WORLD SUPER HOLDINGS LIMITED
維亮控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 8612

SHARE OFFER

Sole Sponsor

中毅資本有限公司
Grand Moore Capital Limited

Joint Bookrunners

千里碩 ELSTONE

太陽國際証券 SUN INTERNATIONAL SECURITIES

Joint Lead Managers

千里碩 ELSTONE

太陽國際証券 SUN INTERNATIONAL SECURITIES

中毅資本有限公司
Grand Moore Capital Limited

IMPORTANT

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

World Super Holdings Limited
維亮控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON GEM
OF THE STOCK EXCHANGE OF HONG KONG LIMITED
BY WAY OF SHARE OFFER

Number of Offer Shares	**:**	**150,000,000 Shares**
Number of Placing Shares	**:**	**135,000,000 Shares (subject to reallocation)**
Number of Public Offer Shares	**:**	**15,000,000 Shares (subject to reallocation)**
Offer Price	**:**	**Not more than HK$0.55 per Offer Share and expected to be not less than HK$0.40 per Offer Share (plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) (payable in full on application in Hong Kong dollar and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**8612**

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中毅資本有限公司
Grand Moore Capital Limited

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

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

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

The Offer Price is expected to be determined by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Friday, 5 July 2019 (Hong Kong time) or such later date as may be agreed between the parties but in any event no later than Monday, 8 July 2019. The Offer Price will not be more than HK$0.55 and is currently expected to be not less than HK$0.40 per Offer Share, unless otherwise announced. If, for any reason, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by the Price Determination Date or such later date as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse. In such case, an announcement will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.worldsuperhk.com.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range stated in this prospectus at any time on or prior to the Price Determination Date. In such case, a notice of such reduction will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.worldsuperhk.com. Further details are set out in the section headed "Structure and Conditions of the Share Offer" of this prospectus.

Prospective investors should take note that the obligations of the Underwriters under the Underwriting Agreements are subject to termination by the Sole Sponsor and/or the Joint Bookrunners (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set forth in the paragraph headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. It is important that you refer to that paragraph for further details.

27 June 2019

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

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

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

	(Note 1)
Public Offer commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Thursday, 27 June 2019
Application lists for Public Offer open *(Note 2)*	11:45 a.m. on Wednesday, 3 July 2019
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Wednesday, 3 July 2019
Latest time to give electronic application instructions to HKSCC *(Note 3)*	12:00 noon on Wednesday, 3 July 2019
Application lists for Public Offer close *(Note 2)*	12:00 noon on Wednesday, 3 July 2019
Expected Price Determination Date on or before *(Note 4)*	Friday, 5 July 2019
Announcement of the final Offer Price, the level of indication of interest in the Placing, the level 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.worldsuperhk.com** and the website of the Stock Exchange at **www.hkexnews.hk** on or before	Thursday, 11 July 2019
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.worldsuperhk.com** and the website of the Stock Exchange at **www.hkexnews.hk** (for further details, please refer to the section headed "How to apply for Public Offer Shares — 10. Publication of results" of this prospectus) on or before	Thursday, 11 July 2019
Results of allocations in the Public Offer will be available at **www.tricor.com.hk/ipo/result** (alternatively: www.hkeipo.hk/IPOResult) with a "search by ID" function on	Thursday, 11 July 2019

(Note 1)

Despatch/Collection of refund cheques in respect of wholly or partially unsuccessful applications and wholly or partially successful applications in case the final Offer Price is less than the maximum Offer Price paid for the applications pursuant to the Public Offer on or about *(Notes 6 to 9)*.. Thursday, 11 July 2019

Despatch/Collection of Share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or about *(Notes 5 to 8 and 10)* .... Thursday, 11 July 2019

Dealings in Shares on GEM expected to commence at 9:00 a.m. on..Friday, 12 July 2019

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" of this prospectus.

2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 3 July 2019, the application lists will not open on that day. For further details, please refer to the section headed "How to apply for Public Offer Shares — 9. Effect of bad weather on the opening of the application lists" of this prospectus.

3. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to apply for Public Offer Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS" of this prospectus.

4. The Price Determination Date is expected to be on or before Friday, 5 July 2019. If, for any reason, the Offer Price is not agreed on or before Monday, 8 July 2019 between our Company and the Joint Bookrunners (for themselves and on behalf of the 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 about Thursday, 11 July 2019 but will only become valid certificates of title at 8:00 a.m. on Friday, 12 July 2019 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, at Level 54, Hopewell, Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 11 July 2019 or any other day as announced by us as the date of despatch of Share certificates/refund cheques.

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

7. Applicants for 1,000,000 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" of this prospectus.

9. Refund cheques will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK$0.55 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.

In the event of any change to the above expected timetable after the date of this prospectus, an announcement will be made on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.worldsuperhk.com** accordingly. All Share certificates will only become valid certificates of title of the Shares which they relate provided that the Share Offer has become unconditional in all respects and the Underwriting Agreements have not been terminated in accordance with its terms at or before 8:00 a.m. (Hong Kong time) on the Listing Date.

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" of this prospectus.

IMPORTANT NOTICE TO INVESTORS

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

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

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

OUR BUSINESS

Our Group mainly undertakes (i) provision of rental services of crawler cranes, oscillators, RCDs and hydromill trench cutter for construction projects in Hong Kong and Macau; (ii) trading of new or used crawler cranes, RCDs, trench cutters, oscillators and/or related spare parts to customers in Hong Kong, Macau and Philippines; and (iii) to a lesser extent, provision of transportation services in delivering our machinery to and from customers' designated sites and other services such as arrangement of set-up and repair of machinery for customers of our plant hire service, arrangement of insurance for customers of our plant hire service for projects outside Hong Kong and marketing of construction machinery for our machinery suppliers.

We ranked fourth in terms of revenue in the foundation work machinery rental market in Hong Kong and fifth in terms of revenue in the construction machinery rental market in Macau (including rental of foundation work machinery, lifting machinery and other machinery) in 2018 as mentioned in the F&S Report. Our market share in the foundation work machinery rental market in Hong Kong, in terms of plant hire income (i.e. approximately HK$12.0 million for the year ended 31 December 2018), was approximately 4.6% in 2018. Our market share in the construction machinery rental market in Hong Kong, in terms of plant hire income (i.e. approximately HK$18.1 million for the year ended 31 December 2018) was approximately 0.4% in 2018. Our market share in the construction machinery trading market in Hong Kong, in terms of general sales (i.e. approximately HK$3.2 million for the year ended 31 December 2018) was approximately 0.1% in 2018. Our market share in the construction machinery rental market in Macau, in terms of plant hire income (i.e. approximately MOP13.6 million for the year ended 31 December 2018), was approximately 2.2% in 2018.

We source new construction machinery for our plant hire service mainly from German, Korean and Austrian manufacturers or their affiliates in Hong Kong, while our used construction machinery are sourced from local or overseas traders in countries such as China, Korea and Singapore. We also leased certain construction machinery from other construction machinery service providers for sub-leasing to our customers. During the Track Record Period, we mainly traded construction machinery of certain German, Japanese, Italian and Austrian brands sourced from local traders.

The table below sets out the breakdown of our revenue by business segments:

	For the year ended 31 December					
	2016		2017		2018	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Plant hire income	15,790,162	45.7	28,229,707	73.6	31,274,550	71.4
General sales	14,741,518	42.6	8,325,014	21.7	10,598,263	24.2
Transportation and other services income	4,039,082	11.7	1,809,108	4.7	1,908,202	4.4
Total	34,570,762	100.0	38,363,829	100.0	43,781,015	100.0

The table below sets out the breakdown of our revenue by geographical locations:

	For the year ended 31 December					
	2016		2017		2018	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Hong Kong	29,445,326	85.2	17,914,073	46.7	22,521,699	51.4
Macau	5,125,436	14.8	18,708,344	48.8	20,707,322	47.3
Philippines	—	—	1,741,412	4.5	551,994	1.3
Total	34,570,762	100.0	38,363,829	100.0	43,781,015	100.0

The table below sets out the breakdown of revenue by business segment generated from projects in Hong Kong, Macau and the Philippines during the Track Record Period:

	For the year ended 31 December																	
	2016						2017						2018					
	Hong Kong		Macau and the Philippines		Total		Hong Kong		Macau and the Philippines		Total		Hong Kong		Macau and the Philippines		Total	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*	*HK$*	*%*	*HK$*	*%*	*HK$*	*%*	*HK$*	*%*	*HK$*	*%*	*HK$*	*%*
Plant hire income	11,603,726	39.4	4,186,436	81.7	15,790,162	45.7	11,130,613	62.1	17,099,094	83.6	28,229,707	73.6	18,071,707	80.2	13,202,843	62.1	31,274,550	71.4
General sales	14,461,518	49.1	280,000	5.4	14,741,518	42.6	5,325,707	29.7	2,999,307	14.7	8,325,014	21.7	3,211,592	14.3	7,386,671	34.7	10,598,263	24.2
Transportation and other services income	3,380,082	11.5	659,000	12.9	4,039,082	11.7	1,457,753	8.2	351,355	1.7	1,809,108	4.7	1,238,400	5.5	669,802	3.2	1,908,202	4.4
	29,445,326	100.0	5,125,436	100.0	34,570,762	100.0	17,914,073	100.0	20,449,756	100.0	38,363,829	100.0	22,521,699	100.0	21,259,316	100.0	43,781,015	100.0

For Hong Kong market, our overall revenue derived from Hong Kong decreased for the year ended 31 December 2017 mainly because of the decrease in trading of construction machinery in the Hong Kong market. Our plant hire income derived from Hong Kong slightly decreased from approximately HK$11.6 million for the year ended 31 December 2016 to approximately HK$11.1 million for the year ended 31 December 2017 mainly because several construction machineries were occupied to fulfil orders in the Macau market resulting in less orders requiring the same type of construction machineries could be taken in the Hong Kong market. Our overall revenue increased for the year ended 31 December 2018 mainly due to the increase in plant hire income by approximately HK$6.9 million as a result of more engagements on private building projects.

For Macau and the Philippines markets, our revenue increased for the year ended 31 December 2017 mainly because we generated more plant hire income derived from projects in Macau. The increase in plant hire income derived from Macau was mainly attributable to the revenue contribution from a public building project in Macau of approximately HK$9.0 million and a private building project regarding new phases of a Macau casino of approximately HK$6.4 million. Our revenue increased for the year ended 31 December 2018 mainly due to the increase in general sales derived from Macau, partially offset by the decrease in plant hire income derived from Macau and the decrease in general sales derived from Philippines.

The table below sets out the details of gross profit by business segment generated from projects in Hong Kong, Macau and the Philippines during the Track Record Period:

	For the year ended 31 December																	
	2016						2017						2018					
	Hong Kong Gross profit		Macau and the Philippines Gross profit		Total		Hong Kong Gross profit		Macau and the Philippines Gross profit		Total		Hong Kong Gross profit		Macau and the Philippines Gross profit		Total	
	HK$	*margin*	*HK$*	*margin*	*HK$*	*margin*	*HK$*	*margin*	*HK$*	*margin*	*HK$*	*margin*	*HK$*	*margin*	*HK$*	*margin*	*HK$*	*margin*
Plant hire income	3,297,035	28.4%	2,293,643	54.8%	5,590,678	35.4%	6,771,214	60.8%	10,157,256	59.4%	16,928,470	60.0%	11,265,732	62.3%	9,176,099	69.5%	20,441,831	65.4%
General sales	3,969,378	27.4%	280,000	100.0%	4,249,378	28.8%	1,626,651	30.5%	786,200	26.2%	2,412,851	29.0%	1,448,575	45.1%	2,758,635	37.3%	4,207,210	39.7%
Transportation and other services income	2,357,934	69.8%	459,446	69.7%	2,817,380	69.8%	1,292,110	88.6%	37,041	10.5%	1,329,151	73.5%	465,179	37.6%	154,534	23.1%	619,713	32.5%
	9,624,347	32.7%	3,033,089	59.2%	12,657,436	36.6%	9,689,975	54.1%	10,980,497	53.7%	20,670,472	53.9%	13,179,486	58.5%	12,089,268	56.9%	25,268,754	57.7%

For Hong Kong market, our gross profit maintained at a similar level for the year ended 31 December 2016 and 2017. Our gross profit margin increased to approximately 54.1% for the year ended 31 December 2017 mainly due to the decrease in machinery rent paid and depreciation on plant and machinery with similar level of revenue for the year ended 31 December 2017. Our gross profit margin of plant hire income from Hong Kong increased from approximately 28.4% for the year ended 31 December 2016 to approximately 60.8% for the year ended 31 December 2017 mainly due to (i) the decrease in machinery rent paid as a result of more owned fleet was used instead of sub-leasing from third-party service providers in Hong Kong and an absence of a loss-making sub-leasing transaction of a RCD which was rented by our Group but cannot be sub-leased out during the year ended 31 December 2016 (please refer to the section headed "Business — Sub-leasing arrangements" for details); and (ii) the decrease in deprecation expenses in Hong Kong as a result of the project locations of two crawler cranes and one RCD transferred from Hong Kong to Macau during the year ended 31 December 2017, while similar level of revenue was recorded, which was reflected in that the number of plant hire rental projects engaged maintained at 9 and 10 and aggregate number of days that our own rental fleet was rented out maintained at similar level for each of the two years ended 31 December 2017 respectively, resulting in the increase in our gross profit margin. Our gross profit margin for transportation and other services in Hong Kong increased from approximately 69.8% for the year ended 31 December 2016 to approximately 88.6% for the year ended 31 December 2017. The increase was mainly due to the increase in the proportion of marketing and promotion charge income, which, in general, would incur limited direct cost, resulting in higher gross profit margin.

Our gross profit increased for the year ended 31 December 2018 mainly due to the increase in plant hire income as discussed above. Our gross profit margin increased for the year ended 31 December 2018 mainly due to the increase in the proportion of plant hire income, which is with a higher gross profit margin, and the number of projects engaged increased from 10 for the year ended 31 December 2017 to 16 for the year ended 31 December 2018.

For Macau and the Philippines markets, our gross profit increased for the year ended 31 December 2017 mainly due to the increase in plant hire income derived from Macau as discussed above. Our gross profit margin decreased for the year ended 31 December 2017 mainly due to the decrease in gross profit margin in general sales derived from Macau. Our gross profit increased for the year ended 31 December 2018 mainly due to the increase in general sales derived from Macau. Our gross profit margin derived from Macau and the Philippines increased from approximately 53.7% for the year ended 31 December 2017 to approximately 56.9% for the year ended 31 December 2018 mainly due to the increase in gross profit margin in plant hire income derived from Macau. Our gross profit margin for plant hire income from Macau increased from approximately 59.4% for the year ended 31 December 2017 to approximately 69.5% for the year ended 31 December 2018 mainly due to (1) the decrease in machinery rent paid as a result of more self-owned machinery used instead of sub-leasing from third-party service providers for projects in Macau, resulting in saving of machinery rent of approximately HK$1.5 million; (2) the decrease in depreciation expenses in Macau because (i) two crawler cranes, which were fully depreciated during the year ended 31 December 2017, were engaged in projects in Macau for the whole year in the year ended 31 December 2018; and (ii) one crawler crane, which was mostly engaged by projects in Macau for the year ended 2017, was transferred back to Hong Kong for plant hire rental project(s) during the year ended 31 December 2018; and (3) similar level of revenue was recorded because the number of plant hire rental projects maintained at 4 and the aggregate number of days that our own rental fleet was rented maintained at similar level for each of the two years ended 31 December 2018.

Overall, our gross profit margin for the general sales from trading of construction machinery, tools and parts remained at a similar level of approximately 28.8% and 29.0% for the year ended 31 December 2016 and 2017 respectively but increased to approximately 39.7% for the year ended 31 December 2018. Such increase was mainly due to the increase in proportion of trading spare parts for the year ended 31 December 2018, which in general, have a higher gross profit margin.

Overall, our gross profit margin for transportation and other services increased from approximately 69.8% for the year ended 31 December 2016 to approximately 73.5% for the year ended 31 December 2017 mainly due to the increase in the proportion of marketing and promotion charge income, which, in general, would incur limited direct cost. Our gross profit margin for transportation and other services decreased from approximately 73.5% for the year ended 31 December 2017 to approximately 32.5% for the year ended 31 December 2018 mainly due to the decrease in marketing and promotion charge income.

The table below set out the breakdown of our plant hire income by project types:

	For the year ended 31 December					
	2016		2017		2018	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Building	5,267,714	33.4	25,382,047	89.9	28,259,296	90.4
Infrastructure	8,693,520	55.1	1,843,660	6.6	—	—
Transport system	1,828,928	11.5	432,000	1.5	2,503,164	8.0
Other	—	—	572,000	2.0	512,090	1.6
Total	15,790,162	100.0	28,229,707	100.0	31,274,550	100.0
Private Sector Projects	5,177,575	32.8	15,249,220	54.0	14,414,513	46.1
Public Sector Projects	8,783,659	55.6	12,548,487	44.5	14,356,873	45.9
Public-related Sector Projects	1,828,928	11.6	432,000	1.5	2,503,164	8.0
Total	15,790,162	100.0	28,229,707	100.0	31,274,550	100.0

Set forth below are the details of our plant hire income generated from our rental fleet and sub-leasing of machinery for the Track Record Period:

	For the year ended 31 December					
	2016		2017		2018	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Plant hire income from our rental fleet	13,202,837	83.6	23,586,208	83.6	26,968,513	86.2
Plant hire income from sub-leasing of machinery	2,587,325	16.4	4,643,499	16.4	4,306,037	13.8
Total	15,790,162	100.0	28,229,707	100.0	31,274,550	100.0

The table below set out the breakdown of our general sales:

	For the year ended 31 December					
	2016		2017		2018	
	Number	*HK$*	*Number*	*HK$*	*Number*	*HK$*
Crawler Cranes	2	10,300,000	1	4,650,000	—	—
Casing Oscillator	1	2,200,000	—	—	2	4,050,000
RCD	—	—	—	—	2	3,600,000
Oil, lubricant and/or spare parts *(Note)*	N/A	2,241,518	N/A	3,675,014	N/A	2,948,263
Total	3	14,741,518	1	8,325,014	4	10,598,263

Note: oil, lubricant and spare parts are not countable in nature

Details of construction machinery in our rental fleet are summarised as follows:

(a) Number in fleet, number rented out and rent-out rates

	As at 31 December								
	2016			2017			2018		
	Number in fleet	**Rented out**	**Rent-out rate**	**Number in fleet**	**Rented out**	**Rent-out rate**	**Number in fleet**	**Rented out**	**Rent-out rate**
Crawler Crane	9	2	22.2%	9	4	44.4%	6	3	50.0%
Casing Oscillator	6	1	16.7%	7	2	28.6%	8	6	75.0%
RCD	5	2	40.0%	4	2	50.0%	5	5	100.0%
Hydromill Trench Cutter	—	—	—	—	—	—	1	—	—
Total/Overall	20	5	25.0%	20	8	40.0%	20	14	70.0%

Note: Calculation of rent-out rate is based on the number of construction machinery that were rented out as at 31 December 2016, 2017 and 2018 which is then divided by the total number of relevant construction machinery in our rental fleet on the respective dates.

(b) Utilisation rates

	For the year ended 31 December					
	2016		2017		2018	
	Number in fleet	**Utilisation rate**	**Number in fleet**	**Utilisation rate**	**Number in fleet**	**Utilisation rate**
Crawler Crane	11	19.5%	10	53.3%	10	53.0%
Casing Oscillator	6	30.2%	7	50.0%	8	51.0%
RCD	5	24.7%	5	52.5%	5	69.6%
Hydromill Trench Cutter	—	—	—	—	1	72.7%
Total/Overall	22	23.8%	22	52.0%	24	56.4%

Please refer to the section headed "Our products and services — Our rental fleet" in the "Business" section of this prospectus for the basis of calculation of number in fleet and utilisation rate.

(c) Average age and remaining useful life

	As at 31 December					
	2016		2017		2018	
	Average age *(Year)* *(Note 1)*	Remaining useful life *(Year)* *(Note 2)*	Average age *(Year)* *(Note 1)*	Remaining useful life *(Year)* *(Note 2)*	Average age *(Year)* *(Note 1)*	Remaining useful life *(Year)* *(Note 2)*
Crawler Crane	16.2	8.8	14.9	10.1	12.8	12.2
Casing Oscillator	7.2	17.8	7.3	17.7	8.1	16.9
RCD	9.8	15.2	10.7	14.3	10.2	14.8
Hydromill Trench Cutter	—	—	—	—	1.0	24.0

Notes:

1. Calculation of average age is based on the average number of years operated in respect of each type of construction machinery, i.e. from the year of manufacture to the year end date of each accounting year.

2. Calculation of remaining useful life is based on the useful life of the construction machinery of 25 years deducted by the average age.

Cost of sales and services rendered

Set forth below are the details of the cost of sales and services rendered during the Track Record Period:

	For the year ended 31 December					
	2016		2017		2018	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Product purchases	10,492,140	47.9	5,912,163	33.4	6,391,053	34.5
Machinery rent paid	3,060,352	13.9	3,735,366	21.1	3,317,750	17.9
Depreciation on plant and machinery	5,628,656	25.7	6,157,950	34.8	6,059,699	32.7
Staff costs	1,510,475	6.9	1,407,921	8.0	1,455,270	7.9
Transportation and others	1,221,703	5.6	479,957	2.7	1,288,489	7.0
	21,913,326	100.0	17,693,357	100.0	18,512,261	100.0

Please refer to the section headed "Cost of sales and services rendered" under "Description of selected line items of combined statements of profit or loss and comprehensive income" in the "Financial information" section of this prospectus for further details.

Gross profit and gross profit margin

Our gross profit for the year ended 31 December 2016, 2017 and 2018 amounted to approximately HK$12.7 million, HK$20.7 million and HK$25.3 million, representing gross profit margin of approximately 36.6%, 53.9% and 57.7%, respectively.

Our major customers and suppliers

Our major customers include construction companies engaged in construction projects mainly in Hong Kong and Macau which need construction machinery for their projects. The five largest customers of our Group during the Track Record Period in aggregate generated revenue of approximately HK$29.5 million, HK$24.8 million and HK$28.5 million, which represented approximately 85.3%, 64.6% and 65.1% of the total revenue of our Group for each of the three years ended 31 December 2018, respectively. Revenue from our largest customer amounted to approximately HK$10.3 million, HK$6.8 million and HK$10.9 million, which represented approximately 29.8%, 17.7% and 24.8% of our total revenue for each of the three years ended 31 December 2018, respectively. Despite such customer concentration, our Directors consider that our business model is sustainable. For relevant basis considered by our Directors, please refer to "Customer concentration" under "Customers" of the "Business" section of this prospectus.

Our suppliers primarily include suppliers of construction machinery, tools and parts for our trading operations and other suppliers including construction machinery service providers in support of our plant hire operations as well as third party logistic companies and other third party service providers in support of our transportation and other services. For each of the three years ended 31 December 2018, purchases from our five largest suppliers, in aggregate, amounted to approximately HK$12.7 million, HK$8.7 million and HK$7.1 million, which represented approximately 86.1%, 86.2% and 63.7%, respectively, of our Total Purchases, while purchases from our largest supplier amounted to approximately HK$3.9 million, HK$3.3 million and HK$2.4 million, which represented approximately 26.3%, 32.4% and 21.4%, respectively, of our Total Purchases. Despite such supplier concentration, our Directors consider that our business model is sustainable. For relevant basis considered by our Directors, please refer to "Supplier concentration" under "Suppliers" of the "Business" section of this prospectus.

COMPETITIVE STRENGTHS

We believe we possess the following competitive strengths:

- We have good reputation with a proven track record developed in the construction machinery business
- We have a strong management team with in-depth knowledge in the industry and professional technical service team
- We are able to source from suitable suppliers to fulfill the needs of our customers for our construction machinery trading and rental businesses
- We provide flexible and comprehensive machinery rental services to cater for customers' needs

For further details on our competitive strengths, please refer to "Competitive strengths" under the "Business" section of this prospectus.

BUSINESS STRATEGIES

Our Directors have developed the following business strategies:

- To strengthen our rental fleet
- To recruit and expand our team of skilled and technical personnel
- To repay bank borrowings and finance leases

For further details on our business strategies, please refer to "Business strategies" under the "Business" section of this prospectus.

USE OF PROCEEDS

The net proceeds to our Company from the issue of the Offer Shares, after deducting the underwriting fees and estimated total listing expenses in the aggregate amount of approximately HK$27.5 million paid and payable by our Company in connection thereto, are estimated to be approximately HK$43.7 million (but not taking into account any Share that may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme and assuming a Offer Price of approximately HK$0.475 per Share, being the mid-point of the proposed Offer Price range of HK$0.40 to HK$0.55 per Share). We intend to apply such net proceeds as follows: (i) approximately HK$10.74 million, representing approximately 24.6% of the estimated net proceeds, to purchase new construction machinery for strengthening our rental fleet; (ii) approximately HK$10.30 million, representing approximately 23.5% of the estimated net proceeds, for settlement of the remaining amount of consideration payable for a newly acquired crawler crane; (iii) approximately HK$1.04 million, representing approximately 2.4% of the estimated net proceeds, for recruiting and expanding our team of skilled and technical personnel; (iv) approximately HK$17.36 million, representing approximately 39.7% of the estimated net proceeds for repayment of bank borrowings and finance leases; and (v) approximately HK$4.28 million, representing approximately 9.8% of the estimated net proceeds, for use as our general working capital.

For further information, including the bases and key assumptions for the attainability of our business objectives, please refer to the "Future Plans and Use of Proceeds" section of this prospectus.

SUMMARY FINANCIAL INFORMATION AND OPERATING DATA

This summary should be read in conjunction with the Accountants' Report, the full text of which is set out in Appendix I to this prospectus and the "Financial Information" section of this prospectus.

Key Income Statement Information

The following table summarises our audited combined results for the Track Record Period prepared on the basis as set out in the Accountants' Report:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Revenue	34,570,762	38,363,829	43,781,015
Cost of sales and services	(21,913,326)	(17,693,357)	(18,512,261)
Gross profit	12,657,436	20,670,472	25,268,754
Other income	1,586,024	1,391,212	3,629,430
Other operating expenses	(2,552,669)	(2,997,261)	(1,520,106)
Administrative expenses	(11,834,726)	(12,304,920)	(11,644,226)
Selling and distribution expenses	(1,296,589)	(1,181,288)	(1,165,678)
Finance costs	(3,309,808)	(4,181,305)	(3,776,170)
(Loss) profit before taxation	(4,750,332)	1,396,910	10,792,004
Income tax credit (expense)	517,561	(2,076,150)	(2,765,884)
(Loss) profit and total comprehensive (expense) income for the year	(4,232,771)	(679,240)	8,026,120

Notes: Our Group has early adopted HKFRS 16 in the preparation of financial information of our Group during the Track Record Period, pursuant to which operating lease of properties are recognised in the form of an asset (being the right-of-use assets) together with financial liabilities (being lease liabilities) and in respect of which depreciation expenses and interest expenses are charged. For details of the financial impact, please refer to the paragraph headed "Financial Information — Critical accounting estimates and judgments — (d) Early adoption of HKFRS 16" in this prospectus.

Key Balance Sheet Information

	As at 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Non-current assets	86,712,304	84,717,726	107,645,671
Current assets	19,532,912	15,784,247	18,147,067
Current liabilities	(61,950,185)	(51,854,563)	(78,463,838)
Net current liabilities	(42,417,273)	(36,070,316)	(60,316,771)
Non-current liabilities	(15,659,503)	(20,691,122)	(8,346,492)
Net assets/total equity	28,635,528	27,956,288	38,982,408

This net current liabilities position during the Track Record Period was mainly due to (i) the classification of all construction machines purchase cost under finance lease as non-current assets, whereas the relevant obligation under finance lease related to the machines purchase were classified under current liabilities and non-current liabilities; (ii) the increase in bank borrowing to settle listing expenses; (iii) revolving loan for trading machine; and (iv) increase in current portion of convertible bonds, trade and other payables and current portion of deferred income.

To improve our net current liabilities position, we will take the following measures to improve our liquidity: (i) plan and monitor our cash flow situation on a regular basis to ensure the cash flow of our Group remains at a healthy level; (ii) maintain stable relationships with our principal banks so as to timely obtain/renew bank borrowings and negotiate for better terms of loans; (iii) tighten cost controls over administrative and other expenses aiming at improving the working capital and cash flow position of our Group including closely monitoring the daily operating expenses; and (iv) actively follow up with our debtors on outstanding receivables with an aim to expedite collection.

Our net assets decreased from approximately HK$28.6 million as at 31 December 2016 to approximately HK$28.0 million as at 31 December 2017 mainly due to the net loss of approximately HK$0.7 million for the year ended 31 December 2017. Our net assets increased to approximately HK$39.0 million as at 31 December 2018 mainly due to the net profit retained of approximately HK$8.0 million for the year ended 31 December 2018 and the share premium of HK$3.0 million from issue of Shares on 30 November 2018.

Early adoption of HKFRS 16 "Leases"

HKFRS 16 "Leases" are mandatorily effective for annual periods beginning on or after 1 January 2019. Having considered the potential impacts to our financial statements, we decided to early adopt such standards and apply them throughout the Track Record Period.

Following the early adoption of HKFRS 16, leases (except for those with lease term of less than 12 months or of low value) are recognised in the form of an asset (being the right-of-use assets) together with financial liabilities (being lease liabilities), and depreciation expenses and finance costs are charged instead of rental expenses in respect of the leases. Accordingly, certain financial ratios would also be affected as a result of the adoption of HKFRS 16. In particular, (i) our current ratio and quick ratio are reduced as a result of the recognition of the current portion of the lease liabilities; (ii) our interest coverage ratios are reduced as a result of the increase in interest expenses on lease liabilities; (iii) our gearing ratios are increased as a result of the recognition of lease liabilities; and (iv) our returns on assets are reduced as a result of the recognition of right-of-use assets. Nevertheless, the change in our financial positions and ratios due to the early adoption of HKFRS 16 did not result in the breach of any covenant of our bank borrowings.

For details of the financial impact, please refer to the paragraph headed "Financial Information — Critical accounting estimates and judgments — (d) Early adoption of HKFRS 16" in this prospectus.

Our net current liabilities decreased from approximately HK$42.4 million as at 31 December 2016 to approximately HK$36.1 million as at 31 December 2017 mainly due to the decrease in current liabilities by approximately HK$10.1 million. Our current liabilities as at 31 December 2017 decreased mainly due to (i) the decrease in the current portion of obligations under finance lease of approximately HK$8.4 million as a result of our repayments on finance leases; (ii) the decrease in trade and other payables of approximately HK$2.3 million; and (iii) the decrease in bank overdrafts of approximately HK$1.7 million. Such decrease was partially offset by the decrease in trade and other receivables of approximately HK$4.9 million.

Our net current liabilities increased from approximately HK$36.1 million as at 31 December 2017 to approximately HK$60.3 million as at 31 December 2018 mainly due to the increase in current liabilities. Our current liabilities as at 31 December 2018 increased mainly due to the combined result of (i) the current portion of convertible bonds of approximately HK$14.5 million; (ii) the increase in trade and other payables by approximately HK$3.6 million; and (iii) the increase in obligation under finance leases of approximately HK$11.3 million as a result of the acquisition of new fleet under finance leases during the year ended 31 December 2018.

Please also refer to the "Net current liabilities" under the "Financial information" section and "We recorded net current liabilities during the Track Record Period and may not generate sufficient cash flows in the future to finance our operations or satisfy our current liabilities" under the "Risk factors" section of this prospectus.

Non-HKFRS measures — adjusted net current liabilities assuming the recall provisions did not exist

According to "HK Interpretation 5 Presentation of Financial Statements" which requires the classification of the whole term loans containing a repayment on demand clause as current liabilities, the aggregate carrying amounts of HK$29,401,286, HK$19,722,154 and HK$28,768,571 have been reclassified from non-current liabilities to current liabilities as at 31 December 2016, 2017 and 2018 respectively. Please refer to note 22 of the Accountants' Report in Appendix I to this prospectus for further details.

