiture of shares**

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice

specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

**2.17 Inspection of register of members**

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the GEM Listing Rules as the Directors may determine for each inspection.

**2.18 Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

**2.19 Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

**2.20 Procedure on liquidation**

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

**2.21 Untraceable members**

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock

Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

## SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

### 1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

### 2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 September 2016 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

### 3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

#### **4 Dividends and Distributions**

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and

the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

## **5 Shareholders' Suits**

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

## **6 Protection of Minorities**

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

## **7 Disposal of Assets**

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

## **8 Accounting and Auditing Requirements**

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

## **9 Register of Members**

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

## **10 Inspection of Books and Records**

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

## **11 Special Resolutions**

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

## **12 Subsidiary Owning Shares in Parent**

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

### **13 Mergers and Consolidations**

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

### **14 Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

### **15 Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand

Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

## **16 Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

## **17 Liquidation**

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

## **18 Stamp Duty on Transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

## **19 Taxation**

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

## **20 Exchange Control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**21 General**

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 29 September 2016. Our Company has established a principal place of business in Hong Kong at Unit 13 & 14, 9/F, Worldwide Industrial Centre, 43–47 Shan Mei Street, Fotan, the New Territories, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part XVI of the Companies Ordinance on 6 March 2017. Mr. Chung has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is at Unit 13 & 14, 9/F., Worldwide Industrial Centre, 43–47 Shan Mei Street, Fotan, New Territories, Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to its constitution, which comprises the Memorandum and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

**2. Changes in share capital of our Company**

- (a) As at the date of incorporation, our Company has an authorised share capital of USD50,000 divided into 50,000 shares of USD1.00 each. One fully-paid share with a par value of USD1.00 each was allotted and issued to the initial subscriber, which was subsequently transferred to Wing Fung BVI on the same day at par.
- (b) On 15 December 2016, our Company allotted and issued 749 shares of USD1.00 each, credited as fully-paid, to Wing Fung BVI as consideration for the acquisition of 35 shares and 665 shares in the share capital of Wing Fung HK (being the entire issued share capital of Wing Fung HK) from Mr. Chung and Ms. Chung, respectively.
- (c) On 28 December 2016, our Company allotted and issued 100 shares of USD1.00 each to the First Pre-IPO Investor at a consideration of HK\$10,000,000.
- (d) On 13 February 2017, our Company allotted and issued 150 shares of USD1.00 each to the Second Pre-IPO Investor at a consideration of HK\$15,000,000.
- (e) Pursuant to the written resolutions of our Shareholders passed on 22 March 2017, the authorised share capital of our Company was increased from USD50,000 divided into 50,000 shares of a par value of USD1.00 each to the aggregate of (i) USD50,000 divided into 50,000 shares of a par value of USD1.00 each; and (ii) HK\$1,000,000,000 divided into 10,000,000,000 shares with a par value of HK\$0.10 each, by the creation of an additional 10,000,000,000 ordinary share of HK\$0.10 each.

- (f) On 22 March 2017, our Company allotted and issued 58,500, 7,800 and 11,700 shares with a par value of HK\$0.10 each to Wing Fung BVI, the First Pre-IPO Investor and the Second Pre-IPO Investor, respectively and repurchased the 1,000 then existing issued shares of USD1.00 each. On the same day, our Company cancelled 50,000 authorised but unissued shares of USD1.00 each in the share capital of our Company, such that the authorised share capital of the Company become HK\$1,000,000,000 divided into 10,000,000,000 Shares of a par value of HK\$0.10 each.
- (g) Pursuant to the written resolutions of our Shareholders passed on 10 April 2017, each of the issued and unissued shares of our Company of HK\$0.10 each was subdivided into 10 Shares with a par value of HK\$0.01 each. Immediately following the share subdivision, the authorised share capital of our Company became HK\$1,000,000,000 divided into 100,000,000,000 Shares of HK\$0.01 each, and the issued share capital of our Company became HK\$7,800 divided into 780,000 Shares of HK\$0.01 each.
- (h) Immediately following completion of the Capitalisation Issue and the Share Offer, the total issued share capital of our Company immediately after the completion of the Capitalisation Issue and the Share Offer will be HK\$5,740,000 divided into 574,000,000 Shares of HK\$0.01 each, fully paid or credited as fully paid, with 99,426,000,000 Shares which our Company is authorised to issue remaining unissued.
- (i) 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 31 January 2018” in this appendix, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (j) Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