Taking into account our Group's financial position, good repayment history and long business relationship with the bank, our Directors are of the view that it is not probable that the banks will exercise their discretionary rights to demand immediate repayment.

The following table shows our Group's net current liabilities if the loan recall provisions did not exist:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Current assets	19,532,912	15,784,247	18,147,067
Current liabilities	(61,950,185)	(51,854,563)	(78,463,838)
Net current liabilities (per Accountants' Report)	(42,417,273)	(36,070,316)	(60,316,771)
Reclassify carrying value to non-current liabilities assuming recall provision did not exist	29,401,286	19,772,154	28,768,571
Revised net current liabilities if recall provision did not exist	(13,015,987)	(16,298,162)	(31,548,200)

Assuming that the bank loans would not be recalled under the repayment on demand clause, our Group's net current liabilities position as at 31 December 2016, 2017 and 2018 would be approximately HK$13.0 million, HK$16.3 million and HK$31.5 million, respectively.

Selected items of our combined statements of cash flows

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Operating cash flows before movements in working capital	8,749,374	17,555,422	23,627,970
Net cash generated from operating activities	8,855,366	20,756,131	22,031,283
Net cash generated from/(used in) investing activities	(14,021,909)	(1,937,894)	2,618,869
Net cash used in financing activities	(1,447,977)	(17,655,559)	(21,944,840)
Net increase/(decrease) in cash and cash equivalents	(6,614,520)	1,162,678	2,705,312
Cash and cash equivalents at beginning of the year	1,569,944	(5,044,576)	(3,881,898)
Cash and cash equivalents at end of the year	(5,044,576)	(3,881,898)	(1,176,586)

Net cash flows generated from operating activities for the year ended 31 December 2016 were approximately HK$8.9 million while our loss before tax was approximately HK$4.8 million. The net cash generated from operating activities was mainly the result of operating cash flows before movements in working capital of approximately HK$8.7 million, adjusted for (i) the decrease in inventories of approximately HK$0.2 million, (ii) the increase in trade and other payables of approximately HK$1.6 million, and (iii) the increase in trade and other receivables of approximately HK$1.7 million.

Net cash flows generated from operation activities for the year ended 31 December 2017 were approximately HK$20.8 million while our profit before tax has approximately HK$1.4 million. The net cash generated from operating activities was mainly the result of operating cash flows before movements in working capital of approximately HK$17.6 million, adjusted for (i) the decrease in inventories of approximately HK$0.7 million, (ii) the decrease in trade and other receivables of approximately HK$5.5 million, and (iii) the decrease in trade and other payables of approximately HK$3.0 million.

Net cash flows generated from operation activities for the year ended 31 December 2018 were approximately HK$22.0 million while our profit before tax has approximately HK$10.8 million. The net cash generated from operating activities was mainly the result of operating cash flows before movements in working capital of approximately HK$23.6 million, adjusted for (i) the increase in inventories of approximately HK$0.4 million, (ii) the increase in trade and other receivable of approximately HK$2.7 million, and (iii) the increase in trade and other payables of approximately HK$1.5 million.

Key financial ratios

	As at/For the year ended 31 December		
	2016	**2017**	**2018**
Current ratio	0.3 times	0.3 times	0.2 times
Quick ratio	0.3 times	0.2 times	0.2 times
Gearing ratio	233.4%	221.8%	179.4%
Debt to equity ratio	226.4%	208.0%	171.1%
Interest coverage	0.9 times	2.7 times	5.2 times
Non-HKFRS measures			
Adjusted return on total assets	0.2%	4.8%	10.3%
Adjusted return on equity	0.8%	17.2%	33.3%

Please refer to the section headed "Financial information — Key financial ratios" and "Financial information — Non-HKFRS measures" of this prospectus for the definition of the above financial ratios and further information.

Non-HKFRS measures

Adjusted return on total assets and adjusted return on equity

To supplement our combined statements of profit or loss and other comprehensive income which are presented in accordance with HKFRS, we have also presented below our adjusted profit and adjusted return on total assets, adjusted return on equity as non-HKFRS measures, which are not required by, or presented in accordance with, HKFRS. We believe that these non-HKFRS measures facilitate comparison of operating performance from year to year by eliminating potential impacts of items that our management do not consider to be indicative of our operating performance. We also believe that the non-HKFRS measures provides additional information to investors and others in understanding and evaluating our combined results of operations in the same manner as they help our management and in comparing financial results across accounting periods and to those of our peer companies.

The following table reconciles our net profit, return on total assets and return on equity to adjusted profit, adjusted return on total assets and adjusted return on equity:

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
(Loss)/Profit and total comprehensive (expense) income for the year	(4,232,771)	(679,240)	8,026,120
Add: Listing expenses	4,460,166	5,490,142	4,941,045
Adjusted profit for the year *(note 1)*	227,395	4,810,902	12,967,165
Total assets	106,245,216	100,501,973	125,792,738
Return on total assets *(note 2)*	(4.0)%	(0.7)%	6.4%
Adjusted return on total assets *(note 3)*	0.2%	4.8%	10.3%
Total equity	28,635,528	27,956,288	38,982,408
Return on equity *(note 4)*	(14.8)%	(2.4)%	20.6%
Adjusted return on equity *(note 5)*	0.8%	17.2%	33.3%

Notes:

1. Adjusted profit for the respective year is calculated as the profit and other comprehensive income for the respective year added by the listing expenses.
2. Return on total assets is calculated by net profit for the year divided by the total assets as at the respective year end and multiplied by 100%.
3. Adjusted return on total assets is calculated by adjusted profit for the year divided by the total assets as at the respective year end and multiplied by 100%.
4. Return on equity is calculated by net profit for the year divided by the total equity as at the respective year end and multiplied by 100%.
5. Adjusted return on equity is calculated by adjusted profit for the year divided by the total equity as at the respective year end and multiplied by 100%.

We believe that these non-HKFRS measures provide useful information to investors and others in understanding and evaluating our combined statements of profit or loss and other comprehensive income or financial position in the same manner as they assist our management in reviewing our financial performance. None of the non-HKFRS financial measures is a recognised term under HKFRS. They do not have a standardized meaning prescribed by HKFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies and they should not be construed as an alternative to other financial measures determined in accordance with HKFRS. The use of these non-HKFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our combined statements of profit or loss and other comprehensive income or financial position as reported under HKFRS.

RECENT DEVELOPMENT

After the Track Record Period, our business operations remained stable. After the Track Record Period, to cope with our Group's business strategies and to cater to the demand of our customers, we entered into a contract to acquire a crawler crane with working capacity of up to 130 tonnes, to which the remaining amount of its acquisition cost is to be settled by mid-August 2019. The RCD which our Group contracted to acquire in November 2018 was delivered to us in April 2019. As at the Latest Practicable Date, our Group had secured orders of approximately HK$44.5 million for plant hire rental projects, of which, approximately HK$17.6 million was recognised as revenue from 1 January 2019 to the Latest Practicable Date. Among the closing backlog of approximately HK$26.8 million as at the Latest Practicable Date, approximately HK$24.9 million would be recognised as revenue after the Latest Practicable Date and up to 31 December 2019, and approximately HK$1.9 million would be recognised as revenue after 2019. Other than the plant hire rental projects, our Group also had secured orders of approximately HK$10.0 million for general sales service, among which, approximately HK$4.4 million was recognised as revenue from 1 January 2019 to the Latest Practicable Date and approximately HK$5.6 million would be recognised as revenue after the Latest Practicable Date and up to 31 December 2019.

Based on the unaudited management accounts of our Group, revenue of our Group for the four months ended 30 April 2019 increased as compared to the corresponding period in 2018. Our Directors confirmed that the increase in revenue was mainly due to the increase in plant hire income and general sales for the four months ended 30 April 2019. Meanwhile, gross profit margin decreased for the four month ended 30 April 2019 as compared to that of the corresponding period in 2018 mainly due to the increase in product purchase cost for general sales.

Save for the recent development as disclosed above and the professional fees of approximately HK$27.5 million estimated to be incurred in connection with the Listing, of which approximately HK$5.4 million will be charged to our combined statements of profit or loss and other comprehensive income for the year ending 31 December 2019. Our Directors confirmed that there has been no material adverse change in the operation, financial or trading position or prospects of our Group since the end of the Track Record Period and up to the date of this prospectus, and there is no event since the end of the Track Record Period and up to the date of this prospectus which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

LISTING EXPENSES

The estimated expenses in relation to the Listing are approximately HK$27.5 million (based on the Offer Price of HK$0.475, being the mid-point of the indicative Offer Price range of HK$0.4 to HK$0.55 per Offer Share), of which approximately HK$7.2 million is directly attributable to the issue of the Offer Shares under the Share Offer and is expected to be accounted for as a deduction from equity. The remaining Listing expenses of approximately HK$4.5 million, HK$5.5 million and HK$4.9 million was charged to the combined statements of profit or loss and other comprehensive income for the year ended 31 December 2016, 2017 and 2018 respectively and approximately HK$5.4 million is expected to be charged to the combined statements of profit or loss and other comprehensive income of our Group for the year ending 31 December 2019. Expenses in relation to the Listing are non-recurring. Therefore, our Group's financial results for the year ending 31 December 2019 will be affected by the estimated expenses in relation to the Listing.

CONTROLLING SHAREHOLDERS

Upon Listing, pursuant to the GEM Listing Rules, Mr. Sou and Ms. Chu are deemed to be a group of Controlling Shareholders by virtue of their relationship of being spouses, and hence are deemed to be entitled to exercise in aggregate 43.75% of voting power at the general meetings of our Company. For further information, please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus.

PRE-IPO INVESTMENTS

We have introduced three Pre-IPO Investors, namely Integrated Asset Management, Mr. Yang and Rosy Dragon Global. The Pre-IPO Investors decided to invest in our Group mainly due to their confidence in the construction industry in Hong Kong and our business prospects. The Pre-IPO Investments improved our cash flow position in preparation for Listing, and we believe that through introduction of the Pre-IPO Investors with diversified background, we could benefit from their experience in corporate management, investor relations and expertise in various industries. After the conversion of the Convertible Bonds and upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme), Integrated Asset Management, Mr. Yang and Rosy Dragon Global will own 6.25%, 3.125% and 9.375% of the entire issued share capital of our Company, respectively. For further details, please refer to the paragraph headed "History, Reorganisation and Corporate Structure - Pre-IPO Investments" in this prospectus.

SHARE OFFER STATISTICS

Market capitalisation at Listing	HK$240 million to HK$330 million
Shares to be in issue following completion of the Share Offer and the Capitalisation Issue	600,000,000 Shares
Offer size	150,000,000 Offer Shares
Offer Price	HK$0.40 to HK$0.55
Board lot	10,000 Shares
Offering structure	15,000,000 Shares for Public Offer and 135,000,000 Shares for Placing
Unaudited pro forma adjusted combined net tangible assets per Share	HK$0.178 to HK$0.222

DIVIDEND

We have declared dividend of HK$450,000, HK$Nil and HK$Nil during the years ended 31 December 2016, 2017 and 2018, respectively.

Our Group does not have any pre-determined dividend payout ratio. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including results of operations, financial condition, the payment by our Group's subsidiaries of cash dividends to us, and other factors our Board may deem relevant. In addition, any final dividend for a financial year will be subject to Shareholders' approval.

RISK FACTORS

Potential investors are advised to carefully read the section headed "Risk factors" in this prospectus before making any investment decision in the Offer Shares. Some of the more particular risk factors include the following:

- we recorded net current liabilities during the Track Record Period and may not generate sufficient cash flows in the future to finance our operations or satisfy our current liabilities;
- a significant portion of our revenue was generated from a limited number of customers and any reduction in revenue from the existing customers and/or any loss of major customers could have a material adverse effect on the profitability and financial performance of our Group;
- our plant hire income is mainly derived from foundation work projects of customers which are not recurrent in nature and there is no guarantee that our customers will provide us with new businesses;
- our Group's trading business is reliant on our customers' demand and our ability to source the relevant construction machinery. Failure to procure suitable construction machinery for or decrease in demand from our customers will adversely affect our financial performance;
- a significant portion of our purchases was sourced from a few major suppliers, any failure of our suppliers to supply the required machinery to us or if we fail to identify alternative sources of machinery may delay or prevent our Group's business growth;
- our Group may encounter difficulties in collecting payments from our customers which may materially and adversely affect our financial performance;
- demand for our construction machinery would be adversely affected by the delay in commencement of public and public-related projects which may in turn adversely and materially affect our Group's financial position.

In addition, there are potential impact and risks associated with our future plan and business strategies mentioned in the paragraph headed "Business strategies" above, including (i) the potential increase in our depreciation expenses upon our planned acquisition of new construction machinery; and (ii) the potential failure to rent out the newly acquired machinery.

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

"Accountants' Report"	the accountants' report on our Group for the Track Record Period set out in Appendix I to this prospectus
"Application Form(s)"	**WHITE** Application Form(s) and **YELLOW** Application Form(s), or where the context so requires, any of them that are used in connection with the Public Offer
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company adopted on 21 June 2019, which will become effective upon Listing, a summary of which is set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to this prospectus, and as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Audit Committee"	the audit committee of our Board
"Board"	our board of Directors
"business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate, a method of assessing the average growth of a value over a certain time period
"Capitalisation Issue"	the issue of Shares to be made upon capitalisation of part of the amount standing to the credit of the share premium account of our Company referred to in the section headed "Statutory and General Information — A. Further information about our company and our subsidiaries — 3. Written resolutions of our Shareholders passed on 21 June 2019" in Appendix IV to this prospectus
"CB Subscription Agreement(s)"	the respective subscription agreement(s) for the Convertible Bonds entered into on 30 May 2016 between our Company and each of Trade Mass and Rosy Dragon Global
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person or persons admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chairman"	the chairman of our Board, namely, Mr. Sou
"Chief Operating Officer"	the chief operating officer of our Group, namely, Mr. Kan Walter
"close associate(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Co-Managers"	First Fidelity Capital (International) Limited and CRIC Securities Company Limited and "Co-Manager" means any one of them
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	World Super Holdings Limited (維亮控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 26 February 2016
"connected person(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the GEM Listing Rules and, in the context of our Company, means the controlling shareholders of our Company, namely, Mr. Sou and Ms. Chu

"Convertible Bonds"	the 8% coupon convertible bonds issued by our Company and held by the Pre-IPO Investors
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules
"Deed of Indemnity"	the deed of indemnity dated 21 June 2019 given by each of our Controlling Shareholders in favour of our Company (for itself and as trustee for our subsidiaries), details of which are set forth in the paragraph headed "Statutory and General Information — E. Other information — 1. Tax and other indemnities" in Appendix IV to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 21 June 2019 given by each of our Controlling Shareholders in favour of our Company (for itself and as trustee for our subsidiaries)
"Director(s)"	the director(s) of our Company
"Euro" or "EUR"	the currency used by the Institutions of the European Union and the official currency of the Eurozone
"Fanling Site"	a piece of land located at portions of Lots Nos. 440RP, 442, 443, 444 and 447 in Demarcation District No. 77, New Territories, Hong Kong leased to our Group under a tenancy agreement with an Independent Third Party
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
"F&S Report"	the industry report prepared by Frost & Sullivan and commissioned by our Company, the contents of which are quoted in this prospectus
"GEM"	GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures

"Grand Moore Capital" or "Sole Sponsor"	Grand Moore Capital Limited, being the sole sponsor to the Listing and a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity as defined in the SFO
"Group", "our Group", "we" or "us"	our Company and our subsidiaries or, where the context requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"HKFRS" or "HKFRSs"	Hong Kong Financial Reporting Standards issued by the HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of 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 dollars", "Hong Kong dollar(s)", "Hong Kong Dollars", "HKD" or "HK$"	the lawful currency of Hong Kong
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited
"Independent Third Party(ies)"	person(s) or company(ies) which, to our Directors' best knowledge, information and belief, having made all reasonable enquiries, is/are not a connected person(s) (as defined in the GEM Listing Rules) of our Company
"Integrated Asset Management"	Integrated Asset Management (Asia) Limited, a company incorporated in BVI with limited liability on 15 February 1996, a Pre-IPO Investor, the entire equity interest of which is owned by Mr. Yam Tak Cheung, an Independent Third Party
"Joint Bookrunners"	Elstone Securities Limited and Sun International Securities Limited and "Joint Bookrunner" means any one of them

"Joint Lead Managers"	Elstone Securities Limited, Sun International Securities Limited and Grand Moore Capital Limited and "Joint Lead Manager" means any one of them
"Labour Department"	the Labour Department of the government of Hong Kong
"Latest Practicable Date"	20 June 2019, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
"Legal Counsel"	Mr. Chan Chung (陳聰), barrister-at-law in Hong Kong, the Hong Kong legal counsel to our Group in respect of legal compliance as to business operations of our Group
"Listing"	listing of the Shares on GEM
"Listing Date"	the date on which dealings in the Shares on GEM first commence, which is expected to be on 12 July 2019
"Listing Department"	the Listing Department of the Stock Exchange
"Macau"	the Macao Special Administrative Region of the PRC
"Memorandum"	the amended and restated memorandum of association of our Company, adopted on 21 June 2019, a summary of which is set out in the section headed "Summary of the constitution of the Company and Cayman Islands Company Law" in Appendix III to this prospectus, and as amended from time to time
"MOP"	Macau Pataca, the lawful currency of Macau
"Mr. Fok"	Mr. Fok Hei Yuen Paul (霍熙元), our executive Director
"Mr. Leung"	Mr. Leung Man Chiu Lawrence (梁文釗), our non-executive Director
"Mr. Sou"	Mr. Sou Peng Kan Albert (蘇秉根), our executive Director, Chairman, Chief Executive Officer, Controlling Shareholder, and the spouse of Ms. Chu
"Mr. Yang"	Mr. Yang Fan (楊帆), a Pre-IPO Investor and an Independent Third Party
"Ms. Chu"	Ms. Chu Wing Yee (朱詠儀), our Controlling Shareholder, and the spouse of Mr. Sou
"MTR"	MTR Corporation Limited

"New Pilot Global"	New Pilot Global Limited, a company incorporated in BVI with limited liability on 1 February 2016 and a direct wholly-owned subsidiary of our Company
"Nomination Committee"	the nomination committee of our Board
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$0.55 per Share and expected to be not less than HK$0.40 per Share at which the Offer Shares are to be offered under the Share Offer, to be determined in the manner as set out in the section headed "Structure and conditions of the Share Offer" of this prospectus
"Offer Share(s)"	collectively, the Placing Shares and the Public Offer Shares
"Placing"	the conditional placing by the Placing Underwriter(s) on behalf of our Company of the Placing Shares for cash at the Offer Price, as further described under the section headed "Structure and conditions of the Share Offer" in this prospectus
"Placing Shares"	the 135,000,000 Shares being initially offered by our Company for subscription under the Placing subject to reallocation, as described under the section headed "Structure and conditions of the Share Offer" of this prospectus
"Placing Underwriter(s)"	the underwriter(s) that is/are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
"Placing Underwriting Agreement"	the underwriting agreement expected to be entered into on or around 5 July 2019 by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Placing Underwriter(s) relating to the Placing
"PRC" or "China"	the People's Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, Macau and Taiwan
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) before its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

"Pre-IPO Investments"	investments by Integrated Asset Management, Mr. Yang and Rosy Dragon Global, as set out in the paragraph headed "History, Reorganisation and Corporate Structure — Pre-IPO Investments" in this prospectus
"Pre-IPO Investors"	Integrated Asset Management, Mr. Yang and Rosy Dragon Global, and a "Pre-IPO Investor" shall mean any one of them
"Price Determination Agreement"	the agreement in letter form expected to be entered into between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before the Price Determination Date, for the purpose of fixing the Offer Price
"Price Determination Date"	the date, expected to be on or around 5 July 2019, or such other date as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), but in any event no later than Monday, 8 July 2019, on which the Offer Price is fixed for the purpose of the Share Offer
"Private Sector Projects"	projects of which the main contractor is deployed by private developers
"Property Legal Counsel"	Mr. Billy C. K. Poon, barrister-at-law in Hong Kong, the Hong Kong legal counsel to our Group in respect of legal compliance as to the Sheung Shui Site
"Public Offer"	the issue and offer of the Public Offer Shares for subscription in Hong Kong at the Offer Price on and subject to the terms and conditions described in this prospectus and the Application Forms
"Public Offer Shares"	the 15,000,000 Shares (subject to reallocation) initially offered by our Company for subscription in the Public Offer, as described under the section headed "Structure and conditions of the Share Offer" of this prospectus
"Public Offer Underwriter(s)"	the underwriter(s) of the Public Offer, whose name(s) is/are set out under the section headed "Underwriting — Public Offer Underwriters" of this prospectus
"Public Offer Underwriting Agreement"	the underwriting agreement dated 25 June 2019 entered into among our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Public Offer Underwriter(s) relating to the Public Offer

"Public-related Sector Projects"	projects commissioned by developers of which the Hong Kong/Macau government or its affiliates and subsidiaries is one of the shareholders. These developers generally participate in public-related construction projects such as transport system construction, one of the example being MTR
"Public Sector Projects"	projects of which the main contractor is commissioned by the Hong Kong/Macau government, statutory bodies or their affiliates and subsidiaries, such as airport authority and housing authority
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"Reorganisation"	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are as described in the paragraph headed "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus
"Reporting Accountants"	HLM CPA Limited, the auditors and reporting accountants of our Group
"Rosy Dragon Global"	Rosy Dragon Global Limited, a company incorporated in BVI on 3 January 2014, a Pre-IPO Investor and is wholly-owned by Mr. Sze Chun Lee, an Independent Third Party
"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
"Share Offer"	the Public Offer and the Placing
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 21 June 2019, a summary of the principal terms and conditions of which is set forth in the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this prospectus
"Shareholder(s)"	holder(s) of the Share(s)

"Sheung Shui Site"	a piece of land located at portions of Lot Nos. 351, 352, 364 and 373 in Demarcation District No.52, New Territories, Hong Kong and licensed by an Independent Third Party to our Group for use under a licence agreement, which was subsequently terminated on 31 May 2016
"sq.ft."	square foot (feet)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the GEM Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Technical Circular"	the technical circular (works) no.1/2015 issued by the Works Branch of the Development Bureau on 8 February 2015
"Total Purchases"	means the sum of our total cost of sales and services less depreciation on plant and machinery and staff costs
"Track Record Period"	the period comprising the three financial years ended 31 December 2016, 2017 and 2018
"Trade Mass"	Trade Mass Limited (貿眾有限公司), a company incorporated in BVI on 29 March 2016
"Underwriter(s)"	the Public Offer Underwriter(s) and the Placing Underwriter(s)
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"US" or "U.S." or "United States"	the United States of America
"U.S. Securities Act"	the United States Securities Act 1933, as amended or supplemented from time to time
"US$" or "US dollars" or "USD"	United States dollars, the lawful currency of the United States

"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant's/applicants' own name(s)
"World Super"	World Super Limited (維亮有限公司), a company incorporated in Hong Kong with limited liability on 23 June 1997 and an indirect wholly-owned subsidiary of our Company
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
"Yen"	Japanese yen, the official currency of Japan
"%"	per cent

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

"casing oscillator"	a kind of bored piling machine constructed with clamping and oscillation system which powered by a power pack
"crawler crane"	a non-road mobile crane which is mounted on an undercarriage with crawler track unit
"EPD"	Environmental Protection Department of the Hong Kong government
"FIU (LALG) Regulations"	Factories and Industrial Undertakings (Lifting Appliances and Lifting Great) Regulations (Chapter 59J of the Laws of Hong Kong)
"Hong Kong International Airport"	main airport in Hong Kong located on the island of Chek Lap Kok
"Hydromill Trench Cutter"	a type of construction equipment designed to dig the narrow but deep trenches used in the casting of slurry walls
"NRMM"	non-road mobile machinery under control in line with environmentally advanced countries, which include a wide range of mobile machines, or vehicles powered by internal combustion engines used primarily off-road, whose emissions can cause environmental pollution and nuisance and have adverse health effects
"QPME"	Quality Powered Mechanical Equipment, a QPME System is an administrative labeling system in Hong Kong for promoting the use of environmentally friendly construction machinery
"RCD"	a kind of bored piling machine working with drill-string to drill through the hard rock to the designated depth
"Registered Professional Engineer" or "RPE"	a registered professional engineer registered under the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong) within a relevant discipline specified by the Commissioner for Labour
"Ten Major Infrastructure Projects"	a series of infrastructure construction plans launched by Hong Kong government in October 2007 which include South Island Line, Shatin to Central Link, The Tuen Mun Western Bypass and Tuen Mun Chek Lap Kok Link, Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhu Hai-Macau Bridge, Hong Kong Shen Zhen Airport Cooperation, Hong Kong-Shenzhen Joint Development of the Lok Ma Chau Loop, West Kowloon Cultural District, Kai Tak Development Plan and New Development Areas

This prospectus contains forward-looking statements that relate to our current expectations and views of future events. These forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Future Plans and Use of Proceeds", "Industry Overview", "Business" and "Financial Information" of this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed "Risk Factors" of this prospectus, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

The words and expressions such as "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "potential", "predict", "project", "seek", "shall", "should", "will", "would" and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward looking statements include statements relating to:

- our business prospects, strategies, plans, objectives and goals;
- our capital expenditure plans and future capital requirements;
- the amount and nature of, and potential for, future development of our business;
- our operations and the business opportunities that we may pursue;
- the general regulatory environment of the industry in which we are operating;
- future developments, trends and conditions in the industry and markets in which we operate;
- the performance of global financial market, including changes in our ability to access the capital markets and changes in the level of interest rates;
- our ability to control costs;
- the actions and developments of our competitors;
- changes in general political, economic, legal, market and business conditions;
- other statements in this prospectus which are not historical facts; and
- certain statements in the section headed "Financial Information" of this prospectus with respect to trends in prices, operations, margins, overall market trends and risk management.

These forward-looking statements are subject to certain risks, uncertainties and assumptions, some of which are beyond our control. Further, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of our future performance. Actual results may differ materially from the information contained in the forward-looking statements as a result of a number of uncertainties and factors, including the risk factors set out in the section headed "Risk Factors" of this prospectus.

The forward-looking statements made in this prospectus relate only to events or information as at the date on which the statements are made in this prospectus. Subject to the requirements of applicable laws and regulations, we undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus (whether as a result of new information, future events or developments or otherwise) after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this prospectus completely with the understanding that our actual future results or performance may be materially different from what we expect.

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

RISKS RELATING TO OUR BUSINESS

We recorded net current liabilities during the Track Record Period and may not generate sufficient cash flows in the future to finance our operations or satisfy our current liabilities.

Our Group recorded net current liabilities of approximately HK$42.4 million, HK$36.1 million and HK$60.3 million as at 31 December 2016, 2017 and 2018, respectively. Please refer to further information on our net current liabilities position during the Track Record Period in the paragraph headed "Financial Information — Net current liabilities" of this prospectus.

Due to the nature of our business, we purchase construction machinery for our plant hire business and we finance our business operation including purchases by a combination of cash, bank borrowings, bank overdrafts and finance leases. While our construction machinery was classified as non-current assets, the followings were classified as current liabilities: (i) our borrowings due within one year for financing the purchases of construction machinery; and (ii) our obligations under finance leases which are due within one year, or those with a repayable on demand clause for acquisition of construction machinery and motor vehicles. Our Directors consider that because of our business model, the requirements under the HKFRSs and our accounting policies, our net current liabilities' position would continue in future. The net current liabilities' position would expose us to liquidity risk which could restrict our ability to make necessary capital expenditure or develop business opportunities, and our business, operating results and financial condition could be materially and adversely affected.

In addition, if we are unable to generate sufficient cash flow for our operations, or to obtain sufficient funds to finance our operations, or to satisfy our current liabilities in a timely manner, our business operations, liquidity and ability to raise funds may be materially and adversely affected by our net current liabilities and negative cash flow from operations. In such circumstances, our business, financial position, results of operations and prospects may be materially and adversely affected.

Large portion of our Group's turnover was generated from a few major customers and our Group did not enter into any long-term contracts with these customers.

The five largest customers of our Group during the Track Record Period in aggregate generated revenue of approximately HK$29.5 million, HK$24.8 million and HK$28.5 million, representing approximately 85.3%, 64.6% and 65.1% of the total revenue of our Group, respectively, for the year ended 31 December 2016, 2017, and 2018, respectively. Revenue generated from the five largest customers of our Group for the year ended 31 December 2016 amounted to approximately HK$13.2 million from plant hire service, approximately HK$14.4 million general sales from trading of construction machinery, tools and parts and approximately HK$1.9 million from transportation and other services, representing approximately 38.2%, 41.6% and 5.5% of our total revenue for the same year. The five largest customers of our Group for the year ended 31 December 2017 generated approximately HK$18.2 million from plant hire service, approximately HK$6.0 million general sales from trading of construction machinery, tools and parts and approximately HK$0.6 million from transportation and other services, representing approximately 47.4%, 15.6% and 1.6% of our total revenue for the same year. The five largest customers of our Group for the year ended 31 December 2018 generated approximately HK$19.5 million from plant hire service, approximately HK$7.5 million general sales from trading of construction machinery, tools and parts and approximately HK$1.4 million from transportation and other services, representing approximately 44.6%, 17.2% and 3.2% of our total revenue for the same period. There is no assurance that our Group would be able to increase the number of customers to reduce its reliance on major customers.

Our Group has not entered into long-term contracts with any of our customers. During the Track Record Period, we normally entered into hire quotations with customers for a specified rental period. There is no assurance that our customers will continue to place orders to our Group; or their future orders will be at a comparative level or on similar terms as in prior years. It is uncertain that our Group would be able to retain our major customers or solicit new customers to offset the impact from any loss of such customers. Any reduction in revenue from our existing customers and/or any loss of our major customers could have a material adverse effect on the profitability and financial performance of our Group.

Our Group's revenue from plant hire is mainly derived from projects of customers which are not recurrent in nature and on project basis. There is no guarantee that our existing customers will engage us again in future construction projects among our competitors.

Plant hire income generated from the construction machinery rental segment accounted for approximately 45.7%, 73.6% and 71.4% of the total revenue of our Group, respectively for the year ended 31 December 2016, 2017 and 2018. Our plant hire income is mainly derived from foundation work projects of customers which are non-recurrent in nature and our customers are under no obligation to hire plant and machinery from our Group for the use in their construction projects.

There is no guarantee that our Group will be able to secure new business from our customers or that customers will hire all or most of machinery they required to complete their projects from our Group. During the Track Record Period, we normally entered into hire quotations with customers for a specified rental period. If our customers choose to rent or purchase construction machinery from our competitors for their future construction projects and/or there is a sudden adverse change in business environment in the construction industry, the business operations and financial performance of our Group will be adversely affected.

In view of the above, the number of contracts, duration and the amount of revenue we are able to derive therefrom may vary significantly from period to period, and it is difficult to forecast the volume of future business. There is also no assurance that our Group could achieve the same or higher rent-out rate in the future as it did for the previous years/period. In the event that our Group fails to secure new contracts or there is a significant reduction of customers' projects in the future, the business and financial position and prospects of our Group could be materially and adversely affected. As at 31 December 2016, 2017 and 2018, our Group recorded overall rent-out rate of approximately 25.0%, 40.0% and 70.0% for construction machinery in its rental fleet respectively. Please refer to "Our rental fleet" under the paragraph headed "Our products and services" of the "Business" section of this prospectus.

Our Group's revenue from trading of construction machinery depends on customers' demand and our ability to source the relevant construction machinery.

Our Group's trading business is mainly conducted to cater demands from customers of construction machinery. There is no guarantee that customers' demand will continue to sustain or that customers will continue to approach our Group for purchase of construction machinery.

On the other hand, customers may approach us from time to time and request sourcing of construction machinery. If we are unable to procure suitable construction machinery which can satisfy their needs in a timely manner, and/or on favourable terms, we may be unable to secure such business, our revenue generated from purchases of construction machinery for trading cannot be easily estimated.

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

Exercise of purchase options (if granted under our machinery leasing agreements with customers) by our customers upon completion of rental period of machinery rented by our Group from other suppliers would result in fluctuations of revenue in our trading segment. Besides, our future results will depend on, amongst other things, construction and infrastructure projects available to our Group's customers, our Group's ability to secure customers' contracts and meet their job requirements under these projects and cost control, as well as the other risk factors set out in this section.

Our revenue is substantially derived from customers' foundation work projects which are non-recurrent in nature. Foundation work is principally the initial stage of construction projects. The volume of building construction, infrastructure and civil projects could be significantly affected by various factors, including changes in economic conditions, public expenditure budgets, the sentiments and general conditions of property market in Hong Kong and neighboring regions. Profit margins of construction machinery service providers may fluctuate due to factors such as the complexity and size of customers' projects which may affect the requirements on the selection of machinery by the customers suitable for the use in their projects and the duration of rental period, the availability of similar or the required machinery in the market, the demand from customers for the relevant machinery or parts at the same time, price negotiations, relationship with customers, past repayment records and reputation of the customers. There is no assurance that our Group's profit margins in the future will remain similar to the level that it achieved in the past.

Large portion of our purchases was sourced from a few major suppliers. Failure to obtain adequate capital could delay acquisition of new machinery, tools and/or parts and hinder our Group's business.

The five largest suppliers of our Group during the Track Record Period were suppliers selling or leasing construction machinery, tools and/or spare parts to our Group, which in aggregate accounted for approximately HK$12.7 million, HK$8.7 million and HK$7.1 million, representing approximately 86.1%, 86.2% and 63.7% of our Total Purchases for each of the three years ended 31 December 2018, respectively. There is no assurance that our Group would be able to establish business relationship with new suppliers to reduce our reliance on major suppliers; or the existing suppliers of our Group will continue to supply suitable machinery to our Group in future. If any of our suppliers fails to supply the required machinery to us or if we fail to identify alternative sources of machinery that meets the requirements and/or standards in a timely manner and at favourable terms, our business, financial condition and results of operations may be materially and adversely affected. Moreover, there is no assurance that our Group can obtain the required capital through equity or debt financing on acceptable terms or to generate sufficient cash flow from operations to meet the cash requirements for acquisition of new machinery, which may delay or prevent our Group's business growth or force it to forego business opportunities.

Our Group's liquidity and financial position may be adversely affected if our customers default in, or delay, their payments.

Customers of our plant hire service are mainly construction companies which lease construction machinery for their public, public-related or private construction projects in Hong Kong and Macau. Customers of our machinery trading service are mainly construction companies and companies engaged in machinery trading. Our Group recorded balances of trade receivables of approximately HK$13.8 million, HK$8.3 million and HK$10.3 million as at 31 December 2016, 2017 and 2018, respectively. The trade receivable turnover days were approximately 103 days, 105 days and 78 days for each of the three years ended 31 December 2016, 2017 and 2018, respectively. Our Group may encounter difficulties in collecting payments from those customers who are having financial difficulties or delayed projects. We cannot assure that our customers in future will not subsequently default in, or delay, their payments. In the event our Group's customers default in all or a substantial portion of their payments to our Group, our Group's financial performance may be materially and adversely affected.

The demand for our construction machinery would be adversely affected by the delay in commencement of public and public-related projects such as lawmakers' filibustering, protests by affected residents, technical and legal challenges and cooperation problems amongst different government authorities.

For each of the three years ended 31 December 2016, 2017 and 2018, our plant hire income generated from Public Sector Projects and Public-related Sector Projects in aggregate were approximately 67.2%, 46.0% and 53.9% of our total plant hire income, respectively.

During the Track Record Period, our plant hire income was mainly derived from the rental of construction machinery, tools and parts to customers for construction projects in Hong Kong and/or Macau. Public and public-related construction projects in Hong Kong rely on the timely funding approval by the committees of the Legislative Council of Hong Kong. Therefore, lawmakers' filibustering which leads to delays in the passing of public works funding proposals by the committees of the Legislative Council of Hong Kong in recent years created uncertainty on the commencement date of construction projects in the public sector, which may adversely affect demand for plant hire and construction machinery purchases and financial performance of our Group. In addition, considering the recent state of political environment in Hong Kong, any protests or occupation activity by affected residents in Hong Kong may also delay the construction works to be carried out. Since our operations are primarily located in Hong Kong, any change of such political arrangements or environment may pose an immediate threat on the stability of the economy in Hong Kong, thereby directly and negatively affecting our results of operations and financial positions of our Group.

Apart from funding approval, we may also encounter issues such as technical and legal challenges, as well as cooperation problems among government authorities. Any significant delay in commencement for the public and public-related projects may adversely and materially affect our Group's financial position.

Our Group's business performance is dependent on the general market condition and the level of public expenditure on public housing, infrastructure and transport system in Hong Kong and/or Macau.

Our plant hire income from Public Sector Projects and Public-related Sector Projects in aggregate for each of the three years ended 31 December 2016, 2017 and 2018 constituted approximately 67.2%, 46.0% and 53.9% of our total plant hire income, respectively. Therefore, to a certain extent, our Group relies on the level of public or public-related construction projects such as building, infrastructure and transport system.

Our Group's business operations may be affected by expenditure caps imposed by the government of Hong Kong and/or Macau on public or public-related projects. If the expenditure caps for those public or public-related projects are reached, our customers may be adversely affected and hence our business and operating results may also be materially and adversely affected.

We maintain a considerable level of indebtedness during the Track Record Period, which may have a negative impact on our liquidity.

As at 31 December 2016, 2017 and 2018, our total bank borrowings, obligations under finance leases, bank overdrafts and lease liabilities amounted to approximately HK$54.6 million, HK$48.5 million and HK$55.4 million, respectively, whereas our gearing ratio was approximately 233.4%, 221.8% and 179.4%, respectively.

The level of our Group's indebtedness may (i) adversely affect our financial credibility and financial condition and limit our future ability to obtain further financing from banks or financial institutions; (ii) require us to allocate a higher portion of our cash flow from operation to the repayment of the aforesaid indebtedness and finance costs, which may reduce our cash flow from operation to fund our working capital and capital expenditure; (iii) increase our exposure to inherent risk of higher interest rate and finance costs; and (iv) reduce our flexibility in planning for or responding to change in our business opportunities. Should we fail to obtain further financing or if we are required to accelerate the repayment of the loans for existing bank loans and finance leases, our liquidity, cash flow, business, results of operations, financial conditions and prospects may be materially and adversely affected.

Our Group is dependent on its Directors, members of senior management and in-house technical service team. Inability to retain these staff may adversely affect our Group's business operations.

Our Directors consider that our Group's success, to a large extent, is attributable to the contribution of our Directors, members of senior management and our in-house technical service team in maintaining customer relationships and in providing satisfactory customer support and services. Our Group's ability to provide trading and rental of construction machinery, set-up/dismantle of construction machinery and maintenance services meeting customers' requirements is mainly attributable to their professional knowledge, experience, expertise and teamwork.

As at the Latest Practicable Date, our in-house technical service team consisted of seven members. Our in-house technical service team members provide timely maintenance and other supporting services to our customers. As these personnel have to be formally trained and registered with the relevant regulatory bodies, the number of qualified personnel available in the industry is limited. In the event of a shortage of skilled labour in the market, we may have to increase their salaries in order to retain their services. That will result in an increase in our operating expenses which we may not be able to pass on to our customers and therefore affects our profitability. Even if we increase the salaries of our staff, there is still no guarantee that we will always be able to maintain an adequate number of skilled employees. There could be an adverse impact on our Group's business operations should any of these key personnel terminate his employment with our Group or otherwise cease to serve our Group and appropriate replacements could not be found in a timely manner. There is no guarantee that our Group will be able to attract and retain its current staff or that they will not resign in the future. If such case should occur, our Group's business operations and financial performance may be adversely affected.

Our Group is exposed to risks related to litigious claims that may affect our operations and our financial position.

During the Track Record Period and up to the Latest Practicable Date, our Group was not involved in any claim or legal proceeding in relation to work accident. Please refer to "Health, work safety and environmental matters" of the "Business" section of this prospectus. In the course of operations, our Group requires its employees to comply with and implement all the safety measures and procedures as stipulated in its in-house rules. Nevertheless, there is no assurance that our Group's safety measures or other related rules and regulations of our Group or of our customers are strictly followed.

Any violation may lead to higher probability of occurrences and/or increased seriousness, of personal injuries, property damages and/or fatal accidents at work sites, which may materially and adversely affect our business operations and financial position to the extent not covered by insurance policies.

Our Group may not be able to completely prevent or deter fraud or other misconduct committed by our Group's employees or third parties.

Our Group's employees or third parties may commit fraud or other misconduct. There is no assurance that such acts, which could subject our Group to financial losses and harm our business reputation, can be completely prevented or deterred despite robust internal controls and corporate governance practices. In addition to potential financial losses and reputation damage, improper acts of its employees or third parties could subject our Group to third party claims, regulatory investigation and even prosecution.

We generated a portion of our net profit from non-recurring nature of the gain on disposal of plant and equipment during the Track Record Period.

During the Track Record Period, we sold used plant and equipment in our rental fleet from time to time to satisfy the specific demand of customers and/or as part of our rental fleet management to adjust the size and composition of our fleet according to changing market conditions. For each of the three years ended 31 December 2016, 2017 and 2018, our gain on disposal of plant and equipment amounted to approximately HK$1.4 million, HK$1.3 million and HK$3.6 million, respectively. Please refer to the paragraph headed "Financial Information — Other income "in this prospectus for further details.

Our gain on disposal of plant and equipment is non-recurring in nature. According to the F&S Report, market demand for used construction machinery is mainly affected by construction demand in Hong Kong and Macau, and the prices of used construction machinery vary with the production date, depreciation rate and current conditions.

We cannot assure that we will be able to identify potential customers for our used construction machinery, nor can we guarantee that we would be able to dispose our construction machinery at prices and/or margins comparable to the past. In the event that our Group fails to secure potential customers for our used construction machinery or dispose our construction machinery at prices and/ or margins comparable to the past, our business, results of operations and financial performance and condition will be materially and adversely affected.

Dividends declared in the past may not be indicative in the future.

We declared dividend of HK$450,000, HK$Nil and HK$Nil during the year ended 31 December 2016, 2017 and 2018, respectively. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including results of operations, financial condition, the payment by our Group's subsidiaries of cash dividends to us, and other factors our Board may deem relevant. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board. There is no assurance that the amount of dividends declared by us in future, if any, will be at a level comparable with that in the past.

We engage third parties to carry out some of the tasks in our operations cycle. The sub-standard or delayed performance of these third parties may adversely affect our Group's reputation.

Our Group may engage third party service providers to deliver heavy construction machinery to our customers. Such construction machinery is normally delivered directly to our customers' construction sites. For certain construction machinery, assembly will be required before operation and the assembly process is either conducted by our staff, third party service providers or our customers. At the end of the rental period, the construction machinery will be disassembled (if applicable) and transported to our designated location. Disassembly may be conducted by our staff, the customers or third party service providers who are responsible for the transportation of the construction machinery. Our Group may not be able to review and monitor the performance of third party service providers as directly and efficiently as managing our own staff. Our inability to ensure the service quality of third party service providers could also hinder our ability to deliver services to customers in a timely manner. By engaging them, our Group is exposed to risks associated with sub-standard or delayed performance of services. Our Group may also engage third party services providers to provide repair and maintenance services and insurance services to customers upon request. If our customers are not satisfied with the services provided by third parties engaged by our Group, our Group's future orders may be affected and our Group's profitability, financial performance and reputation, and/or result in litigation or damages claims may therefore be affected.

Acquisition of new construction machinery could increase our depreciation expenses and there is no guarantee that the new purchases will be utilised for our business as expected.

As discussed in the section headed "Future plans and use of proceeds" in this prospectus, we intend to apply approximately HK$21.0 million, representing approximately 48.1% of the net proceeds (assuming a Offer Price of approximately HK$0.475 per Share, being the mid-point of the proposed Offer Price range of HK$0.40 to HK$0.55 per Share) from the Share Offer, for (i) enlarging our rental fleet through purchase of new construction machinery and replacement of certain old construction machinery in our rental fleet; and (ii) settlement of the remaining amount of consideration payable for a newly acquired crawler crane. Upon purchase of the aforesaid machinery, we will incur additional annual depreciation expenses which is estimated to be approximately HK$770,000, which will also increase our cost of sales. As a result, our future financial condition could be adversely affected by the increase in depreciation expenses. There is no assurance that the intended new purchases can be utilised at a rent-out rate comparable to or higher than that during the Track Record Period. In the event that the new purchases cannot be rented out to customer as expected, our profitability and financial performance may be adversely affected.

Our landlords may terminate the tenancy agreements with us and we may have to relocate for alternatives.

Our Group entered into three tenancy agreements for the lease of one office premises, one premises for the use as open storage of construction machinery and equipment and one directors' quarter.

Our office premises is located at Unit 3403, 34/F, AIA Tower, 183 Electric Road, North Point, Hong Kong under a tenancy agreement with an Independent Third Party for a two-year term up to 15 November 2019. Our premises for the use as open storage is located at the Fanling Site for a three-year term up to 30 September 2019.

If our Group fails to renew existing tenancy agreements upon expiry or there are increases in rental costs, our Group's operations and financial performance can be adversely affected.

Moreover, in the event that we are unable to secure storage facilities for our construction machinery, or that our rental fleet continues to expand and/or there is a sudden reduction in demand for our rental fleet, we may need to secure alternative and/or further storage space through renting additional premises or seeking storage space from third parties. As storage facilities have to be located on premises which can meet permitted use requirements, such premises may not be immediately available when needed. Moreover, there is no assurance that we will be able to engage third parties such as logistic companies or machinery manufacturers to use their spaces for storage of construction machinery of our Group.

The cost of new machinery may increase, which may cause us to spend significantly more for replacement machinery, and in some cases we may not be able to procure machinery at all due to supplier constraints.

We may replace construction machinery in our rental fleet through purchasing new construction machinery. The cost of new construction machinery may increase, which may cause us to spend significantly more for replacement, and in some cases we may not be able to procure construction machinery at all due to supplier constraints. The cost of construction machinery could increase due to factors beyond our control. Price increases could materially and adversely affect our business, financial condition and results of operations.

In addition, we may not be able to procure necessary replacement machinery in a timely manner since our suppliers may not be able to meet our procurement schedules. If demand for new construction machinery increases significantly, manufacturers may not be able to meet customer orders on a timely basis. As a result, we may experience long lead-times for certain types of machinery and we cannot assure that we will be able to acquire certain types or sufficient numbers of machinery that we need to replace older machinery according to our expected schedule. Consequently, our fleet may have to age longer than we would consider optimal or shrink our fleet, either of which could restrict our ability to grow our business.

Our operations are exposed to risks customary to the construction industry and our existing insurance coverage may not provide our Group with adequate protection against these risks.

Our Directors consider that our current insurance policies provide sufficient coverage of the risks to which we may be exposed for the operation of our business and are customary for businesses of our size and type and in line with the industry practice. We maintain comprehensive insurance for (i) employee's compensation for injuries or death in the course of employment; (ii) business insurance over our office premises and premises for the use as open storage located at the Fanling Site; (iii) public liability insurance covering accidental death or bodily injury to or illness of any person and accidental loss of or damage to any property occurring within the Fanling Site; (iv) plant insurance over construction machinery generally covering physical loss, damage or destruction of the machine and permanent loss by theft; and (v) fire insurance over our construction machinery stored at Fanling Site.

As at the Latest Practicable Date, as confirmed by our Directors, all construction machinery of our Group were covered by insurance policies.

We may face the risk of loss of or damage to our properties and construction machinery due to fire, flood, theft or other kinds of accidents in our day-to-day operations. Such events may lead to disruptions to our business operations and may therefore adversely affect our profitability. In the event that we face losses, damages or business interruption to our construction machinery and inventories being subject to theft or any other accidents at our office premises, Fanling Site or other storage spaces, losses may not be fully covered by our insurance policies or we may not be able to receive any compensation. Our business operations and financial position may therefore be adversely affected.

Notwithstanding our commitment to taking out insurance for our employees as well as for third party liabilities, our liabilities may not be fully covered by insurance in the event that there are claims made against us as a result of accidents. If that is the case, our profitability and financial performance may be adversely affected.

There is also no guarantee that the insurance premiums will not increase or we will not be required by law or our customers to obtain additional insurance coverage. Any significant increase in insurance costs or reduction in coverage in future may materially and adversely affect our business operations and financial results. We cannot control if there will be any reduction in or limitation of insurance coverage by insurers upon expiry of our current policies.

Our reputation may be adversely affected if there are major disruptions to our business operations.

The reputation that our Group has built up over the years plays a significant role in attracting customers and maintaining customer relationships. If there are any major disruptions to our business operations caused by events such as major or frequent breakdowns of construction machinery in our rental fleet, recall of construction machinery from our suppliers due to quality problems, inability of our technical service team or our third party service providers to provide timely services to our customers, and/or other circumstances beyond our control, we may face adverse publicity and hence our reputation and goodwill with customers may be adversely affected.

Our Group operates in a competitive environment

As mentioned in the F&S Report, in Hong Kong, compared with other construction machinery, foundation work and lifting machinery are specialised and large in size, resulting in high rental price for foundation work and lifting machinery, which will attract more investors entering into this market. Faced with increasingly fierce competition, most companies will strive for more market share by lowering their prices, which would reduce the average gross profit of the construction rental market. According to the F&S Report, in Hong Kong, construction machinery trading industry is relatively fragmented with a large number of industry competitors, and therefore building up good customer relationship with major large-scale contractors is necessary in order to guarantee stable customer base for machinery sales. On the other hand, according to the F&S Report, Macau local construction machinery industry is at immature stage, the market is mainly dominated by Hong Kong based and mainland China based players.

Our Group faces competition from other market players which could lead to lower profit margins and loss of market share, which adversely impacts our Group's profitability and operating results. There is no assurance that competition in the construction machinery rental and trading businesses will not increase in the future. Failure to maintain or enhance our competitiveness within the industry or maintain our customer base may result in decrease in profit margins and loss of market share, and our financial performance and profitability may be adversely affected.

Any outbreak of communicable disease in Hong Kong, including but not limited to Ebola, severe acute respiratory syndrome, swine influenza, etc., could have a material and adverse impact on our Group's business.

Any outbreak of communicable disease in Hong Kong could have a material and adverse effect on our Group's business. If any of our Group's employees is affected by any communicable disease outbreaks, our Group may be required to temporarily shut down its offices and to prohibit its staff from going to work to circumvent the spread of the disease. Such closures could severely disrupt our Group's business operations and materially and adversely affect our results of operations. In addition, any outbreak of communicable disease in Hong Kong could also adversely affect our customers' business activities. Any such outbreaks may also lead to rescheduling, delay or termination of construction projects and therefore, our Group's business and also our financial conditions could be adversely affected.

RISKS RELATING TO OUR GROUP'S MARKET AND INDUSTRY

Changes in the market conditions and trends in the construction industry and in the overall economy may affect our Group's operations and growth.

Substantially all of our Group's operations and management are currently located in Hong Kong. The level of profitability of the construction machinery rental and trading industry depends primarily upon the continued availability of construction projects in Hong Kong and/or Macau. The timing, size and nature of these projects will be determined by the interplay of a number of factors such as the government's spending patterns on the construction projects, the investment of property developers and the general conditions and prospects of the economy of Hong Kong and Macau. These factors may affect the availability of construction projects from both the private, public-related and public sectors.

Fluctuations in interest rates and the availability of new projects in the private sector can also affect construction machinery rental and trading market. Should there be a recurrence of recession, deflation or any changes in Hong Kong currency policy, or a rapid deterioration in the demand for construction machinery, our operations and profits can be adversely affected.

Changes in the economic, political and social conditions in Hong Kong and Macau.

The economic, political and social conditions in Hong Kong and neighboring regions may affect our Group's business and financial positions as our revenue was mainly derived in Hong Kong and Macau during the Track Record Period. In the event of a downturn in economy in Hong Kong and/or Macau, customers' projects may be delayed or suspended and the demand for our plant hire services and/or demand of our construction machinery trading business may decrease substantially, affecting the results of our Group's operations and its financial position adversely.

Hong Kong is a special administration region of China and enjoys a high level of autonomy. However, our Group's is not in any position to assure the continued implementation of the "one country, two systems" principle and the level of autonomy as currently being enjoyed. Since our Group's operations are principally in Hong Kong, any change in political arrangements or to the social landscape may post an immediate threat to the stability of the Hong Kong economy, thereby directly and negatively affecting our Group's results of operations and financial position.

Likewise for Macau and/or other markets, if any, that we may explore in future, any political unrest or changes in regulations and legislations on foreign investments in such countries/jurisdictions would cause a disruption to the economic progress and foreign investments in such markets may limit our Group's business growth.

RISKS RELATING TO THE SHARE OFFER

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

Prior to Listing, there is no public market for our Shares. The listing of, and the permission to deal with, our Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the Share Offer. Factors such as variations in our Group's turnovers, earnings and cash flows, strategic alliances or acquisitions made by our Group or its competitors, industrial or environmental accidents happened to our Group, loss of key personnel, litigation, fluctuations in the market prices for the products or the services of our Group, the liquidity of the market for the Shares, the general market sentiment regarding the foundation and substructure construction industry could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Offer Price.

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

Our Group may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in future. The increase in the number of Shares outstanding after such issue would result in reduction in the percentage ownership of our Shareholders and may result in a dilution in their earnings and net asset value per Share.

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

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

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

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

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

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

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

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

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters, our Directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the "**Professional Parties**") involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any of the Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to subscribe the Offer Shares. You should rely only on the information contained 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 (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Securities and Futures (Stock Marketing Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE SHARE OFFER

This prospectus is published solely in connection with the Share Offer.

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus, on the terms and subject to the conditions set out herein. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters, any of their respective directors, officers, agents, employees, affiliates and/or representatives or any other person or parties involved in the Share Offer.

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

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus set out the terms and conditions of the Share Offer.

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 our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters). The Share Offer is managed by the Joint Bookrunners. Further information relating to the Public Offer 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.

OFFER PRICE

The Offer Shares are being offered at the Offer Price. The Offer Price is expected to be fixed by the Price Determination Agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or before 5 July 2019. If, for whatever reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are not able to agree on the Offer Price, the Share Offer will not proceed. For full information relating to fixing of the Offer Price, please refer to the "Structure and conditions of the Share Offer" section of this prospectus.

RESTRICTIONS ON SALE OF THE OFFER SHARES

No action has been taken to permit the offering of the Offer Shares or the general distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation 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. No invitation may be made to the public in Cayman Islands to subscribe for or purchase any of the Offer Shares.

Each person acquiring the Offer Shares will be required to confirm and is deemed by his acquisition of the Offer Shares to have confirmed that he is aware of the restrictions on offer 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.

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

APPLICATION FOR LISTING ON GEM

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 any new Shares which may be allotted and issued pursuant to the exercise of options may be granted under the Share Option Scheme and as otherwise described herein. Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. A total of 150,000,000 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 upon Listing (without taking into account of any new Shares which may be allotted and issued pursuant to the exercise of options may be granted under the Share Option Scheme).

No part of the Shares or loan capital is listed or dealt in on any other stock exchange. As at the Latest Practicable Date, our Company was not seeking or proposing to seek a listing of, or permission to deal in, any part of its Shares or loan capital on any other stock exchange other than the Stock Exchange.

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

Only securities registered on the branch register of members of the Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors for the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the tax implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of our Company, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Co-Managers, the Underwriters and their respective directors or staff or any other persons involved in the Share Offer accepts responsibility for any tax effects on, or liability of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares.

REGISTER OF MEMBERS AND STAMP DUTY

All issued Shares upon completion of the Share Offer are freely transferable and will be registered on our Company's branch register of members to be maintained in Hong Kong by the branch share registrar and transfer office of our Company, Tricor Investor Services Limited at Level 54, Hopewell, Centre, 183 Queen's Road East, Hong Kong. Our Company's principal register of members will be maintained by the principal share registrar and transfer office of our Company, Conyers Trust Company (Cayman) Limited, at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and our Company's complying with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in Shares on GEM are expected to commence at 9:00 a.m. on 12 July 2019.

Shares will be traded in board lots of 10,000 Shares each.

The stock code for the Shares is 8612.

Our Company will not issue any temporary documents of title.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Euro dollars, US dollars, Hong Kong dollars and Macau Pataca. No representation is made and none should be construed as being made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all on such date or any other date. Unless indicated otherwise, the translations between (i) US dollars and Hong Kong dollars; (ii) Euro dollars and Hong Kong dollars; (iii) Singapore dollars and (iv) Macau Pataca and Hong Kong dollars, were made at the rates of (i) US$1.00 to HK$7.77; (ii) EUR1.00 to HK$8.49 in 2016, EUR1.00 to HK$8.72 in 2017 and EUR1.00 to HK$9.26 in 2018; (iii) SGD1.00 to HK$5.48 and (iv) MOP1.03 to HK$1.00, respectively.

LANGUAGE

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

ROUNDING

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.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Sou Peng Kan Albert (蘇秉根)	7/F, Harrison Court 106 Waterloo Road Ho Man Tin, Kowloon Hong Kong	Chinese
Mr. Fok Hei Yuen Paul (霍熙元)	3/F, Flat G Wisteria Mansion Taikoo Shing Hong Kong	Chinese
Non-executive Director		
Mr. Leung Man Chiu Lawrence (梁文釗)	Flat B, 60/F Tower 1, Bellagio 33 Castle Peak Road Sham Tseng, Tsuen Wan New Territories Hong Kong	Chinese
Independent non-executive Directors		
Mr. Lee Tak Fai Thomas (李德輝)	Flat C, 6/F Angie Court 2 Stirling Road Kowloon Tong, Kowloon Hong Kong	Canadian
Mr. Yau Lut Pong Leo (丘律邦)	Flat 28G Tower 1A Upper East Hung Hom, Kowloon Hong Kong	Chinese
Mr. Yue Wai Leung Stan (余偉亮)	Flat B, 7/F The Signature Causeway Bay Hong Kong	British

For further information on the profile and background of our Directors, please refer to the section headed "Directors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	**Grand Moore Capital Limited** *A licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activity* Unit 1607, 16th Floor, Silvercord Tower 1 30 Canton Road, Tsim Sha Tsui Kowloon Hong Kong
Joint Bookrunners	**Elstone Securities Limited** *A licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities) of the regulated activity* Suite 1601-04, 16/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong
	Sun International Securities Limited *A licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 4 (advising on securities) of the regulated activity* Unit 2412-13, 24/F China Merchants Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong
Joint Lead Managers	**Elstone Securities Limited** *A licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities) of the regulated activity* Suite 1601-04, 16/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong

Sun International Securities Limited
A licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 4 (advising on securities) of the regulated activity
Unit 2412-13, 24/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Grand Moore Capital Limited
A licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activity
Unit 1607, 16th Floor, Silvercord Tower 1
30 Canton Road, Tsim Sha Tsui
Kowloon
Hong Kong

Co-Managers

First Fidelity Capital (International) Limited
A licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) of the regulated activity
Room 908-909, 9/F, Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

CRIC Securities Company Limited
A licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) of the regulated activity
Unit 2007, Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Legal advisers to our Company	*As to Hong Kong laws:* **Stevenson, Wong & Co.** *Solicitors, Hong Kong* 39/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *As to Cayman Islands laws:* **Conyers Dill & Pearman** Cricket Square Hutchins Drive P. O. Box 2681 Grand Cayman KY1-1111 Cayman Islands *As to Macau laws:* **MdME Lawyers** 21/F and 23/F A-B China Law Building 409 Avenida da Praia Grande Macau
Legal advisers to the Sole Sponsor and the Share Offer Underwriters	*As to Hong Kong laws:* **David Fong & Co.** *Solicitors, Hong Kong* Unit A, 12th Floor China Overseas Building 139 Hennessy Road Wanchai
Reporting accountant	**HLM CPA Limited** *Certified Public Accountants* Rooms 1501-8, 15th Floor, Tai Yau Building, 181 Johnston Road Wanchai, Hong Kong
Receiving bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered office	Cricket Square Hutchins Drive P. O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Unit 3403, 34/F., AIA Tower 183 Electric Road North Point Hong Kong
Compliance officer	Mr. Sou Peng Kan Albert (蘇秉根) 7/F, Harrison Court 106 Waterloo Road Ho Man Tin, Kowloon Hong Kong
Company secretary	Mr. Mak Wai Kit (麥偉杰) *(HKICPA)* Room A, 29/F, Block 4 Kingsford Terrace 8 King Tung Street Diamond Hill Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	Mr. Sou Peng Kan Albert (蘇秉根) 7/F, Harrison Court 106 Waterloo Road Ho Man Tin, Kowloon Hong Kong
	Mr. Mak Wai Kit (麥偉杰) Room A, 29/F, Block 4 Kingsford Terrace 8 King Tung Street Diamond Hill Hong Kong
Audit Committee	Mr. Lee Tak Fai Thomas *(Chairman)* Mr. Leung Man Chiu Lawrence Mr. Yau Lut Pong Leo Mr. Yue Wai Leung Stan
Remuneration Committee	Mr. Yau Lut Pong Leo *(Chairman)* Mr. Sou Peng Kan Albert Mr. Fok Hei Yuen Paul Mr. Lee Tak Fai Thomas Mr. Yue Wai Leung Stan

Nomination Committee	Mr. Sou Peng Kan Albert *(Chairman)* Mr. Leung Man Chiu Lawrence Mr. Lee Tak Fai Thomas Mr. Yau Lut Pong Leo Mr. Yue Wai Leung Stan
Compliance adviser	Grand Moore Capital Limited Unit 1607, 16/F, Silvercord Tower 1 30 Canton Road, Tsim Sha Tsui Kowloon Hong Kong
Cayman share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019)
Principal banker	The Hong Kong and Shanghai Banking Corporation Limited 1 Queen's Road Central Central Hong Kong
Company's website address	**www.worldsuperhk.com** *(information contained in this website does not form part of this prospectus)*

The information in this section has been derived from an independent report prepared by Frost & Sullivan. The F&S Report is based on information from Frost & Sullivan's database, publicly available sources, industry reports, data obtained from interviews and other sources. We believe that the sources of the information and statistics are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics are false or misleading or that any fact has been omitted that would render such information or statistics false or misleading. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the F&S Report which may qualify, contradict or have an impact on the information in this section. None of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, any of the Underwriters, any of our or their respective affiliates, directors, officers, employees, agents, representatives nor advisers nor any other persons or parties involved in the Share Offer excluding Frost & Sullivan has independently verified such information or statistics, or makes any representation as to the accuracy of such information or statistics, which may not be consistent with other information or statistics compiled within or outside Hong Kong. Accordingly, the official and non-official sources contained in this prospectus may not be accurate and should not be unduly relied upon.

INTRODUCTION

Our Group mainly undertakes (i) provision of rental services of crawler cranes, oscillators, RCDs and hydromill trench cutter for construction projects in Hong Kong and/or Macau; (ii) trading of new or used crawler cranes, RCDs, trench cutters, oscillators and/or related spare parts to customers mainly in Hong Kong, Macau and Philippines; and (iii) to a lesser extent provision of transportation services in delivering our machinery to and from customers' designated sites and other services such as arrangement of set-up and repair of machinery for customers of our plant hire service for projects outside Hong Kong, arrangement of insurance for customers of our plant hire service and marketing of construction machinery for our machinery suppliers.

According to the F&S Report, foundation work can be divided into three main types, namely precast pile, cast-in-place pile and diaphragm wall equipment. Comparing with precast pile, cast-in-place pile has less environmental impact such as geographical effect and noise pollution, and is therefore widely used in Hong Kong. Bored pile is a major type of cast-in-place pile in which drilled shafts are cast by using drilling rigs such as reverse circulation drilling rig (RCD), down-the-hole drill (DTH) and casing oscillators etc. Crawler cranes, which is one of the lifting machinery, are widely used in collaboration with drilling rigs and casing oscillators in foundation engineering.

OVERVIEW OF THE CONSTRUCTION MACHINERY RENTAL MARKET IN HONG KONG AND MACAU

Our Group deploys crawler cranes, oscillators, RCDs and hydromill trench cutter for its machinery rental business for the use in construction projects mainly in Hong Kong and/or Macau. Crawler cranes fall within the category of lifting machinery whereas oscillators, RCDs and hydromill trench cutter fall within the category of foundation work machinery mentioned below.