### **3. Written resolutions of our sole Shareholder passed on 31 January 2018**

On 31 January 2018, resolutions in writing were passed by our sole Shareholder pursuant to which, among other things:

- (a) our Company approved and conditionally adopted the Memorandum and the Articles which will become effective on the Listing Date, the terms of which are summarised in Appendix IV to this prospectus;
- (b) conditional on (i) the Listing Division granting listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the

Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with the terms of the Underwriting Agreement or otherwise:

- (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank *pari passu* with the then existing Shares in all respects;
  - (ii) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of HK\$4,297,200 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 429,720,000 Shares for allotment and issue to our sole Shareholder whose name appeared on the register of members of our Company at the close of business on 31 January 2018, and our Directors were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved;
- (c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under any share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Share Offer, such number of Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, not exceeding 20% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the number of

Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue, such mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of the number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue.

#### **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 paragraphs headed “History, development and Reorganisation — reorganisation” in this prospectus for further details

#### **5. Changes in share capital of subsidiaries**

The subsidiaries of our Company are listed in the Accountants’ Report of our Company, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed “History, development and Reorganisation” in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

## 6. Repurchase of the Shares by our Company

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of the Shares by our Company.

### *(a) Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, a summary of which is set out below:

#### *(i) Shareholders' approval*

The GEM Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to the written resolutions passed by our sole Shareholder on 31 January 2018, the Repurchase Mandate was granted to our Directors authorising repurchase of Share by our Company as described in the paragraphs headed “A. Further information about our Company — 3. Written resolutions of our sole Shareholder passed on 31 January 2018”.

#### *(ii) Source of Funds*

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. Our Company may not repurchase its own Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any 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 GEM Listing Rules prohibit our Company from knowingly repurchasing our Shares on GEM from a “core connected person” (as defined in the GEM Listing Rules), which includes a Director, chief executive

or substantial shareholder of our Company or any of its subsidiaries and core a connected person shall not knowingly sell Shares to our Company on GEM.

***(b) Exercise of the Repurchase Mandate***

On the basis of 574,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue, our Directors would be authorised under the Repurchase Mandate to repurchase up to 57,400,000 Shares, being 10% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue, during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

***(c) Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and Shareholders.

***(d) Funding of repurchases***

In repurchasing our Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

***(e) General***

None of our Directors or to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable law and regulations from time to in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of our Shares pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase our Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules). No core connected person (as defined in the GEM Listing Rules) has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT OUR BUSINESS**

### **1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:

- (a) a sale and purchase agreement dated 15 December 2016 and entered into between (i) Mr. Chung Chi Keung; (ii) Ms. Chung Mei Lin Joanne; and (iii) our Company (formerly known as Wing Fung Capital Holdings Limited) pursuant to which our Company acquired 700 shares in the issued share capital of Wing Fung Engineering (H.K.) Limited owned by Mr. Chung Chi Keung and Ms. Chung Mei Lin Joanne, being the entire issued share capital of Wing Fung Engineering (H.K.) Limited, at an aggregate consideration of HK\$6,846,855 satisfied in full by our Company issuing and allotting 749 new shares of our Company, credited as fully paid, to Wing Fung Capital Limited, at the direction of Mr. Chung Chi Keung and Ms. Chung Mei Lin Joanne;