Under the foundation work machinery category, drilling rigs can be categorized by different drilling techniques such as reverse circulation drilling rig (RCD), down-the-hole drill (DTH) etc. Crawler cranes, which belong to the lifting machinery, are widely used in collaboration with drilling rigs and casing oscillators in foundation engineering.

According to the F&S Report, it is an industry norm that some rental service providers in Hong Kong and Macau, especially those companies with small-scale operation, have a relatively high customer concentration as they may only supply machineries to a few customers during a given period due to their limited fleet capacity. It is also an industry norm that the machinery leasing service companies do not enter into long-term contracts with customers so as to maintain flexibility with other customers and price adjustment.

Definition and Classification of Construction Equipment

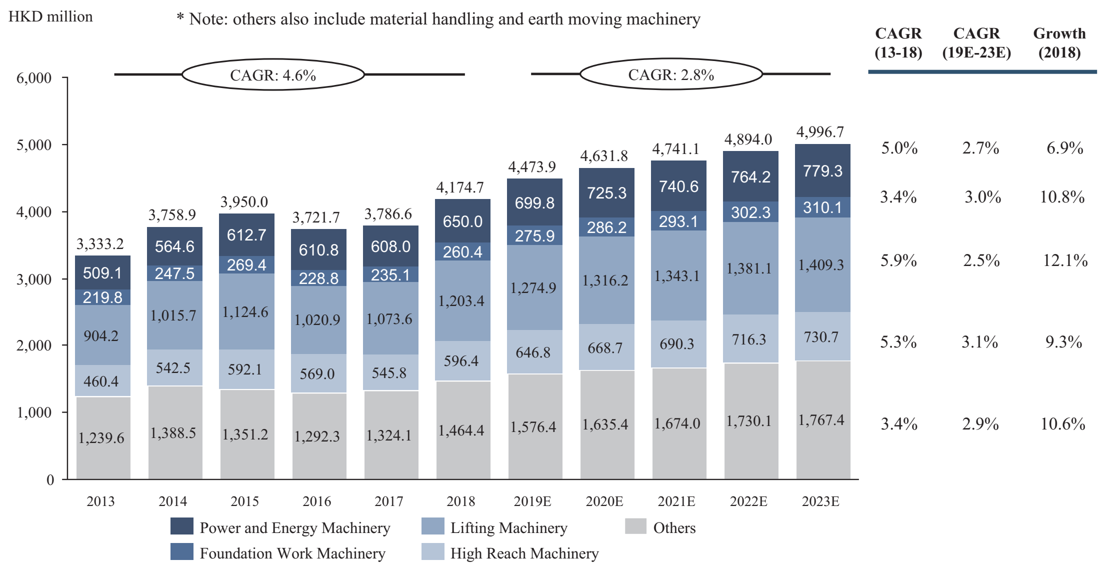
Based on its functionality and application, construction machinery can be classified into Foundation Work Machinery, Lifting Machinery, Power and Energy Machinery, High Reach Machinery, Earth Moving Machinery, Material Handling Machinery etc.

Category	Application	Common Types
Foundation Work Machinery	Machinery primarily used in the site formation stage of construction project	Piling Machine, Oscillator, Drill Rig, Vibrators, Hydromill Trench Cutter
Lifting Machinery	Machinery used to hoist heavy objects in construction sites	Tower Crane, Crawler Crane, Truck Crane
Power and Energy Machinery	Devices to provide energy/power for operation or illumination of the construction sites	Diesel Generator, Diesel Air Compressor, Diesel Welder, Light Tower
High Reach Machinery	Mechanical devices used to provide access in high inaccessible areas	Skid-Steer, Trencher, Excavator, Dozer, Grader, Dump Truckers
Earth Moving Machinery	Machinery primarily used to move earth in construction sites	Reach Forklift, Telescopic Handlers, Loader, Jack
Material Handling Machinery	Machinery used to raise heavy objects and move around	Diesel/Electric Scissor Lift, Vertical Lift, Boom Lift
Others	Other machinery used in construction works in both private and public sectors	Tunneling Machinery, Concrete Machinery, etc.

Source: Frost & Sullivan

Hong Kong

Market Size of Construction Machinery Rental Market by Machinery Type, Hong Kong, 2013-2023E



Source: Frost & Sullivan

Notes:

1. Market size of construction machinery leasing service market in Hong Kong is estimated by summing up the service revenue of each category of construction machinery, which is estimated by multiplying expenditure value of construction works with respective percentage of machinery leasing.

2. The above forecast from 2019 to 2023 has been arrived at by taking into account the following bases and major factors:

   a. An expected growth of expenditure value of construction industry from HKD283.8 billion in 2019 to HKD301.6 billion in 2023 with a CAGR of 1.5%, compared with a historical CAGR of 5.4% from 2013 to 2018, in view of slowing economic growth;

   b. an expected increase in the percentage of service revenue in the construction industry from 1.6% in 2019 to 1.7% in 2023, compared with the historical percentage of 1.5% in 2018, in view of the increasing preference for leasing;

   c. the historical pattern from 2013 to 2018 of about 20–25% of gross output of construction works came from civil works and about 30–35% came from building works. The same ratios are applied to the forecast from 2019 to 2023.

Lifting machinery takes up the largest market share with approximately 28.8% of the total rental market in 2018, followed by power and energy machinery, high reach machinery and foundation work machinery.

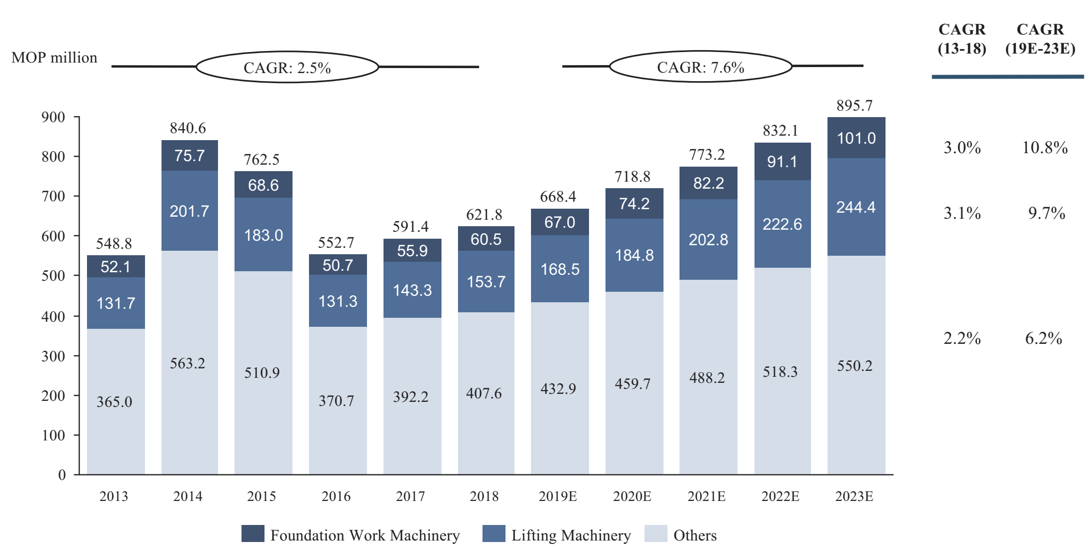
The construction machinery leasing service market grew at a CAGR of 4.6% from 2013 to 2018. The growth of the market in recent years is mainly attributable to the increasing number of construction projects with the continuous support from government. The size of lifting machinery leasing service market also increased significantly from HKD904.2 million in 2013 to HKD1,203.4 million in 2018.

In 2016, with the suspending or delay of some construction projects including Guang Zhou-Shen Zhen-Hong Kong Express Link and Shatin to Central Link SCL, which were influenced by the intermittent filibuster and challenged by the construction difficulty such as unexpected geological conditions, the demand of construction machinery leasing obviously declined compared with that of 2015. Apart from the Ten Major Infrastructure Projects, thousands of ongoing small-sized construction projects were also waiting for the appropriation from the government at that time.

In the long run, with the appeals made by the governmental officers to the members of the Legislative Council (particularly to the members of the financial committee), emergence of certain major projects and public announcements made by public pressure groups and new composition of Legislative Council members after the Legislative Council election in September 2016, public expenditure approved by the Finance Committee of Legislative Council has increased to HKD195.6 billion in 2018 from HKD144.1 billion in 2017. The increase in public expenditure approved by the Hong Kong government will provide financing for the public construction projects, especially the major large-scale construction projects such as Kai Tak Development Plan, Central Kowloon Route, thus advancing the project progress. The continuous progress of those projects will bring demand for various construction machineries, driving the growth of the construction machinery rental market in Hong Kong. The market demand for construction leasing machinery service has embraced further recovery in 2018 and is expected to keep growing in the near future.

Macau

Market Size of Construction Machinery Rental Market by Machinery Type, Macau, 2013-2023E



* Note: others include power & energy machinery, material handling and earth moving machinery

Source: Frost & Sullivan

Notes:

1. The forecasted market size of construction machinery rental market is estimated by summing rental revenue of each category of construction machinery, which is forecasted considering the future growth of output value of construction works and the rental penetration from interviews.

2. The above forecast from 2019 to 2023 has been arrived at by taking into account the following bases and major factors:

   a. The output value of Macau construction engineering market increased from MOP48.5 billion in 2013 to MOP70.6 billion in 2018. The market is expected to further increase to MOP110.9 billion in 2023 from MOP77.3 billion in 2019 with a CAGR of 9.5%, compared with a historical CAGR of 7.8% from 2013 to 2018;

   b. The historical pattern from 2013 to 2018 that about 50%-70% of gross output of construction works came from building projects and about 5-15% came from public infrastructures. During 2019 and 2023, the ratio for public infrastructures is adjusted upward to 20%-30% and the ratio for building projects is adjusted slightly downward but still in this range in view of building projects in public sector will compensate for completed building projects of mega casinos.

From 2013 to 2018, the rental revenue of construction machinery experienced fluctuations and reached MOP621.8 million in 2018, affected by construction cycles of large-scale projects of infrastructural facilities and casinos and hotels. The previous major construction projects in Macau were nearly completed by the end of 2015, thus the market demand declined sharply in 2016. In 2017 and 2018, Macau construction machinery rental market started to rebound driven by the recovering prospective towards Macau macro economy and construction market and increase in adoption of construction machinery rental service. From 2019 to 2023, the total rental revenue is expected to continue its growth at a moderate rate of 7.6%.

OVERVIEW OF THE CONSTRUCTION EQUIPMENT TRADING MARKET IN HONG KONG

Market Size of Construction Equipment Trading Market in Hong Kong

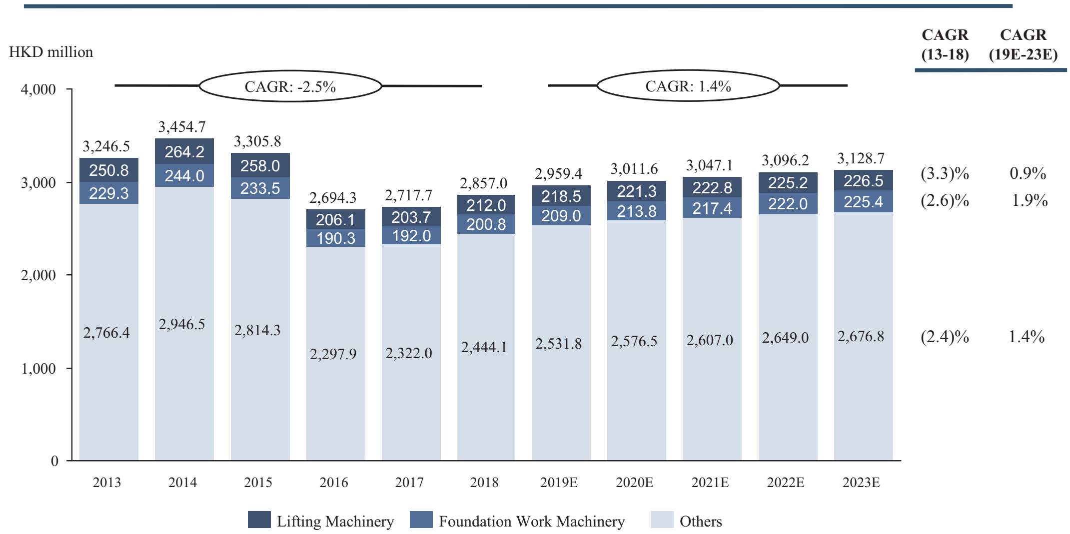
Influenced by the intermittent filibuster during the last two years, the progress of some construction projects slowed down which led to the budget compression from major construction companies. They prefer to rent machinery for use rather than purchase at a large amount of cost. Especially in 2016, the trading demand of construction machinery declined sharply by 18.5% as compared with that of 2015. In 2017 and 2018, with the recovery of construction industry, the Hong Kong construction machinery trading market experienced a moderate increase.

Following the market trend, trading market of lifting machinery and foundation work machinery also experienced slight decline over the past five years.

In the next five years, the construction machinery trading market is estimated to pick up and grow at a moderate rate of 1.4%, mainly due to the on-going construction of the infrastructure projects and expected commencement of new large-scale reconstruction project in Kowloon City.

Some significant construction projects which are processing successfully are expected to benefit construction equipment trading companies. The continuous construction of the third runway system of the Hong Kong airport brings continuous demand for construction equipment, which will motivate machinery rental service providers and construction contractors to expand their fleet of machineries by purchasing new and used construction machineries.

Market Size of Construction Machinery Trading Market by Machinery Type, Hong Kong, 2013-2023E



*Notes: Except foundation work and lifting machinery, all the other types of machinery are included into "others"

Source: Frost & Sullivan

The above forecast from 2019 to 2023 for the construction machinery trading market of Hong Kong has been arrived at by taking into account the following bases and assumptions:

1. The forecasted market size of construction machinery trading is estimated by the change of total construction machinery available plus disposals. Total construction machinery available is correlated to the gross output of construction works, which is expected to grow during 2019 and 2023 at a CAGR of 1.5%.

2. The historical pattern of average trading price of construction machinery during 2013 to 2018 is applied to the forecast from 2019 to 2023.

COMPETITIVE LANDSCAPE OF CONSTRUCTION MACHINERY RENTAL MARKET

Hong Kong

As rough estimation, there are around 100 competitors in Hong Kong construction machinery rental market with at least 10 million HKD of annual rental revenue. The rental revenue of the top 5 players accounted for 11.3% of the total market size of 2018, and the market concentration is much low.

Top Five Largest Market Players and our Group for Construction Machinery Rental Market in Hong Kong in 2018

Rank	**Company**	**Revenue in 2018** *(HK$ million)*	**Market share**
1	Company A *(note 1)*	104.7	2.5%
2	Company B *(note 2)*	97.9	2.3%
3	Company C	95.3	2.3%
4	Company D	94.9	2.3%
5	Company E	80.8	1.9%
	Our Group	18.1	0.4%
	Others	3,683.7	88.3%
	Total	4,174.7	100.0%

Source: Frost & Sullivan

Notes

1. Company A is a wholly owned subsidiary of a company currently listed on the Stock Exchange;

2. Company B is currently listed on the Stock Exchange

As rough estimation, there are nearly 30 competitors in Hong Kong foundation work machinery rental market with at least HK$5 million of annual rental revenue. The rental revenue of the top 5 players accounted for 51.8% of the total market size of 2018, and the market concentration is relatively high.

Top Five Largest Market Players for Foundation Work Machinery Rental Market in Hong Kong in 2018

Rank	**Company**	**Revenue in 2018** *(HK$ million)*	**Market share**
1	Company F	42.6	16.3%
2	Company A	38.4	14.7%
3	Company G	32.4	12.4%
4	**Our Group**	12.0	4.6%
5	Company H	9.8	3.8%
	Others	125.3	48.2%
	Total	260.4	100.0%

Source: Frost & Sullivan

As rough estimation, there are around 20 competitors in Hong Kong crawler crane rental market with at least HK$5 million of annual rental revenue. The rental revenue of the top 5 players accounted for 80.1% of the total market size of 2018, and the market concentration is high.

Top Five Largest Market Players for Crawler Crane Rental Market in Hong Kong in 2018

Rank	**Company**	**Revenue in 2018** *(HK$ million)*	**Market share**
1	Company C	99.7	29.9%
2	Company G	51.8	15.5%
3	Company A	40.9	12.3%
4	Company I	37.8	11.3%
5	Company J	37.0	11.1%
	Our Group	6.1	1.8%
	Others	60.0	18.1%
	Total	333.2	100.0%

Source: Frost & Sullivan

It is common for market players in Hong Kong construction equipment rental market to rent equipment from other suppliers, which are either manufacturers or rental companies, on a fixed term or on as-needed basis. Some of the equipment manufacturers in Hong Kong lifting and foundation work machinery market are:

Manufacturers	Details	Size of operation
Manufacturer A	One of the world's leading foundation contractors and foundation equipment manufacturers. It designs and builds heavy-duty drilling rigs, trench cutters, vibrators, deep drilling rigs and other specialist foundation engineering and mining equipment.	According to its annual report, it recorded a sales revenue of machinery 754.5 million euros (representing approximately 42.6% of its total revenue) in 2017.
Manufacturer B	One of the world's largest manufacturers of construction machinery. It builds and sells tower cranes, mobile and crawler cranes, hydraulic excavators, pipelayers, and many other machines for the construction and commodity extraction industries all over the world.	According to the annual report, In 2017, the group achieved an overall turnover of 9,845.0 million euros and construction machinery and mining division accounted for 62.8%.
Manufacturer C	A global provider of engineering, design, production systems and services to the oil and gas industry. It provide subsea production equipment and offshore field design, ranging from concept studies and front-end engineering to subsea production systems.	Listed on the Oslo Stock Exchange as the parent company for a number of separate legal entities.
Manufacturer D	A world famous manufacturer of construction machinery.	Machines are widely used, especially on sites where either very large foundation depths and/or large boring diameters for pile foundations are required.
Manufacturer E	One of Japan's leading steelmakers, as well as a major supplier of aluminum and copper products. Other business segments consist of wholesale power supply, machinery, construction machinery, real estate, and electronic materials and other businesses.	According to the annual report, the sales of construction machinery in 2017 are 310.5 billion yen.

Macau

As rough estimation, there are nearly 80 competitors in Macau construction machinery rental market (including rental of foundation work machinery, lifting machinery and other machinery) with at least 5 million MOP of annual rental revenue. The rental revenue of the top 5 players accounted for 15.6% of the total market size of 2018, and the market concentration is much low.

Rank	**Company**	**Revenue in 2018** *(MOP million)*	**Market Share**
1	Company K	22.4	3.6%
2	Company E	20.5	3.3%
3	Company B	20.4	3.3%
4	Company L	19.7	3.2%
5	**Our Group**	13.6	2.2%
	Others	525.2	84.4%
	Total	621.8	100.0%

Source: Frost & Sullivan

COMPETITIVE LANDSCAPE OF CONSTRUCTION MACHINERY TRADING MARKET IN HONG KONG

As rough estimation, there are nearly 50 competitors in Hong Kong construction machinery trading market with at least HK$10 million of annual trading revenue. The trading revenue of the top 5 players accounted for 58.4% of the total market size of 2018.

Rank	**Company**	**Revenue in 2018** *(HK$ million)*	**Market share**
1	Company M	679.6	23.8%
2	Company N *(note)*	633.3	22.2%
3	Company C	123.2	4.3%
4	Company I	116.8	4.1%
5	Company O	113.4	4.0%
	Our Group	3.2	0.1%
	Others	1,187.5	41.5%
	Total	2,857.0	100.0%

Source: Frost & Sullivan

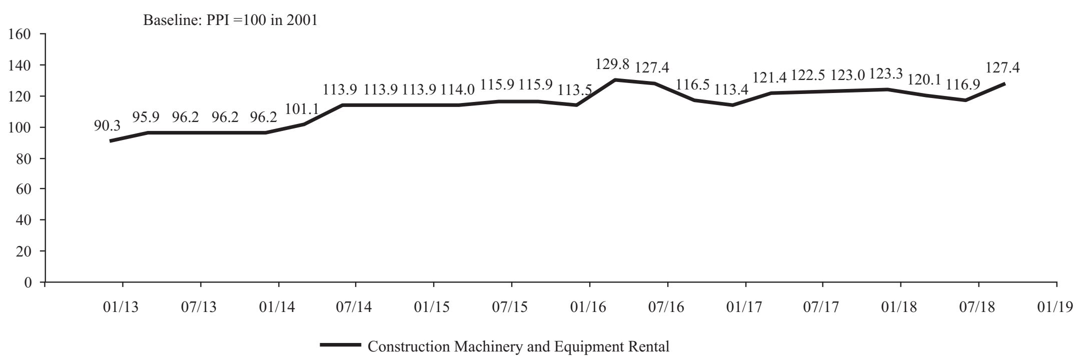
Note: Company N is currently listed on the Stock Exchange

Historical Price Trends in Construction Machinery Rental Market in Hong Kong and Macau

Hong Kong

The Producer Price Index (PPI) of construction machinery and machinery rental can reflect the price variation of the construction machinery rental industry. The rental price, which is indicated by the PPI, rose from 90.3 at the beginning of 2013 to 127.4 at the end of September 2018. The rental price and PPI in 2018 experienced certain decrease in the first half and witnessed significant recovery in September 2018. New construction projects such as public housing construction and extension of Hong Kong International Airport are likely to stimulate the rental prices to maintain a growth trend in Hong Kong.

Producer Price Index (PPI) of Construction Machinery and Machinery Rental, Hong Kong, 2013-2018



Source: HKC&SD, Frost & Sullivan

Macau

The rental price of machinery in Macau is almost the same as that of Hong Kong because most rental and trading service providers are based in Hong Kong.

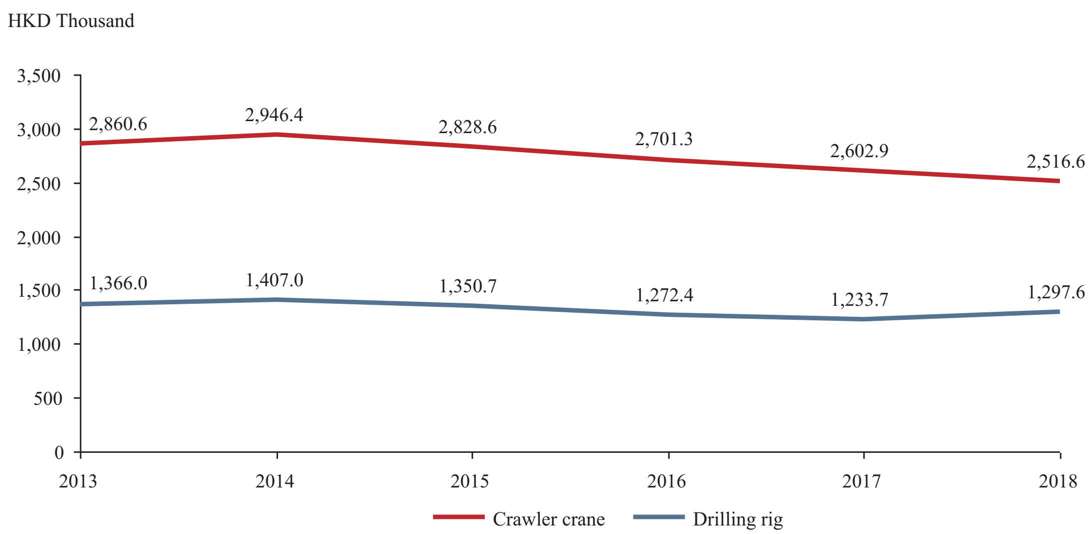
Historical Price Trends in Construction Machinery Trading Market in Hong Kong

The average sales price of crawler crane and drilling rig had a moderate increase from before 2014 due to growing construction demand driven by the Ten Major Infrastructure Projects. As most parts of the infrastructure projects are near completion, the average price saw a continuous drop from 2014 to 2018 due to the fall in demand in the market.

As crawler cranes and drilling rigs are generally costly (over one million HKD on average) due to the large size and heavy duty of machines, many customers tend to purchase second-hand machines when they have intensive demand and need sufficient machine reserve. Prices of second-hand machines vary with the production date, depreciation rate and current conditions.

In the following years, a few construction and infrastructure projects will be put in place such as the new housing construction and the extension of Hong Kong International Airport. Driven by the new construction demand, the sales prices of machineries are likely to rebound.

Average Sales Price of Crawler Crane and Drilling Rig, Hong Kong, 2013-2018



Source: Frost & Sullivan

ENTRY BARRIERS OF FOUNDATION WORK AND LIFTING MACHINERY RENTAL MARKET IN HONG KONG AND MACAU

Qualification and Environmental Requirement

With a higher awareness on environmental protection, the Hong Kong government imposed restrictions on the environmental impact of machinery, rental companies have to obtain certifications such as Emission Control of NRMM and QPME for their rental fleets. The technical circular specifies all NRMM machines sold or leased for use in Hong Kong must be approved or exempted with a label issued by EPD. A plan to phase out exempted NRMM is scheduled until 2019. Rental companies need to purchase machinery with approved label, and small scale players that do not have sufficient capital to invest in new updated equipment will be phased out.

Capital Intensiveness

Huge upfront investment is required in the construction machinery rental market as a number of machinery fleet has to be purchased at the beginning to operate the machinery rental business. Large machinery such as drilling machinery, lifting equipment and crawler cranes require higher purchase cost due to the high monetary value of the machinery. Maintenance and repair of machinery also require capital investment. Market players in Macau incur additional costs as they have to transport a majority of machineries from Hong Kong or China to Macau. As a result, financing capability of the company would be a key challenge for new market players.

Technical Barrier and Understanding on Know-how

Construction machinery rental business is needed to provide technical service such as repair and maintenance. Lifting machinery and foundation work machinery mainly require high cost due to specialised function, and therefore requires substantial technical experience and understanding on know-how for rental service providers. As a result, it is necessary for the market players to have a technical team to perform good technical service for customers. This restrains potential players from entering the market.

Reputation and experience

Reputation and experience is a key consideration when choosing a rental company. It is the industry norm that construction contractors value the experience of rental service providers and tend to establish long-term business relationship with their suppliers. It is therefore difficult for new entrants to compete with established players due to lack of track record and market experience.

In Macau, the construction machinery industry is at immature stage and is mainly dominated by Hong Kong and China based market players. Hong Kong construction industry is renowned for its high quality and mature operation system, and has deep impact on Macau construction market due to historical and geographical reasons. Established Hong Kong based companies have accumulated experience, good reputation and dealership with high-end brands through years of operation, and are likely to have certain competitive advantage in the Macau market.

ENTRY BARRIERS OF HONG KONG CONSTRUCTION MACHINERY TRADING MARKET

Good Relationship with Upstream Suppliers

In the Hong Kong market, it is important for trading companies to have a close partnership with upstream suppliers. It is beneficial for equipment trading companies to maintain a broad product portfolio. In addition, equipment trading companies with dynamical supplier relationship are more likely to attain competitive discount compared with new participants, and therefore establish a price advantage. For foundation work equipment in particular, when the construction market is in rapid growth and there is a rising number of construction projects in place, construction contractors will tend to purchase drilling rigs and other types of construction machinery to meet demand. Trading service companies that have close relationship with manufacturers or distributors will have a competitive advantage in competing for customers compared with new entrants.

Certain After-sales Service

After-sales service is another barrier for new players in the construction machinery trading market, especially for trading of second hand machinery. For new machinery, the manufacturer will provide warranty service while for used machinery, the trading agents are mainly responsible for the after-sales service including repair and maintenance of key components such as hydraulic motor and oil pump. Customers tend to pay high attention to the quality of service.

Good Experience and Customer Relationship

Construction equipment trading industry is relatively fragmented with a large number of industry competitors, and therefore building up good customer relationship with major large-scale contractors is necessary as it guarantees stable customer base for machinery sales. Incumbent market players have established their brand reputation and brand loyalty through long-term business relationship with customers while it takes time for new market entrants to duplicate that within a short period of time.

FUTURE TRENDS OF CONSTRUCTION MACHINERY RENTAL AND TRADING MARKET IN HONG KONG

Specialized Products and Quick Delivery

The provision of specialised products and quick delivery are highly valued by construction machinery rental and trading companies. For foundation work machinery, drilling rigs with large diameter (generally >2.5m) will be highly demanded in many infrastructure and real estate construction projects.

More Focus on Value-added Service

Construction equipment rental and trading service providers will focus more on value-added services such as transportation, debugging, installation and test service prior to rental and after-sales service such as equipment management, maintenance and repair. As competition becomes increasingly fierce, companies offering high quality services will have more bargain power in project bidding.

Preference for Environmental-friendly Equipment

The Hong Kong government has imposed a series of regulations to improve environmental standard of construction sites, and will tighten the standard in the following years. With the introduction of QPME labeling system and emission control on NRMM, outdated equipment will be replaced by environmentally-friendly equipment.

FUTURE TRENDS OF CONSTRUCTION MACHINERY RENTAL AND TRADING MARKET IN MACAU

Recovering Growth in the next two years

According to 2018 Policy Address, Macau has made detailed municipal engineering projects in future five to ten years. For example, upon the completion of construction of 19,000 public housing units, the government will commence its "post-19,000 units" public housing project, of which the target is to construct 28,000 public housing units in the New Urban Zone Area A. The implementation of these projects will stimulate the recovery of Macau construction industry, which is estimated to growth will recover in the next two years.

More Machinery with Better Environmental Performance

The Macau government has announced a series of regulatory regimes on environmental protection targeting the pollution problems in Macau. This will lead to a trend of replacing old-fashioned machinery with new machines of higher performance and drive the market for environmentally friendly construction machinery.

Development of Industry Regulations

The Macau government continually refine and improve the regulations of the construction industry taking examples from Hong Kong, such as the Law of Macau on the Prevention and Control of Environmental Noise Pollution, Occupational Safety Health Management System in Construction Industry etc., which ensure the sound development of construction industry and the machinery rental and trading market.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research consulting firm, to conduct the F&S report, namely "Hong Kong and Macau Construction Machinery Rental and Trading Market Study" for its research services. We paid Frost & Sullivan a fee of HK$1,000,000 for its research service, which our Directors believe that it reflects the prevailing market rates. Except for the F&S Report, we have not appointed any other party to prepare any other research report for the Listing. We prepared this section of this prospectus based on the F&S Report so as to provide our prospective investors with a comprehensive description of our industry.

Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. Frost & Sullivan has been covering the Chinese market since the 1990s. Frost & Sullivan has four offices in China and direct access to the knowledgeable experts and market participants in the construction machinery rental and trading industry and its industry consultants, on average, have more than three years of experience.

Research Methodology

During the preparation of the F&S Report, Frost & Sullivan adopted a methodology of both primary research and secondary research, and obtained information in relation to market share of key players and market size from authorized organizations. Primary research involved interviewing experienced industry experts and secondary research involved conducting searches from Frost & Sullivan in-house research, industry reports, market database, trade journals, industry literature and annual reports.

In compiling and preparing the F&S Report, Frost & Sullivan assumed that (i) the social, economic and political environment is likely to remain stable; and (ii) key industry drivers are likely to continue to affect the market over the forecast period from 2019 to 2023. For the projection of total market size, Frost & Sullivan plots available historical data against macroeconomic data as well as data with respect to related industry drivers. In preparing the forecasts, Frost & Sullivan conducted (i) market engineering research to measure current market position and trends which become the basis of the forecast; (ii) analysis of measurements and challenges over time to provide additional insights to impact on market size and development; and (iii) identification of market drivers and restraints; and (iv) interviews with industry experts.

This section summarises the principal laws and regulations of Hong Kong and Macau which are relevant to our business. As this is a summary, it does not contain detailed analysis of the Hong Kong and Macau laws which are relevant to our business.

HONG KONG LAWS AND REGULATIONS

Other than the Companies Ordinance and requirement of business registration applicable to companies in Hong Kong, there is no legal regulation requiring construction machinery suppliers in Hong Kong to obtain specific operating licence from the government in order to carry out construction machinery rental and trading activities. Nevertheless, during the provision of service, including the installation, operation, inspection, maintenance and dismantling of construction machinery, we are required to abide by relevant laws and regulations summarised as follows:

A. Laws and regulation relating to labour, health and safety

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

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

(a) providing and maintaining plant and work systems that do not endanger safety or health;

(b) making arrangement for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;

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

(d) providing and maintaining safe access to and egress from the workplaces; and

(e) providing and maintaining a safe and healthy work environment.

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

Pursuant to section 6BA of the FIU Ordinance, every proprietor of an industrial undertaking, including construction work, shall not employ any person without a construction industry safety training certificate or where such certificate has expired. Such certificate can be obtained by attending a safety training course recognised by the Labour Department. A proprietor who contravenes this requirement wilfully and without reasonable excuse commits an offence and is liable to a fine of HK$50,000.

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

For our compliance status with the FIU Ordinance in respect of our machinery rental service, please refer to the paragraph headed "Business — Major qualifications and licences" in this prospectus.

Code of Practice for Safe Use of Mobile Cranes ("Code of Practice")

The Code of Practice is prepared by the Occupational Safety and Health Branch of the Labour Department. It is approved and issued by the Commissioner for Labour under section 7A of the FIU Ordinance to complement the legislative framework at an operational level. It provides a practical guidance to the industry as to how to use mobile cranes safely and properly with a view to assisting the duty holders in preventing accidents.

The Code of Practice provides guidance on the safe use and operation of mobile cranes to ensure safety of personnel working at or near by those cranes. It covers management and planning of lifting operation of mobile cranes, requirements for operations, slingers and signallers, siting, erection, dismantling, maintenance and testing of mobile cranes. It also contains guidance pertaining to the selection, safe use and specific precautions when mobile cranes are operating within a workplace.

Under the Code of Practice, an owner of mobile cranes is responsible for putting together the safe system of work, educating all related personnel in safe practices and the assignment of definite, individual safety responsibilities. The owner must plan all phases of the operation involving the crane and it is the responsibility of owner to ensure that the persons who prepare the equipment, erect it, operate it, and work with it are well trained in both safety and operating procedures. The owner must ensure that all mobile cranes are operated by trained, experienced, competent and qualified crane operator and the persons who direct, rig and handle the loads have received proper training in the principles of the operation, are able to establish weights and judge distances, heights and clearances, are capable of selecting tackle and lifting gear as well as rigging method suitable for the loads to be lifted, and are capable of directing the movement of the crane and load to ensure the safety of all personnel.

The Code of Practice also sets out the responsibilities of the mobile crane operators. Mobile crane operators should ensure at all times the safe operation of the crane under his control. He should follow the correct operation of the crane in accordance with manufacturer's instructions and within the safe system of work. He should at any one time only respond to the signals from one slinger or signaller who should be clearly identified.

Failure by any person to observe the Code of Practice shall not of itself cause him to incur any criminal liability but the compliance or contravention of the Code of Practice may be relied by any party in criminal proceedings where the compliance with a provision of the Code of Practice is found by the court to be relevant to any question in the proceedings.

In Hong Kong, mobile crane operators are required to attend training courses offered by the Construction Industry Council or by any other person specified by the Commissioner for Labour in order to qualify for the safety certificates issued by the Commissioner for Labour. These qualifications are renewable subject to satisfaction of all renewal criteria.

During the Track Record Period, our Group has arranged our technical staff to attend safety training from the construction machinery suppliers and/or Construction Industry Council on the use of construction machinery.

Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations ("FIU (LALG) Regulations") (Chapter 59J of the Laws of Hong Kong)

Safety of lifting appliances and lifting gear used at construction sites is mainly regulated by the FIU (LALG) Regulations administered by the Labour Department.

The FIU (LALG) Regulations lay down requirements with respect to the construction, inspection, testing, thorough examination, operation, erection, dismantling and alteration of lifting appliances, including crawler cranes. For instance, the FIU (LALG) Regulations specifically require the owner, among other matters, to ensure that (i) all lifting appliances shall be of good mechanical construction, made of strong and sound materials, free from patent defect and properly maintained; (ii) the arrangements for fixing and anchoring the appliance are adequate to secure its safety; and (iii) lifting appliance is adequately and securely supported and every structure supporting it is of good construction and adequate strength, of sound materials and free from patent defect.

According to the FIU (LALG) Regulations, the owner of any crane shall ensure that it is not used unless during the preceding 4 years it has been tested and thoroughly examined by a competent examiner. Cranes shall also be thoroughly examined by a competent examiner at least once in the preceding 12 months or before erection.

Where a test or a thorough examination shows that a crane is in a safe working order, the competent examiner shall deliver the test or examination certificate to the owner of the crane within 28 days after the test or the thorough examination. Where a test or a thorough examination shows that a crane cannot be used safely unless certain repairs are carried out, the competent examiner shall immediately inform the owner of the crane of that fact and shall, within 14 days after the test or the thorough examination, deliver a report to the owner of the crane and a copy of it to the Commissioner for Labour. A competent examiner or competent person shall not deliver to an owner a certificate or make a report which is to his knowledge false as to a material particular. All test certificates or copies of certificates and related documents shall be kept in the cranes or be available on the site of operation. The owner of the lifting appliance shall ensure that the lifting appliance is not used until the repairs have been effected.

In addition to that, pursuant to the FIU (LALG) Regulations, the owner of a crane (except for a crane with a maximum safe working load of one tonne or less or a crane that operates with a grab or any electromagnetic means) shall ensure that it is not used unless it is fitted with an automatic safe load indicator that (i) functions properly; (ii) has been tested by a competent examiner on each occasion that a test and thorough examination of the crane is required under regulation 5 and the competent examiner has given the owner a certificate in the approved form in which he has made a statement to the effect that the automatic safe load indicator is in good working order; and (iii) has been inspected by a competent person and determined to be in safe working order during each inspection of the crane required under regulation 7A and the competent person has given the owner a certificate in the approved form in which he has made a statement to the effect that the automatic safe load indicator is in good working order.

Under the FIU (LALG) Regulations, before a lifting appliance is used at or moved in an industrial undertaking, the owner of the appliance shall take appropriate precautions to ensure its stability. The owner of a crane shall, for the purpose of securing the stability of the crane, ensure that before use (i) the crane is securely anchored, or adequately weighted by suitable ballast which is properly placed on the structure of the crane and secured in a manner sufficient to prevent the ballast from being accidentally displaced; and (ii) no part of any rail on which the crane is mounted, or any sleeper supporting such rail, is used as an anchorage.

For the purposes of the FIU (LALG) Regulations, "owner", in relation to any lifting appliance or lifting gear, includes the lessee or hirer thereof, and any overseer, foreman, agent or person in charge or having the control or management of the lifting appliance or lifting gear, and the contractor who has control over the way any construction work which involves the use of the lifting appliance or lifting gear is carried out and, in the case of a lifting appliance or lifting gear situated on or used in connection with work on a construction site, also includes the contractor responsible for the construction site.

Any contraventions by the owners of any crane or lifting appliance of the FIU (LALG) Regulations will attract penalties from a fine of HK$50,000 to a fine of HK$200,000 and 12 months imprisonment.

During the Track Record Period and up to the Latest Practicable Date, we engaged Registered Professional Engineers to inspect and certify the cranes (which were owned and leased out by us) after their installations by us at construction sites. As advised by our Legal Counsel, if the crane is leased out, it would be the responsibility of the lessee (namely our customers) to ensure the testing of the crane since they are the persons who have custody or direct control of the crane and the persons who know when the crane will be used.

Factories and Industrial Undertakings (Gas Welding and Flame Cutting) Regulation ("FIU (GWFC) Regulation") (Chapter 59AI of the Laws of Hong Kong)

The FIU (GWFC) Regulation regulates the carrying out of gas welding and flame cutting work in industrial undertakings by persons who are trained and certified competent for carrying out such work. Regulation 3 of the FIU (GWFC) Regulation requires a proprietor to ensure that gas welding and flame cutting work is only performed by a person who has attained the age of 18 years and holds a valid certificate or a person who is undergoing training in performing gas welding and flame cutting work and the performance of such work is under the supervision of a person who has attained the age of 18 years and holds a valid certificate. A proprietor who without reasonable excuse contravenes such obligation commits an offence and is liable to a fine of HK$50,000.

Our Directors advised that our Group would require welding or cutting of metal during repair of construction machinery. As at the Latest Practicable Date, our Group had two staffs who were qualified to conduct gas welding works.

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

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

According to sections 3 and 5 of the Construction Workers Registration Ordinance, a contractor/employer/controller can only employ registered construction workers to personally carry out construction work. Failure to comply with the above is liable on conviction to a maximum fine of HK$50,000.

Under section 58 of the Construction Workers Registration Ordinance, a controller for a construction site is required to:

(a) establish and maintain a daily record in specified form that contains information of the registered construction workers employed by him;

(b) furnish the Registrar of Construction Workers in 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 periods of 7 days, within 2 business days after the last day of the period concerned.

As at the Latest Practicable Date, our construction machinery operator engaging in construction works at construction sites in Hong Kong was registered as registered construction worker under the Construction Workers Registration Ordinance.

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

The OSH Ordinance provides for the protection of safety and health to employees in workplaces, both industrial and non-industrial.

Employers must as far as reasonably practicable, ensure the safety and health at work of all their employees by (including but without limitation):

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

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

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

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

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

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

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

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

The Commissioner for Labour may also issue (i) an improvement notice against any non-compliance of the OSH Ordinance or the FIU Ordinance; or (ii) a suspension notice against an employer if in general an activity is undertaken at the workplace which may create an imminent hazard to the employees. Failure to comply with such notice without reasonable excuse constitutes an offence punishable by a fine of HK$200,000 and HK$500,000, respectively and imprisonment of up to 12 months.

We have implemented occupational health and safety measures to promote safe working practices among all employees and to prevent occurrence of accidents. For details, please refer to the paragraph headed “Business — Health, work safety and environmental matters” in this prospectus.

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

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

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

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

Pursuant to section 24 of the Employees’ Compensation Ordinance, a principal contractor shall be liable to pay compensation to subcontractors’ employees who are injured in the course of the work which the subcontractor has contracted to perform but the principal contractor is entitled to be indemnified for such compensation by any person who would have been liable to pay compensation to the injured employee nonetheless.

According to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities for injuries at work in respect of all their employees (including full-time and part-time employees). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK$200 million per event to cover his liability and that of its subcontractor(s) under the Employees' Compensation Ordinance and at common law. Failure to comply is liable on conviction to a fine of HK$100,000 and to imprisonment for 2 years.

Please refer to the paragraph headed "Business — Insurance" in this prospectus for our insurance coverage in this regard.

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK$37.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

Our Directors confirmed that none of our employees were paid at or lower than the current statutory minimum wage of HK$37.5 per hour as at the Latest Practicable Date.

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

Employers are required to enroll their regular employees (except for certain exempt persons) aged between at least 18 but under 65 years of age and employed for 60 days or more in 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$30,000 and HK$7,100 per month, respectively, as at the Latest Practicable Date), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK$1,500. Employer will also be required to contribute an amount equivalent to 5% of an employee's relevant income to the MPF scheme, subject only to the maximum level of income.

Industry schemes ("**Industry schemes**") were established under the MPF system for employers and employees in the construction and catering industries in view of the high labour mobility in these industries, and the fact that most employees in these industries are "causal employees" whose employment is on a day-to-day basis or for a fixed period of less than 60 days.

For the purpose of the Industry schemes, eight major categories of the construction industry are covered. However the MPF Schemes Ordinance does not stipulate that employers in these industries must join the Industry Schemes, despite that they provide convenience to the employers and employees in the construction and catering industries is that causal 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.

Our Directors confirmed that our Group duly participates in the MPF scheme for all our employees and the MPF scheme is registered with the Mandatory Provident Fund Scheme Authority with relevant contributions made in accordance with the aforesaid laws and regulations.

B. Laws and regulations in relation to environmental protection

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

The NRMM Regulation applies to a wide range of mobile machines, or vehicles powered by internal combustion engines used primarily off-road, whose emissions can cause environmental pollution and nuisance and have adverse health effects. Unless exempted, NRMMs which are regulated under the NRMM Regulation are required to comply with the prescribed emission standards. For the purposes of the NRMM Regulation, regulated machine means any mobile machine or transportable industrial equipment (other than a vehicle of a class specified in Schedule 1 to the Road Traffic Ordinance (Cap 374)) that is powered by an internal combustion engine with a rated engine power output that is greater than 19 kW but not greater than 560 kW.

Pursuant to section 4(2) of the NRMM Regulation, all regulated machines sold or leased for use in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department. Under sections 5(2) and 6(2) of the NRMM Regulation, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. However, NRMMs will be exempted from complying with the emission requirements if the air pollution control authority is satisfied that the machine or vehicle exist in Hong Kong before 30 November 2015. Our Group may not lease or sell any machines that are subject to the NRMM Regulation (the "**Regulated Machines**") after 1 September 2015 if we fail to obtain approval or exemption under the relevant sections of the NRMM Regulation at the time of the lease or sale transaction.

A person who sells or leases a regulated machine for use in Hong Kong, or uses a regulated machine in specified activities or locations without (i) exemption or approval is liable to fine of up to HK$200,000 and imprisonment for up to six months; and (ii) a proper label is liable to a fine of up to HK$50,000 and imprisonment for up to three months.

For our compliance status with the NRMM Regulation, please refer to the paragraph headed "Business — Major Qualifications and Licences" in this prospectus.

Pursuant to the Technical Circular, an implementation plan to phase out the use of exempted NRMMs for four types of exempted NRMMs (namely generators, air compressors, excavators and crawler cranes) has been included in the Technical Circular (the "**Implementation Plan**"), under which, all new capital works contracts of public works including design and build contracts with an estimated contract value exceeding $200 million and tenders invited on or after 1 June 2015 shall require the contractor to allow no exempted generator and air compressor to be used after 1 June 2015 and the number of exempted excavators and crawler cranes not to exceed 50%, 20% and 0% of the total units of exempted NRMMs from 1 June 2015, 1 June 2017 and 1 June 2019, respectively. From 1 June 2019 onwards, certain exempted NRMM may still be permitted at the discretion of the architect or engineer if there is no feasible alternative.

C. Other relevant laws and regulations

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

The Competition Ordinance came into force on 14 December 2015. It prohibits and deters undertakings in all sectors from adopting anti-competitive conduct which has the object or effect of preventing, restricting or distorting competition in Hong Kong. It provides for general prohibitions in three major areas of anti-competitive conduct described as the first conduct rule, the second conduct rule and the merger rule.

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

Penalties that the Competition Tribunal may impose for contraventions of a competition rule include pecuniary penalties, awards of damages, and interim injunctions during investigations or proceedings. The maximum penalty in relation to a 'single contravention' can be 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. The Competition Tribunal may also order the disqualification of responsible directors for up to five years, award injunctions, declare agreements to be void, award damages, confiscate illegal profits, and order the payment of costs of the Competition Commission's investigation.

Our Directors confirmed that our Group had not adopted any anti-competitive conduct described in the first conduct rule and second conduct rule during the Track Record Period.

MACAU LAWS AND REGULATIONS

In respect of the business carried out by our Group in Macau, there are no approvals, registration, filings, licences, consents, certificates, authorisations, order, permits and records required under Macau law.

Environment

According to section 1 of article 8 of the Environmental Law (環境綱要法), everyone is entitled to air quality suitable for their basic health and well-being in public space, residential area, workplace and other areas.

Under section 3 of article 8 of the Environmental Law, any installation, machine or means of transportation capable of affecting air quality must be equipped with appropriate device to ensure its emissions do not exceed the statutory emission limits.

It is forbidden under section 1 of article 23 of the Environmental Law to dispose of or discharge in water, soil or air any substance which may pollute the environment.

HISTORY AND DEVELOPMENT

The history of our Group can be traced back to 1997 when World Super, our major operating subsidiary was established by Ms. Sou Lai Kuan (sister of Mr. Sou, "**Ms. Sou**"), Mr. Fok and Ms. Chu, by their personal financial resources, together with an Independent Third Party ("**Independent Third Party A**"). Mr. Sou joined World Super as a director in the same year of its establishment. Mr. Sou acquired shares of World Super from his spouse, Ms. Chu, as a family arrangement and became a shareholder of World Super in December 2006. Since then, Mr. Sou, Mr. Fok and their team carried out all the daily operations and management tasks of the Group. Respectively on 18 November 2015 and 3 December 2015, Ms. So Pui Yin (daughter of Mr. Sou) and Mr. Leung became directors of World Super and began to be involved with the operation of our Group. Ms. So Pui Yin was the financial controller and company secretary of our Company, being primarily responsible for our finance and company secretarial matters. In April 2018, Ms. So Pui Yin resigned as director of our Company and World Super due to external commitments of herself. For biographies of Mr. Sou, Mr. Fok and Mr. Leung, please refer to the paragraph headed "Directors and Senior Management — Directors" in this prospectus.

Our Company was incorporated in the Cayman Islands on 26 February 2016. Upon completion of the Reorganisation, our Company became the holding company of our Group with its business conducted through World Super, our Group's major operating subsidiary. Over the years, our Group has expanded from its plant hire business to provision of rental services and trading of construction machinery in Hong Kong and Macau.

Milestones

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

Year	Event
1997	Incorporation of World Super
2000	Participated in construction works of Nam Cheong MTR Station
2001	Participated in urban renewal project of a multi-function complex in Mong Kok comprising shopping arcades, office space and hotel
2003	Commenced trading of construction machinery
2011	Participated in construction works of Hong Kong International Airport
2013	Participated in construction works of Central-Wan Chai Bypass
	Participated in construction works of a casino related/ancillary development in Macau
2014	Obtained ISO 9001:2008 certificate (for the period from 24 December 2014 to 23 December 2017) for (i) renting and maintenance of crawler crane and reverse circulation drilling rig; and (ii) renting and repairing of casing oscillator for our current office and the Fanling Site

Year	Event
2015	Participated in construction works of Liantang/Heung Yuen Wai Boundary Control Point
	Participated in construction works of Hong Kong-Zhuhai-Macau Bridge
2016	Participated in construction works in Wan Chai in relation to "Shatin to Central Link" project of MTR
2017	Obtained ISO 9001:2015 certificate (for the period from 24 December 2017 to 23 December 2020) for renting and maintenance of crawler crane and reverse circulation drilling rig and casing oscillator for our current office and the Fanling Site
	Participated in construction works of public housing at North West Kowloon reclamation site
	Participated in construction works of a casino related/ancillary development in Macau
2018	Participated in construction works of subsidised sales flats at Diamond Hill

CORPORATE HISTORY

Early history and development of World Super

World Super, the major operating subsidiary of our Group, was incorporated in Hong Kong with limited liability on 23 June 1997, and commenced its plant hire business in the same year. Upon its incorporation, one fully paid subscriber share was allotted and issued to each of the two initial subscribers, being Independent Third Parties.

On 28 July 1997, World Super allotted and issued 330,000 shares, 225,000 shares, 525,000 shares and 419,998 shares to Ms. Sou, Mr. Fok, Ms. Chu and Independent Third Party A at a consideration of HK$330,000, HK$225,000, HK$525,000 and HK$419,998, respectively. On the same day, Independent Third Party A also acquired the two subscriber shares from the two initial subscribers at a consideration of HK$1 each.

On 30 May 2000, the total of 420,000 shares of World Super held by Independent Third Party A were transferred to another Independent Third Party ("**Independent Third Party B**") at a consideration of HK$420,000. Immediately after the aforesaid transfer of shares, World Super was owned as to 35% (525,000 shares) by Ms. Chu, 28% (420,000 shares) by Independent Third Party B, 22% (330,000 shares) by Ms. Sou and 15% (225,000 shares) by Mr. Fok.

Since then and up to the commencement of the Track Record Period, a number of transfers of shares of World Super were effected. In particular:

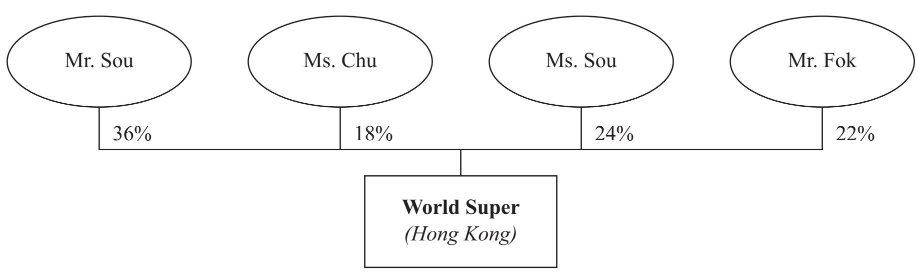
- On 5 September 2001, the total of 420,000 shares of World Super held by Independent Third Party B were transferred to Ms. Chu as to 240,000 shares; Ms. Sou as to 105,000 shares and Mr. Fok as to 75,000 shares at a consideration of HK$1 per share. Independent Third Party B was no longer a shareholder of World Super since then.

- On 6 December 2006, Mr. Sou, became a shareholder of World Super by acquiring 525,000 shares from his spouse, Ms. Chu at a consideration of HK$525,000. After a series of transfers of shares between Mr. Sou, Ms. Chu and Ms. Sou, Mr. Sou and Ms. Chu together held an equity interest ranging from 51% to 54% of World Super during the period from 6 December 2006 up to the commencement of the Track Record Period.

Following the transfers of shares of World Super that were effected before the Track Record Period, as at 1 January 2016 (being the commencement date of the Track Record Period), World Super was owned as to 36% (540,000 shares) by Mr. Sou, 24% (360,000 shares) by Ms. Sou, 22% (330,000 shares) by Mr. Fok and 18% (270,000 shares) by Ms. Chu.

REORGANISATION

As at 1 January 2016 and immediately prior to the Reorganisation, the corporate structure of World Super, the operating subsidiary of our Group, was as follows:



Incorporation of our Company and our intermediate holding company

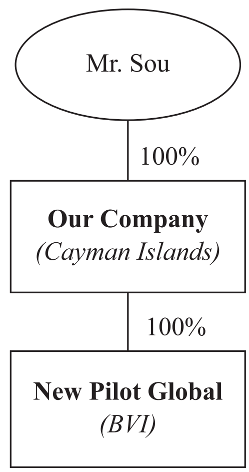
Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 26 February 2016 with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary Shares of par value of HK$0.01 each. On the same day, one nil-paid Share was allotted and issued to the initial subscriber, an Independent Third Party, and such Share was transferred to Mr. Sou on the same day. Immediately after such transfer, our Company was wholly-owned by Mr. Sou.

New Pilot Global

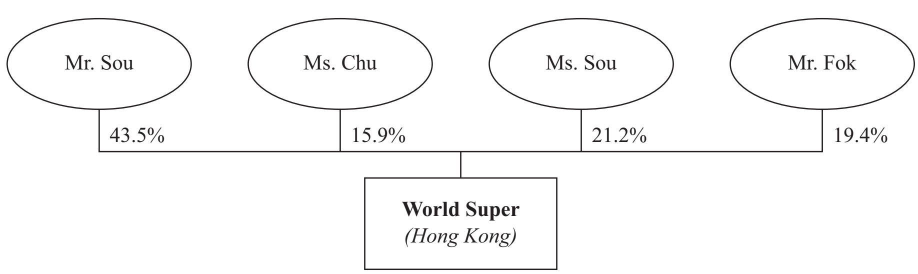
New Pilot Global was incorporated in BVI with limited liability on 1 February 2016 and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US$1.00 each. On 26 February 2016, New Pilot Global allotted 10 shares to our Company, pursuant to which New Pilot Global became a direct wholly-owned subsidiary of our Company.

The corporate structure of our Group immediately after incorporation of the new companies was as follows:



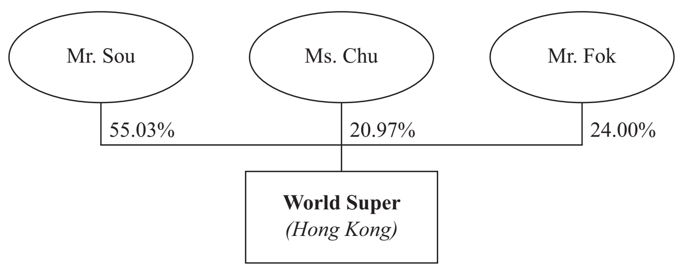
Loan capitalisation by allotment and issue of shares of World Super to Mr. Sou

On 30 April 2016, a loan of HK$4,000,000 due from World Super to Mr. Sou was capitalised by the allotment and issue of 200,000 new shares by World Super to Mr. Sou. Immediately after the aforesaid loan capitalisation and the allotment and issue of shares, World Super was owned as to approximately 43.5% (740,000 shares) by Mr. Sou, as to approximately 21.2% (360,000 shares) by Ms. Sou, as to approximately 19.4% (330,000 shares) by Mr. Fok and as to approximately 15.9% (270,000 shares) by Ms. Chu, and the corporate structure of World Super was as follows:



Transfer of shares of World Super from Ms. Sou

As Ms. Sou was no longer interested in investing in the business of World Super, on 30 May 2016, she transferred 195,500 shares, 86,500 shares and 78,000 shares of World Super at consideration of HK$3,519,000, HK$1,557,000 and HK$1,404,000 to Mr. Sou, Ms. Chu and Mr. Fok, respectively. The aforesaid considerations were determined with reference to the net asset value of World Super as at 31 December 2015. Immediately after the aforesaid transfers of shares, World Super was owned as to approximately 55.03% (935,500 shares) by Mr. Sou, as to approximately 20.97% (356,500 shares) by Ms. Chu and as to 24.00% (408,000 shares) by Mr. Fok, and the corporate structure of World Super was as follows:



On 30 May 2016, Mr. Sou, Ms. Chu and Mr. Fok entered into a deed of share charge (the "**Share Charge**") in favour of Ms. Sou over the shares of World Super transferred by Ms. Sou to each of them respectively on the same day. The reason for entering into the Share Charge was to secure the payment obligations of Mr. Sou, Ms. Chu and Mr. Fok under the aforesaid share transfers. As all the considerations for the share transfers had been settled, the Share Charge was fully released and the shares under the Share Charge were all discharged on 31 May 2016.

Transfer of all the issued shares of World Super to our Company through New Pilot Global

On 31 May 2016, our Company, through New Pilot Global, acquired:

(a) 935,500 shares of World Super (representing approximately 55.03% of its entire issued share capital) from Mr. Sou, in consideration of which our Company (i) credited as fully paid at par the one initial subscriber Share held by Mr. Sou, and (ii) allotted and issued 54 fully paid up new Shares to Mr. Sou;

(b) 356,500 shares of World Super (representing approximately 20.97% of its entire issued share capital) from Ms. Chu, in consideration of which our Company allotted and issued 21 fully paid up new Shares to Ms. Chu; and

(c) 408,000 shares of World Super (representing 24.00% of its entire issued share capital) from Mr. Fok, in consideration of which our Company allotted and issued 24 fully paid up new Shares to Mr. Fok.

Upon completion of the above acquisition, World Super became a wholly-owned subsidiary of New Pilot Global and an indirect wholly-owned subsidiary of our Company. The aforesaid share transfers were properly and legally completed and settled.

Transfer of Shares

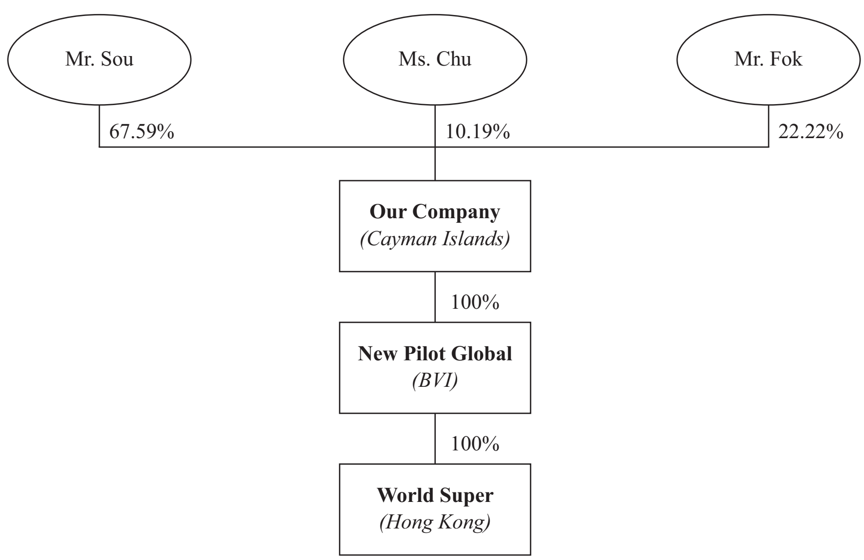
On 28 May 2018, Mr. Sou acquired 10 Shares (representing 10% of its entire issued share capital) from Ms. Chu at a consideration of HK$3,400,000, which was determined with reference to the net asset value of World Super as at 31 March 2018.

Allotment and issue of Shares

On 30 November 2018, our Company allotted and issued eight fully paid-up new Shares to Mr. Sou at a consideration of HK$3,000,000, which was determined with reference to the net asset value of World Super as at 30 September 2018. The purpose of the allotment and issue was to maintain sufficient working capital and to pay the Listing expenses.

Immediately after the transfer, allotment and issue of Shares, our Company was owned as to approximately 67.59% (73 shares) by Mr. Sou, approximately 10.19% (11 shares) by Ms. Chu, and approximately 22.22% (24 shares) by Mr. Fok.

After the Reorganisation but immediately before completion of the full conversion of the Convertible Bonds, the Capitalisation Issue and the Share Offer, the shareholding and corporate structure of our Group was as follows:



As confirmed by our Directors, there was no outstanding option, warrant and/or convertible in respect of each member of our Group as at the Latest Practicable Date.

PRE-IPO INVESTMENTS

Overview

On 30 May 2016, our Company entered into the CB Subscription Agreements with each of Trade Mass and Rosy Dragon Global, pursuant to which our Company agreed to issue the Convertible Bonds in a principal amount of HK$6,000,000 to each of Trade Mass and Rosy Dragon Global. The aforesaid considerations were determined with reference to forecast of the relative value of our Group's earnings in 2017. The terms of the CB Subscription Agreements were arrived at arm's length negotiation between each of Trade Mass and Rosy Dragon Global and our Company, having taken into account the expected business prospects of our Group. The completion date of the CB Subscription Agreements was 30 May 2016.

On 28 March 2017 and 4 May 2018, respectively, our Company entered into a supplemental instrument and a supplemental agreement with each of Trade Mass and Rosy Dragon Global, pursuant to which the maturity date of the Convertible Bonds were extended to 30 May 2018 and 30 May 2019, respectively.

On 18 December 2018, Trade Mass disposed of all its Convertible Bonds in the principal amount of HK$6,000,000 to two purchasers namely, Integrated Asset Management and Mr. Yang, at the consideration of HK$4,000,000 and HK$2,000,000, respectively. Mr. Cheng Ming Kit and Mr. Lan Zhi Cheng, beneficial owners of Trade Mass, confirmed that such transfer of the Convertible Bonds was due to the changes in their respective personal investment portfolio. Completion of the aforesaid transfers took place on the same date.

On 24 May 2019, our Company entered into a supplemental agreement with each of the Pre-IPO Investors, pursuant to which the maturity date of the Convertible Bonds were extended to 31 August 2019 (subject to the Pre-IPO Investors' right of extension to 30 November 2019).

Upon full conversion of the Convertible Bonds, each of Integrated Asset Management, Mr. Yang and Rosy Dragon Global will be interested in approximately 8.33%, 4.17% and 12.50% of the entire issued share capital of our Company immediately before completion of the Capitalisation Issue and the Share Offer, and will be interested in 6.25%, 3.125% and 9.375% of the entire issued share capital of our Company upon Listing.