- (b) a subscription agreement dated 15 December 2016 and entered into between (i) our Company (formerly known as Wing Fung Capital Holdings Limited); (ii) Global Equity Value Fund SPC — Frotivoti Sunshine Liyao Capital Fund I SP; and (iii) Mr. Chung Chi Keung (the “**First Pre-IPO Subscription Agreement**”), pursuant to which Global Equity Value Fund SPC — Frotivoti Sunshine Liyao Capital Fund I SP subscribed for 100 new shares of the Company at the subscription price of HK\$10,000,000;
- (c) a subscription agreement dated 15 December 2016 and entered into between (i) our Company (formerly known as Wing Fung Capital Holdings Limited); (ii) Global Equity Value Fund SPC — FC Treasure Fund I SP; and (iii) Mr. Chung Chi Keung (the “**Second Pre-IPO Subscription Agreement**”), pursuant to which Global Equity Value Fund SPC — FC Treasure Fund I SP subscribed for 150 new shares of the Company at the subscription price of HK\$15,000,000;
- (d) a share transfer agreement dated 16 December 2016 and entered into between (i) Mr. Chung Chi Keung; (ii) Ms. Chung Mei Lin Joanne; and (iii) Wing Fung Investment Management Limited, pursuant to which Mr. Chung Chi Keung and Ms. Chung Mei Lin Joanne transferred to Wing Fung Investment Management Limited shares in the nominal value of MOP24,000 and MOP1,000 respectively owned by them in Botop Engineering (Macau) Limited, being the entire registered share capital of Botop Engineering (Macau) Limited, at a consideration of MOP24,000 and MOP1,000, respectively;
- (e) a deed of termination dated 24 October 2017 entered into between (i) our Company (formerly known as Wing Fung Capital Holdings Limited); (ii) Global Equity Value Fund SPC — Frotivoti Sunshine Liyao Capital Fund I SP; and (iii) Mr. Chung Chi Keung, in relation to the termination of the First Pre-IPO Subscription Agreement;
- (f) a deed of termination dated 24 October 2017 entered into between (i) our Company (formerly known as Wing Fung Capital Holdings Limited); (ii) Global Equity Value Fund SPC — FC Treasure Fund I SP; and (iii) Mr. Chung Chi Keung, in relation to the termination of the Second Pre-IPO Subscription Agreement;
- (g) the Deed of Indemnity;
- (h) the Deed of Non-competition; and
- (i) the Public Offer Underwriting Agreement.

## 2. Intellectual Property Rights of our Group

### (a) Trademarks

As at the Latest Practicable Date, our Group has registered the following trademarks:

Trademarks	Registered owner	Class	Registration number	Date of registration	Expiry date
	Wing Fung Engineering (H.K.) Limited	37	304012758	6 January 2017	5 January 2027
	Wing Fung Engineering (H.K.) Limited	37	304012767	6 January 2017	5 January 2027

### (b) Domain names

As at the Latest Practicable Date, our Group was the owner of the following domain name which is material to the business of our Group:

Domain name	Registrant	Expiry date
wingfunggroup.com	our Company	22 March 2019

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

### 1. Disclosure of Interests

#### *(a) Interests of our Directors and chief executive in the share capital, underlying shares and debentures of our Company and its associated corporations*

So far as the Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue, but taking no account of any Shares which may be repurchased by our Company pursuant to the Repurchase Mandate, the interests and short positions of our Directors or chief executive of our Company in the share capital, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the GEM, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, will be as follows:

#### *(i) Interests in the Shares*

<b>Name of Director</b>	<b>Capacity/Nature</b>	<b>Number of Shares held (L) <sup>(Note 1)</sup></b>	<b>Percentage of shareholding</b>
Mr. Chung	Interest in controlled corporation <sup>(Note 2)</sup>	430,500,000	75%

*Notes:*

1. The letter “L” denotes long position in our Shares.
2. These 430,500,000 Shares are held by Wing Fung BVI, a company incorporated in the BVI and owned as to 78.87% by Mr. Chung. Therefore, Mr. Chung is deemed to be interested in all the Shares held by Wing Fung BVI for the purposes of the SFO.