Background of the Pre-IPO Investors

Integrated Asset Management

Integrated Asset Management is an investment holding company incorporated in BVI with limited liability. The entire equity interest of Integrated Asset Management is owned by Mr. Yam Tak Cheung ("**Mr. Yam**"). Mr. Yam is a permanent resident in Hong Kong and is the sole director of Integrated Asset Management in which he manages several investment portfolios. As a professional investor, he has engaged in private and public equity investment in Hong Kong for more than 23 years and he also has experience in property development projects. He was an executive director of Fornton Group Limited (currently known as Momentum Financial Holdings Limited) (stock code: 1152), a company listed on the Stock Exchange, which engaged in the knitwear manufacturing business, from October 2011 to June 2014, being responsible for its overall corporate strategic planning.

Mr. Yam is currently a shareholder of Hao Tian International Construction Investment Group Limited (stock code: 1341), a company listed on the Stock Exchange which engages in the construction machinery business, being interested in less than 5% of its issued share capital. Mr. Yam is beneficially interested in the shares of China Vanguard You Champion Holdings Limited (stock code: 8156), which is primarily engaged in lottery-related services, Ground International Development Limited (stock code: 0989), which is engaged in property development and property investment business, and NewOcean Energy Holdings Limited (stock code: 0342), which is primarily engaged in oil product and electronics business, companies listed on the Stock Exchange, and he is required to disclose such beneficial interests pursuant to Divisions 2 and 3 of Part XV of the SFO. Mr. Yam is also beneficially interested in a number of companies listed on the Stock Exchange (including interests in investment portfolios which comprises multiple securities), but such interests are not required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

Mr. Yang

Mr. Yang is a resident in Hong Kong and is engaged in the investment and finance industry and has business network in the construction industry. He is also a non-executive director of Tourism International Holdings Limited (stock code: 1626) which is principally engaged in the design, printing and distribution of paper cigarette packages, and Tian Yuan Group Holdings Limited (stock code: 6119) which is primarily engaged in bulk cargo uploading and unloading services and related ancillary value-added services, both are companies listed on the Stock Exchange. He is responsible for overseeing the general corporate, financial and compliance affairs of Tian Yuan Group Holdings Limited. Mr. Yang does not hold any beneficially interest in any share of companies listed on the Stock Exchange which he is required to disclose pursuant to Divisions 2 and 3 of Part XV of the SFO. Mr. Yang, however, is beneficially interested in a number of companies listed on the Stock Exchange (including interests in investment portfolios which comprises multiple securities), but such interests are not required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

Rosy Dragon Global

Rosy Dragon Global is an investment holding company incorporated in BVI with limited liability. The entire equity interest of Rosy Dragon Global is owned by Mr. Sze Chun Lee ("**Mr. Sze**"), who purchased the entire equity interest of Rosy Dragon Global from Mr. Lee Tsz Hang on 7 December 2018 at a consideration of HK$6,000,000. Mr. Lee Tsz Hang confirmed that such disposal of shares was due to the changes in his personal investment portfolio. Mr. Sze is a permanent resident in Hong Kong and was an executive director of Beijing Gas Blue Sky Holdings Limited (formerly known as China Print Power Group Limited and Blue Sky Power Holdings Limited) (stock code: 6828), a company listed on the Stock Exchange which engages in the printing and natural gas business, from December 2006 to February 2019. Mr. Sze currently manages a company in the printing business in which he is responsible for overseeing the overall management and operations, general administration, financial sales and marketing operations. Mr. Sze has over 20 years of experience in sales, financial and marketing operations.

Mr. Sze does not hold any beneficially interest in any share of companies listed on the Stock Exchange which he is required to disclose pursuant to Divisions 2 and 3 of Part XV of the SFO. Mr. Sze, however, is beneficially interested in a number of companies listed on the Stock Exchange (including interests in investment portfolios which comprises multiple securities), but such interests are not required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

In late 2015, our Company was introduced to the then owners of Trade Mass and Rosy Dragon Global through a friend of Mr. Sou, our executive Director and Controlling Shareholder. In late 2018, our Company was introduced to (i) Mr. Yam, beneficial owner of Integrated Asset Management, and Mr. Yang through Trade Mass; and (ii) Mr. Sze, the current beneficial owner of Rosy Dragon Global, through Mr. Lee Tsz Hang, the previous beneficial owner of Rosy Dragon Global.

To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, the Pre-IPO Investors and their beneficial owners are Independent Third Parties and are independent from each other. The Pre-IPO Investors and their beneficial owners confirmed that they subscribed for the Convertible Bonds through their own sources of fund and not directly or indirectly funded by any connected person of our Company.

Save for the Pre-IPO Investments, to the best of our Directors' knowledge, information and belief having made all reasonable enquiries, the Pre-IPO Investors did not have any past or present relationships, including without limitation family, trust, business or employment relationship, or any agreement, arrangement or understanding with our Company, our subsidiaries, Shareholders, Directors or members of senior management and any of their respective associates.

Principal terms of the Pre-IPO Investments

Pre-IPO Investor	Integrated Asset Management	Mr. Yang	Rosy Dragon Global
Subscription date to the Convertible Bonds	18 December 2018	18 December 2018	30 May 2016
Consideration	HK$4,000,000	HK$2,000,000	HK$6,000,000
Reason for the Pre-IPO Investors to invest in our Group	The Pre-IPO Investors are optimistic about the development of the construction industry in Hong Kong and believe that our Group's business will continue to benefit from the increasing demand in the construction machinery rental market. The Pre-IPO Investors therefore decided to invest in our Group in light of the market trend and the prospects to our business growth.		
Basis of consideration	The consideration was determined on arm's length commercial negotiations with reference to forecast of the price-to-earnings ratio of our Group in 2017, and the investment risks assumed by each of Trade Mass and Rosy Dragon Global in investing in an unlisted company including the low market liquidity of our Shares and the uncertain timeline for the Listing application of our Group. To our Directors' knowledge, information and belief, regarding (i) the transfer of Convertible Bonds at cost from Trade Mass to each of Integrated Asset Management and Mr. Yang, and (ii) the transfer of ownership of Rosy Dragon Global, the consideration was determined on arm's length commercial negotiations, after evaluating the business prospects of our Group, and with reference to the investment risks to be assumed by each of the Pre-IPO Investors as mentioned above.		

Payment date of the consideration	18 December 2018	18 December 2018	30 May 2016
Interest rate	8% per annum		
Maturity date	31 August 2019, subject to the Pre-IPO Investor's right of extension to 30 November 2019		
Number and percentage of shareholding in our Company before completion of the Capitalisation Issue and the Share Offer	12 Shares (8.33%)	6 Shares (4.17%)	18 Shares (12.50%)
Number and percentage of shareholding in our Company upon Listing *(Note)*	37,500,000 Shares (6.25%)	18,750,000 Shares (3.125%)	56,250,000 Shares (9.375%)
Cost per Share	Approximately HK$0.11 per Share		
Discount to midpoint of the Offer Price range	Approximately 78%		
Right to transfer	The Convertible Bonds can be transferred with prior written consent from our Company provided that all conditions imposed by our Company on such consent have been fully fulfilled. If the Convertible Bonds were transferred to an associate (the "**Relevant Associate**") of the Pre-IPO Investor, and when the Relevant Associate at any time thereafter ceases to be an associate of the Pre-IPO Investor, the Pre-IPO Investor should notify our Company and procure the Convertible Bonds to be re-transferred from the Relevant Associate to the Pre-IPO Investor or to another associate of the Pre-IPO Investor.		
Special rights	N/A		
Use of proceeds	For purchasing of plant and equipment, which had been fully utilised as at the Latest Practicable Date		
Lock-up period	Six months from the Listing Date		

Note: For illustration purpose only, without taking into account any Share which may be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme.

Guarantees

Mr. Sou executed guarantees in favour of each of the Pre-IPO Investors for the due and punctual performance and observance by our Company of all obligations of our Company under the Convertible Bonds. If and whenever our Company defaults for any reason whatsoever in the performance of any of the guaranteed obligations, Mr. Sou shall forthwith, upon demand, unconditionally perform (or procure performance of) and satisfy and discharge (or procure the satisfaction of or discharge of) the obligation or liability of our Company in respect of the guaranteed obligations and so that the same benefits shall be conferred on each of the Pre-IPO Investors as it would have received if such obligation or liability had been duly performed and satisfied by our Company.

Strategic benefits

The Pre-IPO Investments enhanced our Group's cash flow position in preparation of Listing while we could utilise the proceeds from the Pre-IPO Investments to purchase plant and equipment, which in turn strengthened our rental fleet. The Pre-IPO Investors' investments and commitment in our Group demonstrated their confidence in the construction industry in Hong Kong and our business prospects. Our shareholding base was broadened through introduction of investors with diversified background. Although the Pre-IPO Investors will not take part in our day-to-day management, our Directors believe that we could benefit from the Pre-IPO Investors' business network, as well as their respective knowledge and experience in the management, operations and handling of investors relations in listed companies in Hong Kong through their extensive experience of holding directorship in various companies listed on the Stock Exchange. Further, our Directors believe that (i) Mr. Yam and Mr. Yang's experience and connections in the public and private equity investment and finance industry could be useful for our Group to conduct financing after Listing depending on our future funding needs; and (ii) Mr. Sze's connections and network with real property developers from his involvements in the natural gas industry may help our Group develop future business connections.

Use of proceeds

The entire net proceeds of HK$11,950,000 (after deducting all costs and expenses incurred) from the issuance of the Convertible Bonds had been fully utilised as at the Latest Practicable Date for purchasing plant and equipment for our Group.

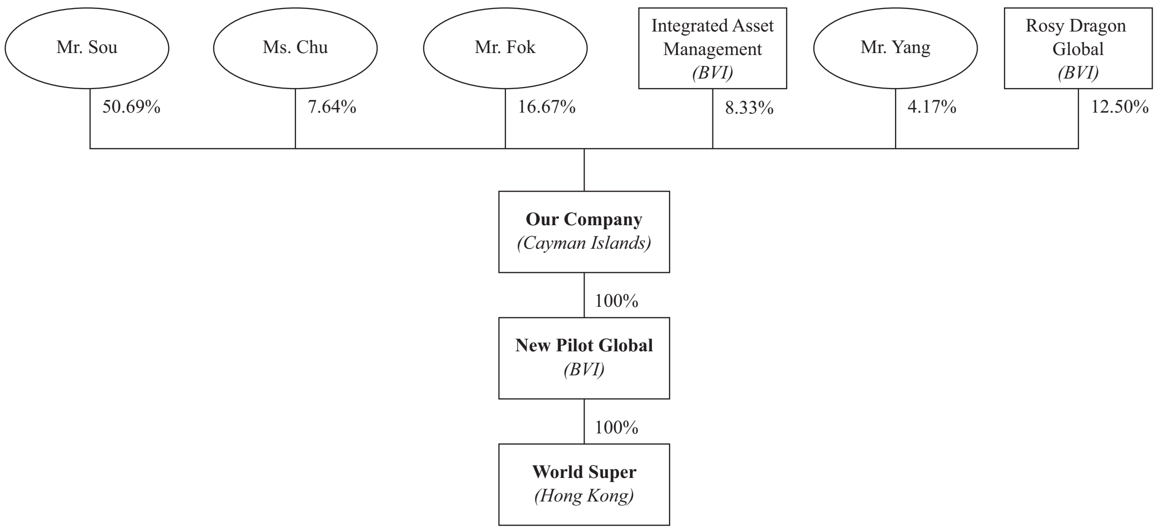
Public float

In view of (i) the Pre-IPO Investors and their respective beneficial owners are Independent Third Parties; (ii) the Convertible Bonds were not financed directly or indirectly by any connected person(s) of our Company; and (iii) each of the Pre-IPO Investors will individually hold less than 10% of the total issued share capital of our Company upon Listing, the Shares converted from the Convertible Bonds held by each of the Pre-IPO Investors will be considered part of the public float after Listing for the purpose of Rule 11.23 of the GEM Listing Rules.

The Sole Sponsor is of the view that the issuance of the Convertible Bonds is in compliance with the guidance letters (HKEx-GL29-12, HKEx-GL43-12 and HKEx-GL44-12) on pre-IPO investments issued by the Stock Exchange.

Conversion of the Convertible Bonds

On 24 June 2019, upon conversion of the Convertible Bonds, our Company allotted and issued to each of Integrated Asset Management, Mr. Yang and Rosy Dragon Global, credited as fully paid, 12, 6 and 18 Shares, representing 8.33%, 4.17% and 12.50% of the entire issued share capital of our Company, respectively. The shareholding and corporate structure of our Group after the allotment and issue of Shares was as follows:

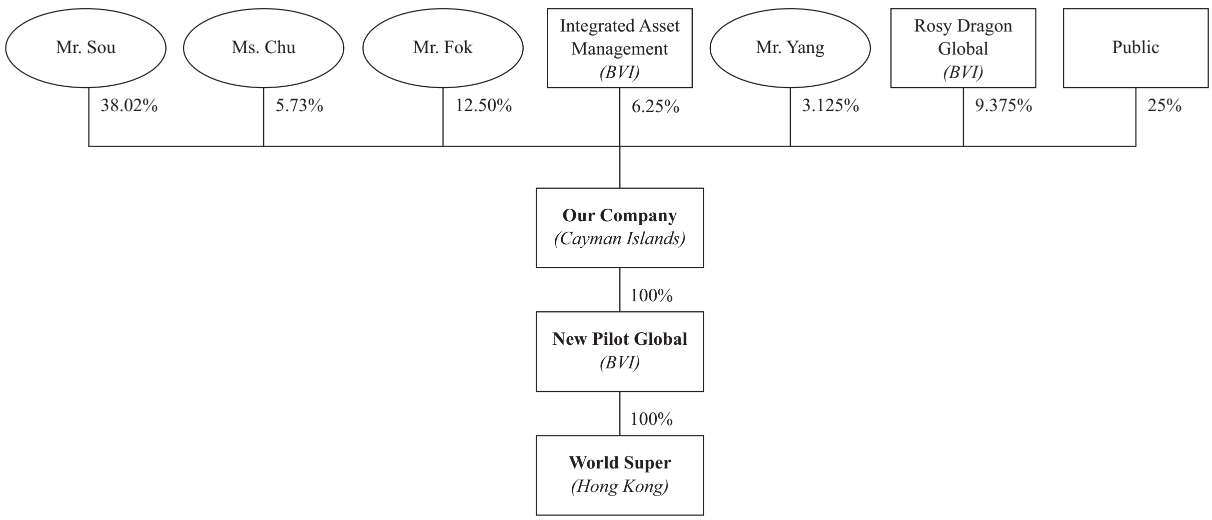


CAPITALISATION ISSUE

Conditional on the share premium account of our Company being credited with the proceeds from the Share Offer, HK$4,499,998.56 will be capitalised from the share premium account of our Company and applied in paying up in full at par 449,999,856 new Shares for the allotment and issuance to the existing shareholders of our Company, being Mr. Sou as to 228,124,927 Shares, Ms. Chu as to 34,374,989 Shares, Mr. Fok as to 74,999,976 Shares, Integrated Asset Management as to 37,499,988 Shares, Mr. Yang as to 18,749,994 Shares and Rosy Dragon Global as to 56,249,982 Shares, on or prior to Listing.

SHAREHOLDING STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE SHARE OFFER

The shareholding and corporate structure of our Group after the Reorganisation and immediately after completion of the full conversion of the Convertible Bonds, the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme) will be as follows:



OVERVIEW

Our Group mainly undertakes (i) provision of rental services of crawler cranes, oscillators, RCDs and hydromill trench cutters for construction projects mainly in Hong Kong and/or Macau; (ii) trading of new or used crawler cranes, RCDs, trench cutters, oscillators and/or related spare parts to customers in Hong Kong, Macau and Philippines; and (iii) to a lesser extent, provision of transportation services in delivering our machinery to and from customers' designated sites and other services such as arrangement of set-up and repair of machinery for customers of our plant hire service, arrangement of insurance for customers of our plant hire service for projects outside Hong Kong and marketing of construction machinery for our machinery suppliers.

We currently carry on our business through our operating subsidiary in Hong Kong, World Super. World Super was incorporated in June 1997 to engage in plant hire business. Major customers of our plant hire service are mainly construction companies which lease construction machinery for their public, public-related or private construction projects in Hong Kong and Macau. Major customers of our machinery trading service are mainly construction companies and companies engaged in machinery trading.

For the years ended 31 December 2016, 2017 and 2018, our plant hire income accounted for approximately 45.7%, 73.6% and 71.4% of total revenue of our Group respectively. We principally offer crawler cranes of different lifting capacity ranging from 80 tonnes to 250 tonnes, casing oscillators, RCDs and hydromill trench cutter as our rental fleet. The new construction machinery in our rental fleet are mainly sourced from German, Korean and Austrian manufacturers or their affiliates in Hong Kong, while our used construction machinery are sourced from local or overseas traders in countries such as China, Korea and Singapore. Apart from our rental fleet, we also leased certain construction machinery from other construction machinery service providers for sub-leasing to our customers. Our Directors are of the view that under the sub-leasing arrangements, our Group would be able to satisfy customers' different requirements on construction machinery and could save substantial investment capital and maintenance costs for those types of machinery which do not have regular customers' demand. We also provide material and labour for routine machine maintenance during business days of the rental period to the customers without charging additional fees.

For the years ended 31 December 2016, 2017 and 2018, general sales from the trading of construction machinery, tools and parts accounted for approximately 42.6%, 21.7% and 24.2% of total revenue of our Group respectively. During the Track Record Period, we traded crawler cranes with lifting capacity ranging from 120 tonnes to 250 tonnes, casing oscillators and RCDs to our customers. We also sold spare parts, tools, oil and lubricant to our customers upon request.

For the years ended 31 December 2016, 2017 and 2018, revenue generated from the provision of transportation and other services accounted for approximately 11.7%, 4.7% and 4.4% of total revenue of our Group respectively. Our Group engaged third party logistic companies, insurance compan(ies) and other services providers in order to provide transportation service and other services to customers.

The table below sets out the breakdown of our revenue by business segments:

	For the year ended 31 December					
	2016		2017		2018	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Plant hire income	15,790,162	45.7	28,229,707	73.6	31,274,550	71.4
General sales	14,741,518	42.6	8,325,014	21.7	10,598,263	24.2
Transportation and other services income	4,039,082	11.7	1,809,108	4.7	1,908,202	4.4
Total	34,570,762	100.0	38,363,829	100.0	43,781,015	100.0

The table below sets out the breakdown of our revenue by geographical locations:

	For the year ended 31 December					
	2016		2017		2018	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Hong Kong	29,445,326	85.2	17,914,073	46.7	22,521,699	51.4
Macau	5,125,436	14.8	18,708,344	48.8	20,707,322	47.3
Philippines	—	—	1,741,412	4.5	551,994	1.3
Total	34,570,762	100.0	38,363,829	100.0	43,781,015	100.0

The table below sets out the breakdown of our plant hire income by project types:

	For the year ended 31 December					
	2016		2017		2018	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Building	5,267,714	33.4	25,382,047	89.9	28,259,296	90.4
Infrastructure	8,693,520	55.1	1,843,660	6.6	—	—
Transport system	1,828,928	11.5	432,000	1.5	2,503,164	8.0
Other	—	—	572,000	2.0	512,090	1.6
Total	15,790,162	100.0	28,229,707	100.0	31,274,550	100.0
Private Sector Projects	5,177,575	32.8	15,249,220	54.0	14,414,513	46.1
Public Sector Projects	8,783,659	55.6	12,548,487	44.5	14,356,873	45.9
Public-related Sector Projects	1,828,928	11.6	432,000	1.5	2,503,164	8.0
Total	15,790,162	100.0	28,229,707	100.0	31,274,550	100.0

Set forth below are the details of our plant hire income generated from our rental fleet and sub-leasing of machinery during the Track Record Period:

	For the year ended 31 December					
	2016		2017		2018	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Plant hire income from our rental fleet	13,202,837	83.6	23,586,208	83.6	26,968,513	86.2
Plant hire income from sub-leasing of machinery	2,587,325	16.4	4,643,499	16.4	4,306,037	13.8
Total	15,790,162	100.0	28,229,707	100.0	31,274,550	100.0

For details of the fluctuation on our revenue, please refer to the section headed "Financial information — Description of selected line items of combined statements of profit or loss and comprehensive income — Revenue" of this prospectus.

COMPETITIVE STRENGTHS

We have good reputation with a proven track record developed in the construction machinery business

We have over 21 years of experience in the construction machinery business. Our Directors believe that we have good reputation in the construction industry in Hong Kong with proven track record and have the capability of delivering our services on time and to the satisfaction of our customers. During the Track Record Period, we leased out machinery for the use in over 35 construction projects in Hong Kong and Macau.

We have a strong management team with in-depth knowledge in the industry and professional technical service team

Mr. Sou and Mr. Fok, our executive Directors, have over 21 years of experience in the construction machinery business respectively and they have played a key management and leadership role in the development of our Group. Our members of senior management also have extensive experience in the industry and technical knowledge in the construction machinery business. Please refer to the section headed "Directors and Senior Management — Senior Management" in this prospectus for relevant details. Members of our technical service team possess the relevant experience and qualifications and are able to provide quality maintenance and supportive services to our customers. We believe that the extensive experience of our management together with the expertise of the qualified employees in our technical service team, has been and will continue to be our valuable assets.

We are able to source from suitable suppliers to fulfill the needs of our customers for our construction machinery trading and rental businesses

We are able to source from our suppliers a diverse mix of both new and used construction machinery as well as various types of spare parts to fulfill customer needs.

We source new construction machinery for our plant hire service mainly from German, Korean and Austrian manufacturers or their affiliates in Hong Kong, while our used construction machinery are sourced from local or overseas traders in countries such as China, Korea and Singapore. We also lease certain construction machinery from other construction machinery service providers for sub-leasing to our customers. During the Track Record Period, we mainly traded construction machinery of certain German, Japanese, Italian and Austrian brands sourced from local traders.

We provide flexible and comprehensive machinery rental services to cater for customers' needs

Our Group owns and offers rental fleet comprising crawler cranes, casing oscillators and RCD, which are bored piling machines and can facilitate the foundation works for our customers for various kind of projects, including infrastructure project, building projects and transport project, etc. Considering that construction machinery rental business is specialized, with specific industry and related machinery knowledge required, while there are a number of smaller players who do not operate with an complete set of construction machinery for foundation works, our Directors consider that it may not be very common in the industry to own a full set of rental fleet, which can be used for most type of foundation work for various kind of projects. Apart from our rental fleet, if customers request certain kind of machinery that is not available from our Group's rental fleet, our Group can source and sub-lease such machinery from third-party service providers to satisfy customers' needs. Our Group can also provide advice to our customers on the type of construction machinery, which can best fit the customer's need and best utilize such machinery at construction sites. Therefore, our Directors believe that our Group is capable of providing a wide range of construction machinery specialised in foundation work for various projects and services to satisfy customers' need in most of their foundation work in various kinds of projects, enabling our Group to have competitive edges over its competitors.

OUR BUSINESS STRATEGIES

Our Directors have developed the following business strategies:

To strengthen our rental fleet

We intend to source new construction machinery to replace certain old construction machinery in order to enhance our rental fleet and attract businesses from existing and potential customers of our plant hire service. In late January 2019, due to customer demands, our Group entered into contract with Supplier B, an independent third party, to acquire a crawler crane with working capacity up to 130 tonnes after receiving numerous customers' demands for rental service of such machine. Except for the longer payment terms granted by Supplier B due to established business relationship, our Directors confirm that the transaction was conducted in arm's length and on normal commercial terms. Later, our Group successfully secured a rental contract for such crawler crane with one of our top five customers with a contract sum of HK$1.5 million. The total purchase price of the crane amounted to approximately HK$11.4 million. As at the Latest Practicable Date, approximately HK$1.4 million was settled with the Group's internal resources, and the remaining amount of approximately HK$10.0 million (the "**Remaining Amount**") and relevant finance charge of approximately HK$0.4 million will be payable on or before 15 August 2019. Our Directors are of the view that the arrangement on the settlement of the purchase price was agreed upon after arm's length negotiations between our Group and the independent third party, and transaction was conducted on normal commercial terms. The Group intends to settle the finance charge by its internal resources, and to apply HK$10.3 million of the net proceeds of the Share Offer to settle the Remaining Amount together with relevant expenses relating to exchange differences. Currently, we are also considering to acquire two power packs for existing RCD machinery (which, after installed, will be qualified for exemption for proper labels under the NRMM requirements) in 2019, and a new RCD for a maximum drilling diameter of approximately 3.2 metres in 2020. Our Directors confirm that large diameter bored pile with 3 meters or above diameter is commonly used and is the trend in the public and private construction projects. Based on the F&S Report, for foundation work machinery, drilling rigs with large diameter (generally more than 2.5 metres) will be highly demanded in many infrastructure and real estate construction projects. The newly acquired crawler crane and RCD we plan to acquire can be used for projects which require bored pile with more than 3 meters diameter. Furthermore, it is our plan to replace old machinery with new fleet that are qualified with requirements under the NRMM Regulations. It is expected that approximately HK$21.04 million for the aforesaid construction machinery acquisitions which will be financed by the proceeds from the Share Offer. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for details. Our Directors consider that the conditions of the machinery leased by us are in general not comparable to those owned by our Group and maintained by our technicians. Machineries which are sub-leased by our Group are usually kept with limited maintenance or repair by the relevant suppliers. As such, the conditions of these machineries sub-leased by the Group from its suppliers were in general not comparable to those owned by the Group in terms of its functional reliability, i.e. the frequency of malfunctioning; and the cost of sub-leasing is usually higher as a profit markup is generally factored in the rental fees charged by the machinery rental service providers.

Commercial rationale of acquiring additional machinery

(i) Our Group's machinery management policy

Part of our Group's fleet management strategy is to purchase new construction machinery or used construction machinery to cope with customers' needs on various types and conditions of construction machinery. For those old machineries with low rent out rate and/or with remaining useful life less than 12 years, our Group may either continue to include in its leasing fleet or sell them out for a price with certain premium on its book value. However, there are circumstances that the leasing orders may be concentrated on certain types of machinery and these used construction machinery may be constantly leased by our customers or in great demand for sales. As a result, these used construction machinery may have served for a period of time before they are sold, for which the overall utilisation rate and rent-out rate will unavoidably be driven down. Our Directors are of the view that the rent-out rate, utilization rate and remaining useful life are only some of the indicators for our Group's leasing operations and do not reflect the profitability of our Group's leasing business and market opportunity.

(ii) Increasing demand in construction machinery rental

The increasing demand in construction machinery rental from our customers can be reflected in the continuous increase in the utilisation rates of some of our machinery. Our Directors confirm that, since the fourth quarter of 2017, both the Public Sector Projects and Private Sector Projects in Hong Kong and the Public Sector Projects in Macau had increased. In late January 2019, we entered into contract with an independent third party to acquire one crawler crane with approximately working capacity up to 130 tonnes and plan to acquire a new RCD for a maximum drilling diameter of approximately 3.2 metres. Set out below are the change in utilisation rates for the relevant machinery during the Track Record Period and the estimated utilisation rates for the second quarter of 2019 based on confirmed orders:

	For the year ended 31 December			Up to the third quarter
	2016	**2017**	**2018**	**2019** *(note)*
Crawler Crane				
Overall	19.5%	53.3%	53.0%	81.0%
> 130 tones	44.4%	52.5%	51.9%	93.6%
RCD	24.7%	52.5%	69.6%	74.2%

Note: the calculation of utilisation rate is based on confirmed orders as at the Latest Practicable Date.

Based on the F&S Report, due to the business nature, the level of industry utilisation rate of mobile crane usually ranges from 40% to 70% and industry utilisation rate of foundation work machinery usually ranges from 30% to 60% in Hong Kong.

As shown in the above table, the utilisation rates of the crawler crane with working capacity of 100 tonnes or more and the RCD machinery have been increasing, implying an increase in demand in the relevant machinery. As the Directors expect that the utilisation rates of these types of machinery will maintain at a high utilisation capacity, the Directors plan to allocate certain portion of the net proceeds to acquire new machinery of these types.

The expected investment payback periods for crawler crane and RCD are approximately 6.1 years and 3.8 years, respectively. The Directors are of the views that, considering the expected 25 years of useful life and remaining value of the machinery, the investment payback periods of these machinery are considered reasonable.

(iii) Forecasted demand in the construction machinery rental market

According to the F&S Report, it is expected that the market demand for construction machinery from public or public-related projects will substantially increase. According to the F&S Report, it is important for rental service providers to replace or acquire new machineries on a regular basis to remain competitive in the market because 1) in the public sector, contractors are usually required to rent relatively new machineries not older than a certain age to ensure safe and qualified performance; and 2) the rising standards (such as NRMM Regulation effective from 1 June 2015) of emission and noise control issued by the Hong Kong government require employment of new machineries which meet those environmental protection standards on construction sites. Our Directors are of the view that it is necessary for our Group to acquire additional machinery to cope with the increasing market demand and fulfill new environmental regulation requirements.

(iv) Cost-benefit analysis of the construction machinery acquisition instead of sub-leasing from third-party service providers

Based on the reasons set out below, our Directors consider that it is more cost-effective, on a long-term basis, to maintain our own rental fleet by acquiring one crawler crane and one RCD ("**Machinery Acquisition**") instead of sub-leasing from third-party service providers as disclosed in the section headed "Future Plans and Use of Proceeds — Use of proceeds"

(a) *Revenue:* revenue to be generated from the Machinery Acquisition will be the same regardless whether it is by acquisition or by sub-leasing from third-party service providers.

(b) *Gross profit margin:* gross profit margin contributed by our owned rental fleet is usually higher than that of machinery sub-leased from other third-party service providers. For details of our Group's gross profit margin from plant hire service by our own rental fleet and sub-leasing of machinery during the Track Record Period, please refer to the section headed "Financial Information — Gross profit and gross profit margin".

(c) *Depreciation expense and monthly rental expense:* there will be ongoing cash outflow of monthly rental expenses of approximately HK$0.5 million for the similar type of the newly acquired crawler crane and the RCD proposed to be acquired, while, for self-owned machinery, there would be depreciation expense amounting to approximately HK$0.8 million.

(d) *Greater flexibility in meeting our customers' schedule:* our customers may request us to lease our machinery for their use within a relatively tight schedule. Given that it takes time for our Group to arrange for the required machinery through sub-leasing from other third-party service providers, our Directors believe that our Group will have greater flexibility in meeting the tight schedule of our customers if we possess a larger fleet of self-owned machinery.

(e) *Resale value or remaining value upon retirement of machinery:* there will be resale value or the remaining value upon retirement of the one crawler crane and the one RCD in the event of Machinery Acquisition, which, based on our Directors' best estimation and with reference to that of our Group's machinery sold during the Track Record Period, is estimated to be approximately HK$7.7 million in aggregate, representing 40% of their original acquisition costs.

The table below sets forth, for illustrative purpose, the cost-benefit analysis for a 10-year period in relation to Machinery Acquisition as compared to sub-leasing of similar type of machinery.

		Annual basis *HK$'000*	Multiplier for 10 years *(note 6)*	10-year basis *HK$'000*
(1)	**Machinery Acquisition**			
	Revenue *(note 1)*	3,300		
	Less:			
	Estimated depreciation *(note 2)*	(770)		
	Estimated repair and maintenance costs *(note 3)*	(264)		
	Estimated insurance *(note 4)*	(73)		
	Sub-total	2,193		
(2)	**Sub-leasing of similar type of machinery**			
	Revenue *(note 1)*	3,300		
	Less:			
	Estimated sub-leasing cost *(note 5)*	(2,700)		
	Sub-total	600		
	Net benefit	1,593	X 10	15,930
Resale value or remaining value *(note 7)*				7,702

Notes:

1. The revenue is estimated based on 50% utilisation rate (with reference to the confirmed orders as at the Latest Practicable Date) of the machinery proposed to be acquired and plant hire income at the rate of similar machinery in the Group's rental fleet on an annual basis.

2. Assuming that the useful life of the construction machinery is 25 years, and based on the acquisition cost of the crawler crane amounted to approximately HK$11.4 million which the Group entered into contract with an independent third party to acquire in January 2019 and our Group's intention to allocate approximately HK$7.9 million on the acquisition of one new RCD machinery, the additional annual depreciation expenses for the machinery will be approximately HK$770,000.