*(ii) Interests in shares of associated corporation of our Company*

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity/Nature</b>	<b>No. of share held (L)</b> <sup>(Note)</sup>	<b>Percentage of Interest</b>
Mr. Chung	Wing Fung BVI	Beneficial owner	7,887	78.87%

*Note:* The letter “L” denotes long position in the shares of the associated corporation of our Company.

*(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, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Share Offer and the Capitalisation Issue, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<b>Name</b>	<b>Capacity/Nature</b>	<b>Number of Shares held (L)</b> <sup>(Note 1)</sup>	<b>Percentage of shareholding</b>
Ms. Chung	Interest of persons acting in concert <sup>(note 2)</sup>	430,500,000	75%
Wing Fung BVI	Beneficial owner	430,500,000	75%

*Note:*

1. The letter “L” denotes long position in our Shares.
2. On 29 May 2017, Mr. Chung and Ms. Chung entered into the Deed of Acting in Concert to acknowledge and confirm, amongst other things, that they are parties acting in concert (within the meaning under the Takeovers Code) in respect of Wing Fung BVI, Wing Fung HK and Botop Macau since their respective incorporation. For further details, please refer to the section headed “History, development and Reorganisation — Reorganisation — Deed of Acting in Concert” in this prospectus.” As such, pursuant to the arrangement under the Deed of Acting in concert, Mr. Chung and Ms. Chung are deemed to be interested in our Shares which are held by each other by virtue of the SFO.

**2. Particulars of service contracts**

Each of our Directors has entered into a service contract or an appointment letter (as the case maybe) with our Company 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.

**3. Remuneration of Directors**

- (a) The aggregate remuneration paid by our Group to our Directors in respect of the year ended 31 December 2015 and 2016 and the eight months ended 31 August 2017 were approximately HK\$1,273,000, HK\$1,374,000 and HK\$2,501,000 respectively. For additional information on our Directors' remuneration during the Track Record Period, please refer to note 11 of the accountants' report set out in Appendix I to this prospectus.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2018 will be approximately HK\$6,055,000.

**4. Agency fees or commissions received**

Save as disclosed in the paragraph headed "Underwriting — Total commission, fee and expenses" of this prospectus, none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

**5. Related party transactions**

Details of the related party transactions are set out under Note 27 to the Accountants' Report of our Company set out in Appendix I to this prospectus.

**6. Disclaimers**

Save as disclosed in this prospectus:

- (a) taking no account of any Shares which may be repurchased by our Company pursuant to the Repurchase Mandate, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Share Offer and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares which will fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV

of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

- (b) none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the GEM;
- (c) none of our Directors or the experts named in the paragraph headed “D. Other information — 7. Qualifications of experts” in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors or the experts named in the paragraph headed “D. Other information — 7. Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of our Directors or the experts named in the paragraph headed “D. Other information — 7. Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and

- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

## D. OTHER INFORMATION

### 1. Tax and other indemnities

Our Controlling Shareholders (the “**Indemnifiers**”) have, under the Deed of Indemnity, given joint and several indemnities to our Company for itself and as trustee for its subsidiaries in connection with, among other things, (a) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which the Share Offer becomes unconditional; and (b) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional. The Indemnifiers will, however, not be liable for taxation claim under the Deed of Indemnity to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such liability in the audited combined accounts of our Company or any member of the Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of any members of our Group after the date on which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

**2. Litigation**

Our Directors confirmed that as at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of our Group.

**3. Sponsor**

The Sponsor has made an application on behalf of our Company to the Listing Division for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein.

The Sponsor's fee in relation to the Listing is HK\$6.4 million.

**4. Preliminary expenses**

The preliminary expenses relating to the incorporation of our Company are approximately HK\$28,000 and are payable by our Company.

**5. Compliance adviser**

In accordance with the requirements of the GEM Listing Rules, our Company has appointed TC Capital as our compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date, and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date, or until the compliance adviser agreement is otherwise terminated upon the terms and conditions set out therein.

**6. Promoter**

Our Company has no promoter for the purpose of the GEM Listing Rules.

## 7. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
TC Capital International Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Reporting accountants
Maples and Calder (Hong Kong) LLP	Cayman Islands legal advisors
Nuno Simões & Associates	Macau legal advisors
Mr. Leung Wai Keung, Richard	Barrister-at-law of Hong Kong
KCL & Partners	Hong Kong legal advisors in respect of the Hong Kong Legal Proceeding
Alan Cheng & Co.	Hong Kong Tax advisers
Keng Ou CPAs	Macau Tax advisers
Frost & Sullivan International Limited	Industry consultant

## 8. Consents of experts

Each of the experts named in the paragraph headed “D. Other information — 7. Qualifications of experts” in this appendix has given and has not withdrawn its written consents to the issue of this prospectus, with the inclusion of its letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which they respectively appear.

## 9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

**10. Registration procedures**

The principal register of members of our Company in the Cayman Islands will be maintained by Maples Fund Services (Cayman) Limited and a branch register of members of our Company will be maintained by Tricor Investor Services Limited in Hong Kong. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

**11. No material adverse change**

Save and except for the listing expenses, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or its subsidiaries since 31 August 2017 (being the date to which the latest audited financial statements of our Group were made up) and up to the Latest Practicable Date.

**12. Taxation of holders of Shares***(a) Hong Kong*

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

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

*(b) Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

*(c) Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

**13. Miscellaneous**

- (a) Save as disclosed in this prospectus:
  - (i) Within the two years immediately preceding the date of this prospectus:
    - (aa) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
    - (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
    - (cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries;
    - (dd) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued; and
    - (ee) no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.
  - (ii) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
  - (iii) none of the experts named in the paragraph headed “D. Other information — 7. Qualifications of experts” in this appendix:
    - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or
    - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;
  - (iv) our Company and its subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;

- (v) 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;
- (vi) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (vii) our Group has no outstanding convertible debt securities; and
- (viii) the English text of this prospectus shall prevail over the Chinese text.

#### **14. Bilingual document**

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE** and **YELLOW** Application Forms;
- (b) the written consents referred to in the paragraph headed “Statutory and general information — D. Other information — 8. Consents of experts” in Appendix V to this prospectus; and
- (c) a copy of each of the material contracts referred to in the paragraph headed “Statutory and general information — B. Further information about our business — 1. Summary of material contracts” in Appendix V to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of CFN Lawyers at 27th Floor, Neich Tower, 128 Gloucester Road, Wan Chai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for the two years ended 31 December 2016 and the eight months ended 31 August 2017;
- (d) the report prepared by Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the letters relating to the profit estimate issued by Deloitte Touche Tohmatsu and the Sponsor respectively, the texts of which are set out in Appendix III to this prospectus;
- (f) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our Cayman Islands legal advisers, summarising the constitution of our Company and certain aspects of the Companies Law referred to in Appendix IV to this prospectus;
- (g) the legal opinion issued by Mr. Leung Wai Keung, Richard, a barrister-at-law in Hong Kong;
- (h) the legal opinion issued by Nuno Simões & Associates, our legal adviser as to Macau Laws;

- (i) the legal opinion issued by KCL & Partners, our legal advisors as to the Hong Kong Legal Proceeding;
- (j) the written tax opinion issued by Alan Cheng & Co., our Hong Kong Tax Advisor;
- (k) the written tax opinion issued by Keng Ou CPAs, our Macau Tax Advisor;
- (l) the Frost & Sullivan Report;
- (m) the Companies Law;
- (n) the material contracts referred to in the paragraph headed “Statutory and general information — B. Further information about our business — 1. Summary of material contracts” in Appendix V to this prospectus;
- (o) the service contracts and appointment letters entered into between our Company and each of our Directors referred to in the paragraph headed “Statutory and general information — C. Further information about our Directors, substantial shareholders and experts — 2. Particulars of service contracts” in Appendix V to this prospectus; and
- (p) the written consents referred to in the section headed “Statutory and general information — D. Other information — 8. Consents of experts” in Appendix V to this prospectus.

Wing Fung Group Asia Limited  
榮豐集團亞洲有限公司