3. The repairs and maintenance costs are estimated with reference to the average proportion to the plant hire income during the Track Record Period, representing approximately 8% of the plant hire income during the Track Record Period.

4. The insurance costs are estimated with reference to the latest insurance rate of the Group's machinery.

5. The rental expenses are estimated with reference to the prevailing market rate of monthly rental costs of sub-leasing machinery (without machine operator) similar to the type of machinery acquired or proposed to be acquired based on our Directors' best estimation.

6. The cost-benefit analysis above is for illustrative purpose only and only estimated the cost-benefit amount of the Machinery Acquisition versus sub-leasing of similar type of machinery for a period of 10 years. The analysis does not take into account the impact on inflation. Also, the calculation is based on the assumption that the incremental storage costs for own crawler cranes would be minimal.

7. The resale value or the remaining value is estimated with reference to that of our Group's machinery sold during the Track Record Period. It is estimated that the machinery has a resale value or remaining value of around 40% of their original acquisition costs, based on our Directors' best estimation and knowledge of the industry.

Based on the above analysis, our Directors estimated that our Group can generate more net benefit and could enjoy cash inflow upon reselling the machinery if our Group expand our services capacity through Machinery Acquisition instead of sub-leasing. In light of the above analysis, our Directors consider that it is to the best interest of our Group to acquire the abovementioned construction machinery.

According to the F&S Report, the construction machinery leasing markets in Hong Kong and Macau are forecasted to have a growth with a CAGR of 2.8% and 7.6% from 2019 to 2023, respectively. Particularly, the foundation work machinery segment is expected to grow at CAGRs of 3.0% and 10.8%, respectively, in Hong Kong and Macau. The lifting machinery segment is expected to grow at CAGRs of 2.5% and 9.7%, respectively, in Hong Kong and Macau. In view of the market opportunities, our Group plans to use a sum of approximately HK$21.04 million, representing approximately 48.1% of the net proceeds from Listing, to acquire new construction machinery to replace certain old construction machinery and to acquire two new power generators which will be eligible to apply for NRMM approval labels in order to replace old power generators, and to settle consideration payable for the newly acquired crawler crane. Our Directors also consider that this replacement and expansion plan will not only strengthen our Group's rental fleet, but also enable us to fulfill the NRMM Regulation requirements.

Commercial rationale of financing the Machinery Acquisition by applying net proceeds, instead of using finance leases

Our Directors consider that finance lease is not an attractive option as compared to financing the Machinery Acquisition by applying net proceeds due to the following reasons:

(a) Based on the discussions between our Directors and our Group's principal bankers, since substantially all of our Group's machineries have already been pledged as collateral for existing bank loans and finance leases, it would not be feasible for our Group, as a private company without a listing status, to obtain additional bank borrowings without personal guarantee or other form of collateral provided by the Controlling Shareholders. Our Directors consider that it would not be in the best interest of our Group to rely on debt financing that may involve personal guarantee provided by the Controlling Shareholders as continuous reliance on our Controlling Shareholders to provide personal guarantee or other form of financial assistance is a hindrance to our Group in achieving financial independence.

(b) Our gearing ratio as at 31 December 2018 is 179.4%. Further incurrence of debt financing would significantly raise the indebtedness level and gearing ratio of our Group, which may adversely affect our financial credibility and financial condition and limit our future ability to obtain further financing from banks or financial institutions. With such a high gearing ratio, our Directors understand from our Group's principal bankers that it will be difficult for our Group to obtain further debt financing from banks sufficient for the Group's future plan.

(c) If we rely on debt financing, such as finance lease, to acquire our machinery, our Group will be subject to the inherent risk of higher interest rate and finance costs. The interest expenses over the tenor of the finance lease in relation to the Machinery Acquisition will be estimated to be approximately HK$1 million per annum for a term of five years (with reference to the similar terms of existing finance lease) if we enter into finance leases to acquire the machinery for our expansion plan. Our Group's financial performance and liquidity may be adversely affected if we finance our expansion plan by means of debt financing.

(d) Also, private companies generally have greater difficulties in obtaining sufficient bank borrowings on commercially favourable terms. Even with personal guarantees or other collateral to be provided by the Controlling Shareholders to the banks, the financing costs will still increase corresponding to the increase in our Group's borrowings, which will affect our financial performance.

(e) Our Group's financial stability may be adversely affected if the level of debt leverage increases, especially in the face of market adversities, such as increasing interest rate cycles and/or unexpected deterioration in the prevailing market condition in the machinery rental industry, which will result in the imposition of more stringent requirements by our bankers or creditors.

(f) Excessive collaterals and onerous financial covenants will place restrictions not only on our Group's business operations and development, but also restriction on the maintenance of certain level of financial ratios, distribution of dividend and implementation of our business plans. As at the Latest Practicable Date, the key assets of our Group, including its machinery, have been pledged to support our Group's current banking facilities. In order to obtain further banking facilities for the purpose of funding the expansion plan, our Group would have to come up with additional collaterals acceptable to the banks, which our Directors do not consider feasible in the near future.

Since there are constraints in obtaining further banking facilities, our Directors consider that it is in the best interest of our Group and our Shareholders to proceed with equity financing by way of Listing to realise its business development plans as opposed to debt financing in the long run.

To recruit and expand our team of skilled and technical personnel

In order to enlarge our technical service team and for implementation of our business development strategies, we plan to recruit two additional technicians to handle repair and maintenance of construction machinery in our rental fleet after Listing.

It is expected that the costs of approximately HK$1.03 million in relation to salaries of our relevant personnel after recruitment will be financed by the proceeds from the Share Offer.

We aim to improve the competence of our employees. Our Group has provided and shall continue to provide training to our technical staff, and arrange for them training from the construction machinery suppliers and/or other parties.

To repay bank borrowings and finance leases

We intend to use part of the proceeds from Share Offer to (i) fully repay the outstanding amounts of bank borrowings granted by a bank in aggregate of approximately HK$5.0 million after Listing; and (ii) early repay the outstanding amounts of finance leases granted by two banks and early repayment charges in aggregate of approximately HK$12.36 million in June 2019. Such bank borrowings were drawn by our Group for the purpose of purchasing construction machinery; and such finance leases were obtained by our Group for financing the purchase of certain construction machinery. Our Directors confirm that these construction machineries were acquired from independent third parties and the transactions were conducted in arm's lengths and on normal commercial terms. The purpose of repayments is to release some financing burden, which would lower present gearing level of our Group to allow more flexibility for obtaining bank financing if needed, to cope with business growth in future. These finance leases, with interest rates 4.875% ranging from 4.75%-5.25% per annum are to be repaid within five years with maturity date of October 2020, June 2021 and November 2021 respectively. This bank borrowing is a loan with an interest rate of bank best lending rate with maturity date of February 2020. After repayment the annual finance costs saving is approximately HK$834,000 per annum. The gearing ratio post-listing after taking into account the repayment of bank borrowing and finance lease with net proceeds, the increase in equity after the Listing (with estimated net proceeds from the new Share Offer based on the low-end of the proposed Offer Price range) would be 38.0%.

Use of proceeds from the Share Offer for our strategies

Please see the section headed "Future Plans and Use of Proceeds" in this prospectus for the expected use of proceeds from the Share Offer for our future plans set out above. We will use our internal resources to carry out the other strategies not otherwise financed by the use of proceeds from the Share Offer.

OUR BUSINESS MODEL

The businesses of our Group include (i) plant hire, (ii) trading of construction machinery, tools and parts, and (iii) provision of transportation and other services.

Plant hire

The following flow chart depicts the major activities of our plant hire operations:

1. Soliciting business from our customers

We have a long history in the construction machinery industry and our Directors believe that due to our established reputation in the industry, our customers may refer businesses to us. We also place advertisements regularly on magazines in order to promote business and attract new customers. Our Group would send quotations of the rental price to customers.

Through communications with our customers and suppliers, we could be able to acquire construction machinery for our own rental fleet that can suit the market needs. Occasionally, there may not be sufficient construction machinery of a specific type in our rental fleet to fulfil our customers' needs. In this case, we may enter into machinery leasing agreements with third party construction machinery service providers to rent the specific type of construction machinery from them for sub-leasing to our customers.

2. Price quotation

We provide price quotations for machinery rental to customers based on various factors such as prevailing market rates, purchase costs of relevant construction machinery, market demand for construction machinery with similar specifications, length of rental period, foreseeable wear and tear based on working condition of the site and competition from other rental service providers. For sub-leasing arrangements, our Group also takes into account the cost associated with entering into the respective sub-leasing arrangements when determining the rental fee for our customers.

3. Order confirmation

When orders are confirmed, the relevant customer would either issue a signed purchase order to us or countersign a hire agreement issued and signed by us confirming the terms and conditions of hire stated in our hire quotation. For more details, please refer to the paragraph headed "General Conditions of Our Rental Arrangements" in this section.

4. Delivery by our Group through third party service providers

Transportation may be arranged by customers or our Group through engaging third party service providers to deliver heavy construction machinery to our customers (if required), normally to their construction sites. In the event that a customer initialises its request for transportation service for delivery of machines from Hong Kong to Macau, our Group will provide the customer with a quotation for the transportation service, of which our pricing policy mainly takes into consideration the costs incurred for providing such services to our customer, such as fee payable to third-party logistic companies for arranging transportation and also the length of customer relationship. For details, please refer to the section headed "Business — Pricing policy" in this Prospectus. Once the order for the transportation service is confirmed, the relevant customer will provide our Group with a written confirmation or countersign a service agreement issued and signed by us confirming the terms and conditions for the transportation service. For details of our arrangement with third-party logistic companies, please refer to section headed "Business — Our business model — Provision of transportation and other services" in this prospectus.

5. Arrival at customer's construction site

Upon delivery, customers would handle the construction machinery for their own use in accordance with the rental arrangement.

6. Assembly by either our Group, our customers or the third party service providers

For certain construction machinery, assembly will be required before operation and the assembly process is either conducted by our staff, the third party service providers or our customers.

7. Certification (for crawler cranes only)

Under Regulation 5(5) of the FIU (LALG) Regulations, after each erection of the crane and removal to a new location, the owner of the crane shall ensure that it is not used unless it has been further tested and examined. Our Group or our customers would arrange registered professional engineer to inspect the cranes on site after our Group completing the installation/set up. Our Group will not arrange for such inspection and does not obtain or keep the certificates for test and thorough examination if the cranes are not installed/set up by us.

Our Legal Counsel was of the view that if the crane is leased out by World Super, it is the responsibility of the other person as defined in regulation 3 of the FIU (LALG) Regulations, such as the lessee or any person having control of the crane to ensure the testing of the crane since they are the persons who have custody or direct control of the crane and the persons who have knowledge of when the crane will be used. As such, it is not the responsibility of World Super to ensure the testing of such crane.

8. Provision of operators during rental period (if also requested by our customers)

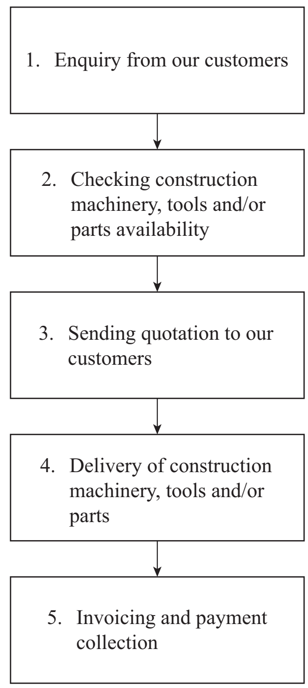
Our customers may also require us to arrange operators to operate our construction machinery at our customers' construction sites and rental terms may or may not include such services subject to the customers' request and negotiation between such customers and our Group.

9. Disassembly (if required) and delivery back to our designated location

At the end of the rental period, the construction machinery will be disassembled (if applicable) and transported to our designated location such as our open storage at the Fanling Site. Disassembly may be conducted by our staff, our customers or the third party service providers who are responsible for the transportation of the construction machinery.

Trading of construction machinery, tools and parts

The following flow chart depicts the major activities of our trading operations of construction machinery, tools and parts operations:



1. Enquiry from our customers

Our Directors and Chief Operating Officer maintain regular contact with the key players of the construction industry to stay up-to-date with the prevailing trends in the market. When our customers require construction machinery of a particular specification, they would approach our Directors or Chief Operating Officer. We may order machinery from manufacturers for a particular machine of a particular brand as specified by our customers.

2. Checking construction machinery, tools and/or parts availability

In case the construction machinery or spare part required by our customers is not available in our rental fleet, or our customers requests for new construction machinery, we will seek and check with our suppliers and acquire relevant construction machinery or spare part (if available) for our customer.

3. Sending quotation to our customers

Our Group will send quotation to our customers for order confirmation.

4. Delivery of construction machinery

Our Group may charge our customers of our construction machinery trading business for transportation fees incurred. Normally, transportation within Hong Kong takes overnight or within one day. Longer period is required if the transportation is to locations beyond Hong Kong. It normally takes longer delivery time for certain sizable and heavy weight machinery as midnight transportation and/or marine transportation arrangement is necessary.

5. Invoicing and payment collection

Our Group grants various payment terms to customers of our construction machinery trading business such as credit terms of seven days to 30 days, advance payment and payment against debit note/invoice/order confirmation. We may make reference to the credit terms granted to us by suppliers of relevant construction machinery when determining the credit terms granted to our customers.

Trading revenue from the exercise of options under leasing agreements

Our Group may grant purchase option to customers of our plant hire service under the machinery leasing agreements. Upon completion of rental period, customers may exercise the option to purchase the construction machinery in accordance with the price stipulated in the machinery leasing agreement, which will in turn generate trading revenue to our Group. If the construction machinery is rented from third party for sub-leasing to our customer, and if a purchase option is granted to us by the relevant supplier, we would exercise the option to purchase to facilitate the selling of the construction machinery to our customer, which will also generate trading revenue to our Group. Please refer to "Our fleet management strategy" under "Our products and services" in this section for details.

Provision of transportation and other services

We provide transportation services in delivering our machinery to and from customers' designated sites and other services such as set-up and repair of machinery for customers of our plant hire service, arrangement of insurance for customers of our plant hire service for projects outside Hong Kong and marketing of construction machinery for our machinery suppliers.

We would obtain quotations from third party logistic companies or other services providers for the engagements to provide the relevant services to customers. In relation to the transportation service to be provided by third-party logistic companies, our Group will coordinate with them in relation to the time, location and method to transport the relevant construction machinery. The third-party logistic companies will deliver our machinery by land transportation, such as by using various type of trucks, to and from customers' designated sites in Hong Kong. If the machinery is required to be delivered to Macau, our Group will procure (i) a third-party local logistic company in Hong Kong to provide truck(s) to transport our Group's machinery from warehouse to a port in Hong Kong; (ii) a third-party marine logistic company to provide necessary arrangement (including collection of the machinery at the port in Hong Kong, the clearance of custom, and loading of machinery onto a barge) to transport our Group's machinery from a port in Hong Kong to a port in Macau through the barge; and (iii) a third-party local logistic company in Macau to deliver our Group's machinery by land transportation, such as by using various type of trucks, from the port to the designated construction sites in Macau.

Value-added services

Our Group may provide extended value-added services such as rental of machinery operators, together with the relevant machinery, upon request from our customers and request for such services would be taken into consideration when determining the monthly rental charged to customers. We normally provide rental without machinery operators whenever we rent out our construction machinery unless the customers request us to arrange for them. During the Track Record Period, we employed an operator whose salary was calculated based on number of days of actual service provided. Under rental quotations, our Group is responsible for the supply of routine check and maintenance in Hong Kong job sites, including material and labour. Upon requests from customers, our Group may also provide maintenance services apart from routine check and maintenance and additional fees will be charged.

OUR PRODUCTS AND SERVICES

Plant hire service

Our rental fleet

During the Track Record Period, our rental fleet mainly comprised crawler cranes, casing oscillators, RCDs and hydromill trench cutters.

	Crawler Crane (履帶起重機)	Casing Oscillator (磨樁機)	RCD (反循環鑽機)	Hydromill Trench Cutter (液壓銑槽機)
				
Description:	• Crawler crane is a non-road mobile crane which is mounted on an undercarriage with crawler track unit	• Casing oscillator is a kind of bored piling machine constructed with clamping and oscillation system which powered by a power pack	• RCD rig is a kind of bored piling machine working with drill-string to drill through the hard rock to the designated depth	• Hydromill trench cutter is a type of construction equipment designed to dig the narrow but deep trenches used in the casting of slurry walls
Function:	• Crawler crane is used for lifting, transportation, loading and unloading, installation, etc. In foundation works, the applications of crawler crane include bored piling works and diaphragm wall operation	• Casing oscillator is used to drive and extract steel casings into soil for bored piling works	• RCD rig is used to drill through hard rocks and to flush out mixture of water and cuttings from bottom of holes with the Reverse Circulation Drilling (RCD) method	• Hydromill trench cutter excavates by cutting the soil using multiple cutting wheels, while a powerful pump extracts the loose material mixed with some of the slurry

Details of construction machinery in our rental fleet are summarised as follows:

(a) Number in fleet, number rented out and rent-out rates

	As at 31 December								
	2016			2017			2018		
	Number in fleet	Rented out	Rent-out rate *(Note)*	Number in fleet	Rented out	Rent-out rate *(Note)*	Number in fleet	Rented out	Rent-out rate *(Note)*
Crawler Crane	9	2	22.2%	9	4	44.4%	6	3	50.0%
Casing Oscillator	6	1	16.7%	7	2	28.6%	8	6	75.0%
RCD	5	2	40.0%	4	2	50.0%	5	5	100.0%
Hydromill Trench Cutter	—	—	—	—	—	—	1	—	—
Total/Overall	20	5	25.0%	20	8	40.0%	20	14	70.0%

Note: Calculation of rent-out rate is based on the number of construction machinery that were rented out as at 31 December 2016, 2017 and 2018, which is then divided by the total number of relevant construction machinery in our rental fleet on the respective dates.

Set out below is the maximum number of each type of machineries rented out during the Track Record Period:

	For the year ended 31 December					
	2016		2017		2018	
	No. in fleet	Max rent-out	No. in fleet	Max rent-out	No. in fleet	Max rent-out
Crawler Crane	9	5	9	8	6	7 *(Note)*
Casing Oscillator	6	3	7	5	8	7
RCD	5	3	4	4	5	5
Hydromill Trench Cutter	–	n/a	–	n/a	1	1
Total	20	11	20	17	20	20

Note: During the year ended 31 December 2018, the Group disposed four crawler cranes because these crawler cranes, other than being substantially depreciated, will not be allowed to take up public projects with an estimated contract value exceeding $200 million or had low working capacity not generally fit into the demands of the Group's customers.

(b) Utilisation rates

	For the year ended 31 December					
	2016		2017		2018	
	Number in fleet *(Note 1)*	Utilisation rate *(Note 2)*	Number in fleet *(Note 1)*	Utilisation rate *(Note 2)*	Number in fleet *(Note 1)*	Utilisation rate *(Note 2)*
Crawler Crane	11	19.5%	10	53.3%	10	53.0%
Casing Oscillator	6	30.2%	7	50.0%	8	51.0%
RCD	5	24.7%	5	52.5%	5	69.6%
Hydromill Trench Cutter	—	—	—	—	1	72.7%
Total/Overall	22	23.8%	22	52.0%	24	56.4%

Notes:

1. Calculation of number in fleet for the years ended 31 December 2016, 2017 and 2018 is based on the total number of construction machinery which have been included in our rental fleet during the year.

2. Calculation of utilisation rate for the years ended 31 December 2016, 2017 and 2018 is based on the number of days that the construction machinery were rented out during the respective periods which is then divided by 312 days for a year (excluding Sundays, as rental period of construction machinery under our invoices with customer normally does not cover Sundays) less the estimated number of days for repair and maintenance (i.e. 6 to 8 days for a year) or divided by number of days that the construction machine was in our fleet less estimate number of days for repair and maintenance on proportion basis if the construction machine was acquired/disposed in the mid of the respective year. The figure for 6 to 8 days is estimated for calculation and illustration purpose with reference to past experience of our Group. The utilisation rates serve as a presentation which may not have immediate and direct linkage with our profits. Apart from the number in fleet, our profits are also affected by various factors including the changes in fixed and variable costs and rental fees received from customers in each construction machinery.

Set out below are the details of the Group's construction machinery in its rental fleet during the Track Record Period

	Nature of projects	Job site location	Customer	Commencement date	Duration of the rental period	Amount of rental income *(notes 11 and 12)*	Utilisation rates for the respective year *(note 10)*
For the year ended 31 December 2018							
Crawler Crane							
Crawler Crane 1 *(note 1)*	Private building project	Shek Pai Wan Road, Aberdeen, Hong Kong	Other customer (out of the top 5)	1/1/2018	1/1/2018 - 1/6/2018	800,000	
	Internal use	Fung Kat Heung, Kam Tin, Yuen Long, N.T, Hong Kong	Other customer (out of the top 5)	1/8/2018	1/8/2018 - 29/9/2018	294,230	58.4%
Crawler Crane 2	Private building project	Shek Pai Wan Road, Aberdeen, Hong Kong	Other customer (out of the top 5)	3/7/2018	3/7/2018 - 29/9/2018	467,700	
	Preliminary construction of the seac pai van from light metro (transport system)	Lotus Flower Road, the Lotus Flower Rotunda, the Istmo Road, a section of the Seac Pai Van Road and a section of the North Road of the Islands Health Care Complex, Macau	Customer H	6/10/2018	6/10/2018 - 31/12/2018	483,850	48.0%
Crawler Crane 3 *(note 2)*	Athlete Training and Training Center	Macau East Asian Games Gymnasium parking lot near the tennis road Cotai Macau	Customer H	5/3/2018	5/3/2018 - 26/9/2018	875,000	63.8%
Crawler Crane 4 *(note 3)*	Athlete Training and Training Center	Macau East Asian Games Gymnasium parking lot near the tennis road Cotai Macau	Customer F	1/1/2018	1/1/2018 - 2/5/2018	606,538	67.9%
Crawler Crane 5	Guangdong-Macau New Channel — Qingmao Port Joint Inspection Building and Connecting Passage	Intersection between Comendador Ho Yin Avenue and Patos Canal Stay, Macau	Customer F	5/3/2018	5/3/2018 - 3/10/2018	1,044,230	63.4%
Crawler Crane 6	Private building project	Tai Mong Tsai Road, Sai Kung, Hong Kong	Customer K	6/8/2018	6/8/2018 - 31/12/2018	872,308	39.5%
Crawler Crane 8	Private building project	Wong Chuk Hang Road, Aberdeen, Hong Kong	Other customer (out of the top 5)	1/1/2018	1/1/2018 - 9/6/2018	1,210,154	42.2%
Crawler Crane 9	Private building project	Bailey Street, Hung Hom, Hong Kong	Customer D	1/1/2018	1/1/2018 - 30/4/2018	871,585	31.0%
Crawler Crane 13 *(note 4)*	Private building project	Hung Mo Kiu Castle Peak Road Au Tau Yueng Long, Hong Kong	Customer B	20/4/2018	20/4/2018 - 9/8/2018	140,300	39.5%
Crawler Crane 14	Guangdong-Macau New Channel —Qingmao Port Joint Inspection Building and Connecting Passage	Intersection between Comendador Ho Yin Avenue and Patos Canal Stay, Macau	Customer F	11/5/2018	11/5/2018 - 31/12/2018	1,384,615	100.0%
					Sub-total	9,050,510	
RCD							
RCD 1	Athlete Training and Training Center	Macau East Asian Games Gymnasium parking lot near the tennis road Cotai Macau	Customer H	1/1/2018	1/1/2018 - 2/8/2018	915,769	
	Private building project	Tai Mong Tsai Road, Sai Kung, Hong Kong	Customer K	20/8/2018	20/8/2018 - 31/12/2018	570,000	91.2%
RCD 2	Guangdong-Macau New Channel —Qingmao Port Joint InspectionBuilding and Connecting Passage	Intersection between Comendador Ho Yin Avenue and Patos Canal Stay, Macau	Customer F	5/3/2018	5/3/2018 - 22/8/2018	780,770	
	Private building project	Tai Mong Tsai Road, Sai Kung, Hong Kong	Customer K	5/10/2018	5/10/2018 - 31/12/2018	432,692	67.0%

	Nature of projects	Job site location	Customer	Commencement date	Duration of the rental period	Amount of rental income *(notes 11 and 12)*	Utilisation rates for the respective year *(note 10)*
RCD 3	Guangdong-Macau New Channel —Qingmao Port Joint Inspection Building and Connecting Passage	Intersection between Comendador Ho Yin Avenue and Patos Canal Stay, Macau	Customer F	5/3/2018	5/3/2018 - 31/12/2018	1,335,390	74.5%
RCD 4	Private building project	Wong Chuk Hang Road, Aberdeen, Hong Kong	Other customer (out of the top 5)	1/1/2018	1/1/2018 - 24/6/2018	1,096,154	
	Private building project	Wang Tai Road, Kowloon Bay, Hong Kong	Customer C	3/9/2018	3/9/2018 - 23/10/2018	215,385	
	Public housing development	Chung Nga Road and Area 9, Tai Po, Hong Kong	Customer D	2/11/2018	2/11/2018 - 31/12/2018	392,308	72.2%
RCD 6	Preliminary construction of the seac pai van from light metro (transport system)	Lotus Flower Road, the Lotus Flower Rotunda, the Istmo Road, a section of the Seac Pai Van Road and a section of the North Road of the Islands Health Care Complex, Macau	Customer H	6/10/2018	6/10/2018 - 31/10/2018	483,850	32.3%
					Sub-total	6,222,318	
Hydromill trench cutter	Private building project	Roundabout at Muk Chui Street, Kai Tak, Hong Kong	Customer I	10/8/2018	10/8/2018 - 9/12/2018	3,900,000	72.7%
Casing Oscillator							
Casing Oscillator 1	Hong Kong International Airport Expansion (transport system)	Hong Kong International Airport — Terminal 2	Other customer (out of the top 5)	5/7/2018	5/7/2018 - 6/11/2018	326,154	
	Public housing development	Chung Nga Road and Area 9, Tai Po, Hong Kong	Customer D	7/11/2018	7/11/2018 - 31/12/2018	289,230	47.7%
Casing Oscillator 2	Public housing development	Chung Nga Road and Area 9, Tai Po, Hong Kong	Customer D	26/6/2018	26/6/2018 - 25/9/2018	660,000	
	Guangdong-Macau New Channel —Qingmao Port Joint Inspection Building and Connecting Passage	Intersection between Comendador Ho Yin Avenue and Patos Canal Stay, Macau	Customer F	8/10/2018	8/10/2018 - 7/12/2018	500,000	42.8%
Casing Oscillator 3	Guangdong-Macau New Channel —Qingmao Port Joint Inspection Building and Connecting Passage	Intersection between Comendador Ho Yin Avenue and Patos Canal Stay, Macau	Customer F	5/3/2018	5/3/2018 - 4/8/2018	600,000	
	Building (Demand-Led Redevelopment Project	Fuk Chak Street, Tai Kok Tsui Kowloon, Hong Kong	Other customer (out of the top 5)	17/8/2018	17/8/2018 - 16/9/2018	100,000	
	Public housing development	Chung Nga Road and Area 9, Tai Po, Hong Kong	Customer D	2/11/2018	2/11/2018 - 31/12/2018	274,615	63.1%
Casing Oscillator 4	Private building project	Wong Chuk Hang Road, Aberdeen, Hong Kong	Other customer (out of the top 5)	1/1/2018	1/1/2018 - 24/1/2018	160,769	
	Foundation and Site Formation for Subsidised Sale Flats Development and Public Rental Housing Development	Ma On Shan Road (opposite to Yan On Estate), Hong Kong	Other customer (out of the top 5)	6/8/2018	6/8/2018 - 31/12/2018	561,265	43.1%
Casing Oscillator 5	A casino resort in Macau (Phase IV)	Estrada da Baia de Nossa Senhora da Esperanca, Cotai, Macau	Other customer (out of the top 5)	1/1/2018	1/1/2018 - 28/2/2018	300,000	
	Foundation and Site Formation for Subsidised Sale Flats Development and Public Rental Housing Development	Ma On Shan Road (opposite to Yan On Estate), Hong Kong	Other customer (out of the top 5)	13/8/2018	13/8/2018 - 31/12/2018	526,368	51.0%

	Nature of projects	Job site location	Customer	Commencement date	Duration of the rental period	Amount of rental income (notes 11 and 12)	Utilisation rates for the respective year (note 10)
Casing Oscillator 6	Guangdong-Macau New Channel — Qingmao Port Joint Inspection Building and Connecting Passage	Intersection between Comendador Ho Yin Avenue and Patos Canal Stay, Macau	Customer F	1/6/2018	1/6/2018 - 31/8/2018	1,050,000	
	Public rental housing development phase 1&2 & Subsidized Sales Flats development	Choi Hung Road, Po Kong Village Road, Lung Cheung Road, Diamond Hill, Hong Kong	Other customer (out of the top 5)	10/9/2018	10/9/2018 - 9/11/2018	250,000	32.7%
Casing Oscillator 7	Athlete Training and Training Center	Macau East Asian Games Gymnasium parking lot near the tennis road Cotai Macau	Customer F	1/1/2018	1/1/2018 - 2/4/2018	364,615	
	Causeway Bay Typhoon Shelter to Admiralty Tunnels (transport system)	Hung Hing Road, Causeway Bay (old Police Officers' Club), Hong Kong	Other customer (out of the top 5)	3/5/2018	3/5/2018 - 16/5/2018	50,000	
	Athlete Training and Training Center	Macau East Asian Games Gymnasium parking lot near the Tennis Road Cotai Macau	Customer H	4/6/2018	4/6/2018 - 27/7/2018	253,000	
	Tuen Mun Western Bypass (transport system)	Ho Yeung Street, Lung Kwu Tan Tuen Mun, Hong Kong	Other customer (out of the top 5)	1/8/2018	1/8/2018 - 28/8/2018	80,000	
	Private building project	Tai Mong Tsai Road, Sai Kung, Hong Kong	Customer K	4/9/2018	4/9/2018 - 31/12/2018	313,846	100.0%
Casing Oscillator 8	Preliminary construction of the seac pai van from light metro (transport system)	Lotus Flower Road, the Lotus Flower Rotunda, the Istmo Road, a section of the Seac Pai Van Road and a section of the North Road of the Islands Health Care Complex, Macau	Customer H	6/10/2018	6/10/2018 - 31/12/2018	427,000	77.2%
					Sub-total	7,086,863	
Others	Revenue represents hire income from tools and parts for ad hoc projects for various locations					708,821	
					Total for the year ended 31 December 2018	26,968,513	

Notes:

1. the machine was disposed in December 2018
2. the machine was disposed in November 2018
3. the machine was disposed in June 2018
4. the machine was disposed in October 2018

	Nature of projects	Job site location	Customer	Commencement date	Duration of the rental period	Amount of rental income (notes 11 and 12)	Utilisation rates for the respective year (note 10)
For the year ended 31 December 2017							
Crawler Crane							
Crawler Crane 1	Private building project	Peak Road, The Peak, Hong Kong	Customer D	1/1/2017	1/1/2017 - 18/4/2017	636,923	
	Sha Tin Sewage Treatment Works	Shui Chong Street, Ma Liu Shui Sha Tin, Hong Kong	Customer D	19/4/2017	19/4/2017 - 26/6/2017	408,460	
	A casino resort in Macau (Phase III)	Estrada da Baia de Nossa Senhora da Esperanca, Cotai, Macau	Customer C	28/6/2017	28/6/2017 - 9/8/2017	142,308	
	Private building project	Shek Pai Wan Road, Aberdeen, Hong Kong	Other customer (out of the top 5)	2/9/2017	2/9/2017 - 31/12/2017	640,000	88.6%
Crawler Crane 3	Internal use	Hung Shui Kiu Main Street, Hung Shui Kiu, Hong Kong	Customer C	29/5/2017	29/5/2017 - 28/8/2017	300,000	25.5%

	Nature of projects	Job site location	Customer	Commencement date	Duration of the rental period	Amount of rental income *(notes 11 and 12)*	Utilisation rates for the respective year *(note 10)*
Crawler Crane 11 *(note 5)*	Private building project	Peak Road, The Peak, Hong Kong	Customer D	1/1/2017	1/1/2017 - 2/2/2017	166,154	16.1%
Crawler Crane 4	Athlete Training and Training Center	Macau East Asian Games Gymnasium parking lot near the tennis road Cotai Macau	Customer F	3/2/2017	3/2/2017 - 31/12/2017	1,863,462	89.2%
Crawler Crane 5	Marine Bored Piles for Avenue of Star Waterfront (infrastructure)	Waterfront Podium Garden, Tsim Sha Tsui, Hong Kong	Customer B	6/7/2017	6/7/2017 - 5/12/2017	766,914	39.5%
Crawler Crane 6	Athlete Training and Training Center	Macau East Asian Games Gymnasium parking lot near the tennis road Cotai Macau	Customer F	7/8/2017	7/8/2017 - 30/12/2017	985,600	39.9%
Crawler Crane 8	Private building project	Wong Chuk Hang Road, Aberdeen, Hong Kong	Other customer (out of the top 5)	10/8/2017	10/8/2017 - 31/12/2017	1,069,846	38.9%
Crawler Crane 2	A casino resort in Macau (Phase III)	Estrada da Baia de Nossa Senhora da Esperanca, Cotai, Macau	Customer C	10/4/2017	10/4/2017 - 27/6/2017	257,692	
	Marine Bored Piles for Avenue of Star Waterfront (infrastructure)	Waterfront Podium Garden, Tsim Sha Tsui, Hong Kong	Customer B	12/7/2017	12/7/2017 - 22/11/2017	690,206	56.9%
Crawler Crane 9	A casino resort in Macau (Phase III)	Estrada da Baia de Nossa Senhora da Esperanca, Cotai, Macau	Customer C	10/4/2017	10/4/2017 - 9/10/2017	1,380,000	
	Private building project	Bailey Street, Hung Hom, Hong Kong	Customer D	20/10/2017	20/10/2017 - 31/12/2017	524,615	66.0%
Crawler Crane 13	A club redevelopment project	Kellett Island, Hong Kong	Customer A	20/7/2017	20/7/2017 - 30/12/2017	430,800	53.9%
					Sub-total	10,262,980	
RCD							
RCD 1	Private building project	Peak Road, The Peak, Hong Kong	Customer D	1/1/2017	1/1/2017 - 2/2/2017	135,000	
	Athlete Training and Training Center	Macau East Asian Games Gymnasium parking lot near the tennis road Cotai Macau	Customer H	3/2/2017	3/2/2017 - 31/12/2017	1,644,231	97.4%
RCD 2	Private building project	Bailey Street, Hung Hom, Hong Kong	Customer D	25/10/2017	25/10/2017 - 24/12/2017	360,000	16.7%
RCD 3	A casino resort in Macau (Phase IV)	Estrada da Baia de Nossa Senhora da Esperanca, Cotai, Macau	Customer C	29/5/2017	29/5/2017 - 13/9/2017	672,000	
	Athlete Training and Training Center	Macau East Asian Games Gymnasium parking lot near the tennis road Cotai Macau	Customer H	28/10/2017	28/10/2017 - 27/12/2017	360,000	46.7%
RCD 4	Private building project	Peak Road, The Peak, Hong Kong	Customer D	1/1/2017	1/1/2017 - 18/4/2017	601,538	
	Sha Tin Sewage Treatment Works	Shui Chong Street, Ma Liu Shui Sha Tin, Hong Kong	Customer D	19/4/2017	19/4/2017 - 18/7/2017	510,000	
	Private building project	Wong Chuk Hang Road, Aberdeen, Hong Kong	Other customer (out of the top 5)	25/8/2017	25/8/2017 - 31/12/2017	803,846	88.2%
RCD 5 *(note 6)*	n/a	n/a	n/a	n/a	n/a	n/a	0.0%
					Sub-total	5,086,615	
Casing Oscillator							
Casing Oscillator 1	n/a	n/a	n/a	n/a	n/a	n/a	0.0%
Casing Oscillator 2	A casino resort in Macau	Av, do Aeroporto, R. de Tenis, R. da Patinagem, R. do Tiro Macau	Customer C	1/1/2017	1/1/2017 - 17/8/2017	1,733,848	62.4%

	Nature of projects	Job site location	Customer	Commencement date	Duration of the rental period	Amount of rental income *(notes 11 and 12)*	Utilisation rates for the respective year *(note 10)*
Casing Oscillator 3	Private building project	Bailey Street, Hung Hom, Hong Kong	Customer D	23/10/2017	23/10/2017 - 22/12/2017	340,000	16.3%
Casing Oscillator 4	Athlete Training and Training Center	Macau East Asian Games Gymnasium parking lot near the tennis road Cotai Macau	Other customer (out of the top 5)	23/2/2017	23/2/2017 - 22/8/2017	1,080,000	
	Private building project	Wong Chuk Hang Road, Aberdeen, Hong Kong	Other customer (out of the top 5)	25/8/2017	25/8/2017 - 31/12/2017	884,230	82.4%
Casing Oscillator 5	Athlete Training and Training Center	Macau East Asian Games Gymnasium parking lot near the tennis road Cotai Macau	Other customer (out of the top 5)	23/2/2017	23/2/2017 - 22/8/2017	1,080,000	
	Athlete Training and Training Center	Macau East Asian Games Gymnasium parking lot near the tennis road Cotai Macau	Customer F	2/9/2017	2/9/2017 - 28/10/2017	346,150	
	A casino resort in Macau (Phase IV)	Estrada da Baia de Nossa Senhora da Esperanca, Cotai, Macau	Other customer (out of the top 5)	1/11/2017	1/11/2017 - 31/12/2017	360,000	80.1%
Casing Oscillator 6	A casino resort in Macau (Phase IV)	Estrada da Baia de Nossa Senhora da Esperanca, Cotai, Macau	Customer F	10/4/2017	10/4/2017 - 9/7/2017	945,000	21.2%
Casing Oscillator 7	A casino resort in Macau (Phase III)	Estrada da Baia de Nossa Senhora da Esperanca, Cotai, Macau	Customer C	1/3/2017	1/3/2017 - 30/9/2017	840,000	
	Athlete Training and Training Center	Macau East Asian Games Gymnasium parking lot near the tennis road Cotai Macau	Customer F	3/10/2017	3/10/2017 - 31/12/2017	355,385	92.1%
					Sub-total	7,964,613	
Others	Revenue represents hire income from tools and parts for ad hoc projects for various locations				**Sub-total**	272,000	
						23,586,208	

Notes:

5. the machine was disposed in June 2017
6. the machine was disposed in September 2017

	Nature of projects	Job site location	Customer	Commencement date	Duration of the rental period	Amount of rental income *(notes 11 and 12)*	Utilisation rates for the respective year *(note 10)*
For the year ended 31 December 2016							
Crawler Crane							
Crawler Crane 1	Hong Kong Boundary Crossing Facility (infrastructure)	Artificial Island, Chek Lop Kok, New Territories, Hong Kong	Other customer (out of the top 5)	1/1/2016	1/1/2016 - 28/1/2016	198,400	
	Private building project	Peak Road, The Peak, Hong Kong	Customer D	19/8/2016	19/8/2016 - 31/12/2016	803,077	40.8%
Crawler Crane 2	n/a	n/a	n/a	n/a	n/a	n/a	0.0%
Crawler Crane 3	n/a	n/a	n/a	n/a	n/a	n/a	0.0%
Crawler Crane 4	n/a	n/a	n/a	n/a	n/a	n/a	0.0%
Crawler Crane 5	Reprovisioning of Harbour Road Sports Centre and Wan Chai Swimming Pool (transport system)	Harbour Road, Wan chai, Hong Kong	Customer B	29/1/2016	29/1/2016 - 18/6/2016	677,700	36.6%

	Nature of projects	Job site location	Customer	Commencement date	Duration of the rental period	Amount of rental income *(notes 11 and 12)*	Utilisation rates for the respective year *(note 10)*
Crawler Crane 6	Reprovisioning of Harbour Road Sports Centre and Wan Chai Swimming Pool (transport system)	Harbour Road, Wan chai, Hong Kong	Customer B	1/1/2016	1/1/2016 - 6/1/2016	43,846	1.3%
Crawler Crane 7 *(note 7)*	n/a	n/a	n/a	n/a	n/a	n/a	0.0%
Crawler Crane 8	Reprovisioning of Harbour Road Sports Centre and Wan Chai Swimming Pool (transport system)	Harbour Road, Wan chai, Hong Kong	Customer B	1/1/2016	1/1/2016 - 16/2/2016	421,200	
	Liantang/Heung Yuen Wai Boundary Control Point Site Formation and Infrastructure Works	Liantang Bridge D Site, N.T., Hong Kong	Customer B	17/2/2016	17/2/2016 - 18/6/2016	1,100,769	46.4%
Crawler Crane 9	Wan Chai development phase II (transport system)	Slip Road 1, Road P2, Lung Wo Road, Road D11, Road A2, Road A3, Road A4, Road A5, Roundabout at Expo Drive East and seawalls., Hong Kong	Customer C	1/1/2016	1/1/2016 - 4/1/2016	19,500	
	Liantang/Heung Yuen Wai Boundary Control Point Site Formation and Infrastructure Works	Liantang Bridge B2 Site, N. T., Hong Kong	Customer B	7/1/2016	7/1/2016 - 6/5/2016	830,900	
	Liantang/Heung Yuen Wai Boundary Control Point Site Formation and Infrastructure Works	Liantang Bridge B1 Site, N. T., Hong Kong	Customer B	7/5/2016	7/5/2016 - 21/6/2016	405,000	42.5%
Crawler Crane 10 *(note 8)*	n/a	n/a	n/a	n/a	n/a	n/a	0.0%
Crawler Crane 11	Private building project	Peak Road, The Peak, Hong Kong	Customer D	5/10/2016	5/10/2016 - 31/12/2016	461,538	24.5%
Crawler Crane 12 *(note 9)*	Islands Health Care Complex	In the area adjacent to the Istmo Road in Cotai Macau	Customer F	5/5/2016	5/5/2016 - 29/12/2016	1,482,590	n/a
					Sub-total	6,444,520	
RCD							
RCD 1	Private building project	Peak Road, The Peak, Hong Kong	Customer D	5/10/2016	5/10/2016 - 31/12/2016	375,000	24.5%
RCD 2	Reprovisioning of Harbour Road Sports Centre and Wan Chai Swimming Pool (transport system)	Harbour Road, Wan chai, Hong Kong	Customer B	1/1/2016	1/1/2016 - 8/3/2016	429,259	17.6%
RCD 3	Liantang/Heung Yuen Wai Boundary Control Point Site Formation and Infrastructure Works	Liantang checkpoint (HK side), N. T., Hong Kong	Customer B	1/1/2016	1/1/2016 - 30/3/2016	480,000	22.9%
RCD 4	Reprovisioning of Harbour Road Sports Centre and Wan Chai Swimming Pool (transport system)	Harbour Road, Wan chai, Hong Kong	Customer B	1/1/2016	1/1/2016 - 2/2/2016	112,687	
	Liantang/Heung Yuen Wai Boundary Control Point Site Formation and Infrastructure Works	Liantang Bridge B Site, N.T., Hong Kong	Customer B	9/4/2016	9/4/2016 - 15/6/2016	401,539	
	Private building project	Peak Road, The Peak, Hong Kong	Customer D	19/8/2016	19/8/2016 - 31/12/2016	758,462	58.5%
RCD 5	n/a	n/a	n/a	n/a	n/a	n/a	0.0%
					Sub-total	2,556,947	

	Nature of projects	Job site location	Customer	Commencement date	Duration of the rental period	Amount of rental income *(notes 11 and 12)*	Utilisation rates for the respective year *(note 10)*
Casing Oscillator							
Casing Oscillator 1	n/a	n/a	n/a	n/a	n/a	n/a	0.0%
Casing Oscillator 2	A casino resort in Macau	Av, do Aeroporto, R. de Tenis, R. da Patinagem, R. do Tiro Macau	Customer C	1/1/2016	1/1/2016 - 31/12/2016	2,703,846	100.0%
Casing Oscillator 3	Reprovisioning of Harbour Road Sports Centre and Wan Chai Swimming Pool (transport system)	Harbour Road, Wan chai, Hong Kong	Customer B	1/1/2016	1/1/2016 - 22/2/2016	242,880	
	Liantang/Heung Yuen Wai Boundary Control Point Site Formation and Infrastructure Works	Liantang Bridge B Site, N.T., Hong Kong	Customer B	7/4/2016	7/4/2016 - 14/6/2016	313,154	29.7%
Casing Oscillator 4	Hong Kong-Zhuhai-Macau Bridge Artificial Island	Artificial Island, Chek Lop Kok, New Territories, Hong Kong	Other customer (out of the top 5)	24/2/2016	24/2/2016 - 23/9/2016	775,700	42.5%
Casing Oscillator 5	Home Ownership Scheme Development	Sheung Lok Street, Homantin, Kowloon, Hong Kong	Other customer (out of the top 5)	1/1/2016	1/1/2016 - 2/2/2016	90,138	8.8%
Casing Oscillator 6	n/a	n/a	n/a	n/a	n/a	n/a	0.0%
					Sub-total	4,125,718	
Others	Revenue represents hire income from tools and parts for ad hoc projects for various locations				**Sub-total**	75,652	
						13,202,837	

Notes:

7. the machine was disposed in July 2016
8. the machine was disposed in April 2016
9. the machine was acquired in April 2016 with an intention of trading purpose. Prior to the sale of the machine, it was rented out for a short period of time before it was sold in November 2016. It was excluded from the calculation of utilisation rate. When our Group entered into the disposal agreement with the buyer to dispose of Crawler Crane 12 in November 2016, the machine was being hired by a customer. Both the Group and the buyer verbally agreed that the transaction would be completed and the machinery would be delivered after the lease of the machine ended on 29 December 2016. Therefore, Crawler Crane 12 was delivered to the customer on 29 December 2016 and the disposal transaction was completed on the same date.
10. the calculation of utilisation rate adopts the same basis as disclosed in the section headed "Business — Our rental fleet — Utilisation rates"
11. Our Directors consider that the location of deployment of construction machinery do not correspond to the fluctuation of transportation and others costs. For details of the reasons for fluctuation of the costs, please refer to the section headed "Financial information- Transportation and others"
12. The monthly rental rates represents our agreed price for the relevant machinery rental projects agreed between our customers and us, while netting off price discount granted to customers, if any. Given the competitiveness of the foundation work and lifting machinery rental market as evidenced in the F&S Report, our Group may offer price discounts to large-scale customers with established business relationship with our Group, and our Directors are of the view that it is in our Group's best interest to offer a more competitive rental rates and to serve our such customers with established business relationships. Our Directors also confirmed that there is no material difference in the monthly rental rates of our Group's rental projects in Macau and Hong Kong.

(c) Average age and remaining useful life

	As at 31 December					
	2016		2017		2018	
	Average age *(Year)* *(Note 1)*	**Remaining useful life** *(Year)* *(Note 2)*	**Average age** *(Year)* *(Note 1)*	**Remaining useful life** *(Year)* *(Note 2)*	**Average age** *(Year)* *(Note 1)*	**Remaining useful life** *(Year)* *(Note 2)*
Crawler Crane	16.2	8.8	14.9	10.1	12.8	12.2
Casing Oscillator	7.2	17.8	7.3	17.7	8.1	16.9
RCD	9.8	15.2	10.7	14.3	10.2	14.8
Hydromill Trench Cutter	—	—	—	—	1.0	24.0

Notes:

1. Calculation of average age is based on the average number of years operated in respect of each type of construction machinery, i.e. from the year of manufacture to the year end date of each accounting year.

2. Calculation of remaining useful life is based on the useful life of the construction machinery of 25 years deducted by the average age.

(d) Breakeven analysis for the plant hire service

For illustration purpose, the table below sets out the breakdown on our cost of sales and services by fixed and variable costs.

	For the year ended 31 December					
	2016		**2017**		**2018**	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Fixed cost	7,139,131	70.0	7,565,872	66.9	7,514,969	69.4
Variable cost	3,060,352	30.0	3,735,366	33.1	3,317,750	30.6
Total cost of sales for plant hire service	10,199,483	100.0	11,301,238	100.0	10,832,719	100.0

During the Track Record Period, the fixed costs for our plant hire service include depreciation on plant and machinery and salary costs; while the variable costs for our plant hire service include machinery rent paid.

For illustration purpose, the table below sets out the breakeven utilisation rates of our rental fleet:

	For the year ended 31 December		
	2016	**2017**	**2018**
Breakeven utilisation rate of our rental fleet (%) *(Notes)*	16.8	19.8	17.9

Notes:

1. The breakeven utilisation rate of each period of the Track Record Period is calculated based on our rental fleet's utilisation rate, revenue, fixed cost and variable cost of the respective period with the following formula:

$$\text{Breakeven utilisation rate} = \text{Machinery utilisation rate x } \frac{\text{Fixed cost}}{\text{(Revenue - Variable cost)}}$$

2. At the breakeven utilisation rate, the gross profit of services provided by our rental fleet would be zero.

The calculation of the breakeven utilisation rate is based on the following assumptions:

1. The revenue and variable cost of the respective period were positively correlated with the utilisation rate of the corresponding period;

2. The same utilisation rate was applied to all of our construction machinery in our rental fleet of the respective period; and

3. The proportion of fixed cost and variable cost was the same across all construction machinery in our rental fleet in the respective period.

The increase in overall rent out rates and utilisation rates for our rental fleet during the Track Record Period was mainly because of the increase in market demand for our plant hire service. The increase in breakeven utilisation rates from the year ended 31 December 2016 to the year ended 31 December 2017 was mainly attributable to the increase in utilisation rates for our rental fleet. The decrease in breakeven utilisation rates from the year ended 31 December 2017 to the year ended 31 December 2018 was mainly attributable to the increase in revenue and the decrease in variable cost from our rental fleet.

(e) Actual acquisition and disposal of machinery during the Track Record Period

Breakdown of acquisition and disposal of machinery during the Track Record Period:

	As at 1 January 2016	For the year ended 31 December 2016		As at 31 December 2016	For the year ended 31 December 2017		As at 31 December 2017	For the year ended 31 December 2018		As at 31 December 2018
		Acquisition	Disposal		Acquisition	Disposal		Acquisition	Disposal	
Machinery Type										
Crawler Crane	11	—	2	9	1	1	9	1	4	6
Casing Oscillator *(Note 1)*	5	1	—	6	1	—	7	1	—	8
RCD	5	—	—	5	—	1	4	1	—	5
Hydromill Trench Cutter	—	—	—	—	—	—	—	1	—	1
Total	21	1	2	20	2	2	20	4	4	20

Note:

1. Casing oscillator includes machinery which performs similar functions, namely casing rotator and vibratory hammer.

Occasionally, we dispose some of our construction machineries in the rental fleet by selling them to our customers having considered the market demand, and the number and capacity of our construction machinery to meet our customers' demand for our plant hire services. For details of our fleet management strategy, please refer to the section headed "Business — Our fleet management strategy" in this prospectus.

During the Track Record Period, we disposed seven machinery with long age. The years of manufacture ("**YOM**") of the seven machinery were ranged from 1992 to 1995. Other than being substantially depreciated, out of these seven machinery, six of them are crawler cranes with exempted labels and will not be allowed to take up public projects with an estimated contract value exceeding $200 million pursuant to the requirements under the NRMM Regulation. Our Group disposed another crawler crane with YOM of 2014 in October 2018 mainly due to its capacity and customer's demand, and gained approximately HK$14,000 on disposal. The crawler crane disposed only had working capacity of 80 tonnes, which does not generally fit into the demands of our customers.

Construction machinery typically has longer useful life if properly maintained. Our staff provide repair and maintenance to our construction machinery for normal wear and tear. Certain manufacturers provided us with warranty for a period of around 12 months for the purchases of new construction machinery.

We adopt a straight-line depreciation policy on our rental fleet for 25 years. For details of the relevant accounting policies and estimates, please refer to the section headed "Financial Information — Significant accounting policies — Plant and equipment" in this prospectus.

To cope with our Group's business strategies and to cater to the demand of our customers, we entered into contract with an independent third party to acquire a brand new crawler crane with approved label in January 2019 after receiving numerous customer demands for urgent rental service of such machine. The newly acquired crane has working capacity of 130 tonnes, and later in the same month, we successfully entered into a rental contract for such crawler crane with the customer with contract sum of HK$1.5 million for a rental period of five months. The total purchase price of the crane amounted to approximately HK$11.4 million. As at the Latest Practicable Date, approximately HK$1.4 million was settled with our internal resources, and the remaining amount of approximately HK$10.0 million (the "**Remaining Amount**") and relevant finance charge of approximately HK$0.4 million will be payable on or before 15 August 2019. We intend to settle the finance charge by our internal resources, and to apply HK$10.3 million of the net proceeds of the Share Offer to settle the Remaining Amount together with relevant expenses relating to exchange differences.

As at the Latest Practicable Date, we have obtained approval or exemption for all machines in our rental fleet that are subject to the NRMM Regulation (the "**Regulated Machines**") in accordance with the relevant requirements. For details of the NRMM Regulation and the Technical Circular, please refer to the section headed "Regulatory Overview — Hong Kong laws and regulations" in this prospectus. Our Group will continue to purchase machines which are approved NRMMs in replacement and expansion plans.

Our fleet management strategy

When considering the replacement or expansion of our rental fleet, we take into account the foreseeable demand for machines of different specifications and functions. Our Group adopts a flexible fleet management strategy during the Track Record Period. Our Directors confirm this fleet management strategy will be continued after Listing.

Our Group would take into consideration the following factors when deciding whether to acquire or rent plant and machinery from third parties:

(i) materiality of difference between the costs for renting machinery from our suppliers and the depreciation expenses and finance costs (where applicable) for acquiring construction machinery;

(ii) the upfront capital investment amount and the expected market demand of such machinery; and

(iii) the timing required for our Group to acquire such machinery to meet the customers' requested time schedule.

Occasionally, we dispose some of our construction machineries in the rental fleet by selling them to our customers having considered the market demand and the number and capacity of our construction machinery to meet our customers' demand for our plant hire services.

During the Track Record Period, one of our machinery leasing agreements contained a purchase option. The cost of this machinery amounted to approximately HK$8.4 million. The rental terms of this agreement is 23 months, and the monthly rental was approximately HK$230,000. The purchase option under this agreement was subject to completion of the whole rental period with full payment on schedule. The rental period of the relevant machinery under the agreement has been further extended for 12 months to the same customer without granting any option pursuant to the rental agreement dated 30 July 2016. The purchase option was removed mainly because the customer requested upgrade of hydraulic power pack of the machine, to which our Group disagreed as this would substantially increase our cost of sale. The rental agreement is completed in August 2017.

Our Directors confirmed, as concurred by our Reporting Accountants, that the accounting treatment for the exercise of the purchase option was the same as disposals of our owned machinery. The gain or loss from disposals of our owned machinery equals to sale proceeds less the carrying amounts of our owned machinery. The sale proceeds from the exercise of the purchase option include the down payment and balance payment.

Sub-leasing arrangements

We also assist our customers to source particular type or model of construction machinery which are not immediately available in our rental fleet, by entering into machinery leasing agreements with certain third party construction machinery service providers for sub-leasing to our customers. These sub-leasing arrangements can supplement our rental fleet which allows greater flexibility, helps maintain relationship with our customers by satisfying their requests and allows us to keep track of the market trends through communications with our customers as well as other construction machinery service providers. Unlike purchase of construction machinery, sub-leasing arrangements do not require significant capital investment or financing means which may incur additional costs.

Sub-leasing strategy

(i) For certain types of machinery which do not have any regular demand from our Group's customers, such as RCD or casing oscillator with drilling diameter 2 metres or below, our Group would prefer to use sub-leasing arrangement to satisfy customers' requirements rather than utilise substantial investment capital or regularly spend maintenance costs for these machinery with less regular customers demand;

(ii) Since sub-leasing arrangement usually generate relatively lower profit margin than the machinery owned by our Group, our Group will only use sub-leasing arrangement when the type of machinery requested by the customers is not available in our Group's rental fleet; and

(iii) When sub-leasing arrangement is required, our Group will ensure that the sub-leased machinery functions properly to minimize any occurrence of mal-functioning of machinery.

During the Track Record Period, the Group had followed the sub-leasing strategy. During the year ended 31 December 2018, the Group purchased three construction machineries for large diameter bored pile work and those machineries contributed to a total revenue of approximately HK$2.3 million, in aggregate, during around six months ended 31 December 2018 after the acquisition. In the corresponding period, our Group sub-leasing two pieces of machineries for bored pile work of relatively smaller diameter and those machineries contributed revenue of only approximately HK$0.5 million in aggregate.

With the implementation of this sub-leasing strategy, our Group's sub-leasing business maintains stable gross profits margin at 19.6% and 23.0% for the year ended 31 December 2017 and 2018.

The advantages of sub-leasing over acquiring machinery on its own include:

1) Less upfront capital investment amount is required.

The disadvantages of sub-leasing over acquiring machinery on its own include:

1) The gross profit margin generated by sub-leasing arrangement is usually lower;
2) Difficult to ensure the conditions of the machinery leased is same as our Group's rental fleet;
3) Risk of occurrence of malfunction of sub-leased machinery may affect the Group's reputation and business relationship with customers;
4) Risk of not using the sub-leased machinery by customer even though contract has been signed, resulting in unexpected loss of our Group; and
5) Being unable to realise any resale value of self-owned machinery.

Set out below is a breakdown for the type, number, sub-leasing cost and sub-leasing income of machinery sub-leased by our Group:

	For the year ended 31 December					
	2016		**2017**		**2018**	
	HK$	*Number*	*HK$*	*Number*	*HK$*	*Number*
Sub-lease rental income by machine types						
Crawler crane	54,000	1	3,485,419	3	2,228,905	3
Casing oscillator	2,533,325	4	1,158,080	3	951,538	3
Others *(note 1)*	—	—	—	—	1,125,594	N/A
	2,587,325	**5**	**4,643,499**	**6**	**4,306,037**	**6**
Sub-lease rental cost by machine types						
RCD	840,000 *(note 2)*	1	—	—	—	—
Crawler crane	50,000	1	2,759,094	3	1,654,134	3
Casing oscillator	2,170,352	4	976,272	3	671,532	3
Others *(note 1)*	—	—	—	—	992,084	N/A
	3,060,352	**6**	**3,735,366**	**6**	**3,317,750**	**6**

Note 1: Others represented construction machinery which are not available in our rental fleet, such as grabs, air compressors, drum stabilizers and other pairs of machinery.

Note 2: Our Group rented a RCD which our customer indicated interest to lease during the year ended 31 December 2015 but subsequently our Group was not able to sub-lease it out to such customer. The rental period of that RCD is from June 2015 to June 2016 and the rental expenses was approximately HK$0.8 million for the year ended 31 December 2016.

Our Directors confirmed that it was an isolated case and our Group has implemented internal control measures, in relation to lease agreements with contract sum larger than HK$500,000, which requires Directors' approval on such transactions and the relevant documents (such as customer's order form or signed quotation) before entering into such lease agreements with or issuing hire quotations to customers. Our Group will also try to negotiate for a more favorable term with construction machinery service providers, such as allowing our Group not to pay full compensations when it terminates lease agreements before delivery of the construction machinery.

Backlog

The following table sets for the movement in the outstanding contract value of our plant hire rental projects in our backlog during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December			From 1 January 2019 to the Latest Practicable Date
	2016	**2017**	**2018**	
	HK$	*HK$*	*HK$*	*HK$*
Outstanding contract value of projects in opening backlog	6,200,962	780,308	3,165,966	1,560,805
Add: value of new projects awarded and relevant variation orders in the financial year/period	10,369,508	30,615,365	29,669,389	42,890,835
Less: revenue recognised in the financial year/period	(15,790,162)	(28,229,707)	(31,274,550)	(17,638,896)
Outstanding contract value of projects in our closing backlog	780,308	3,165,966	1,560,805	26,812,744
Range of rental periods	1-23 months	1-11 months	0.5-11 months	1-7 months

The increase in closing backlog from 31 December 2018 to the Latest Practicable Date was mainly because the Group secured more confirmed orders for plant hire contracts and these contracts are still on-going as at the Latest Practicable Date. Among the closing backlog of approximately HK$26.8 million as at the Latest Practicable Date, approximately HK$24.9 million would be recognised as revenue after the Latest Practicable Date and up to 31 December 2019, and approximately HK$1.9 million would be recognised as revenue after 2019.

Other than the plant hire rental projects, our Group also had secured orders of approximately HK$10.0 million for general sales service, among which, approximately HK$4.4 million was recognised as revenue from 1 January 2019 to the Latest Practicable Date and approximately HK$5.6 million would be recognised as revenue after the Latest Practicable Date and up to 31 December 2019.

Set out below is the nature and location of contract backlog of our plant hire rental projects and the amount of revenue recognised or to be recognised (i) from 1 January 2019 to the Latest Practicable Date; (ii) from the Latest Practicable Date to 31 December 2019; and (iii) after 2019:

	From 1 January 2019 to the Latest Practicable Date	**From the Latest Practicable Date to 31 December 2019**	**After 2019**
	HK$	*HK$*	*HK$*
Hong Kong			
Public building	2,529,397	1,416,398	—
Private building	9,724,653	16,473,794	—
Infrastructure	249,183	—	—
Transport System	141,829	—	—
	12,645,062	17,890,192	—
Macau			
Public building	—	—	—
Private building	4,119,988	6,922,552	1,920,000
Transportation system	873,846	80,000	—
	4,993,834	7,002,552	1,920,000
Total	17,638,896	24,892,744	1,920,000
Total revenue to be recognised after the Latest Practicable Date			26,812,744

Trading of construction machinery, tools and parts

During the Track Record Period, the number of construction machinery, tools and parts sold by us and their respective revenue and trading profits generated are shown below:

	For the year ended 31 December					
Revenue	**2016**		**2017**		**2018**	
	Number	*HK$*	*Number*	*HK$*	*Number*	*HK$*
Crawler Cranes	2	10,300,000	1	4,650,000	—	—
Casing Oscillator	1	2,200,000	—	—	2	4,050,000
RCD	—	—	—	—	2	3,600,000
Oil, lubricant and/or spare parts *(Note)*	N/A	2,241,518	N/A	3,675,014	N/A	2,948,263
Total	3	14,741,518	1	8,325,014	4	10,598,263
Trading profit						
Crawler Cranes	2	3,550,003	1	1,370,000	—	—
Casing Oscillator	1	280,000	—	—	2	1,175,900
RCD	—	—	—	—	2	1,508,376
Oil, lubricant and/or spare parts *(Note)*	N/A	419,375	N/A	1,042,850	N/A	1,522,934
Total	3	4,249,378	1	2,412,850	4	4,207,210

Note: oil, lubricant and spare parts are not countable in nature

We order construction machinery from manufacturers of construction machinery for new machines as well as from traders for used machines.

Set out below is a summary of trading of construction machinery, tools and parts during the Track Record Period:

	Machine type	Brand new/used	Supplier	Customer and end user	Customer	Price sold For the year ended 31 December 2016 HK$	2017 HK$	2018 HK$
1	Crawler crane	used	Supplier B	Customer A		4,800,000	—	—
2	Crawler crane	used	Supplier A	Customer A		5,500,000	—	—
3	Casing Oscillator	used	Supplier C		Customer E *(note)*	2,200,000	—	—
4	Crawler crane	used	Supplier A	Customer G		—	4,650,000	—
5	RCD	used	Supplier C	Customer G		—	—	1,750,000
6	RCD	used	Supplier J	Customer J		—	—	1,850,000
7	Casing Oscillator	used	Supplier I	Customer H		—	—	2,250,000
8	Casing Oscillator	used	Supplier J	Customer J		—	—	1,800,000
9	Oil, lubricant and/or spare parts					2,241,518	3,675,013	2,948,263
Total						14,741,518	8,325,013	10,598,263

Note: To the best of the Directors' knowledge, the principal activities of Customer E are trading of machinery rental and trading. Therefore, the Directors have no knowledge of the end user.

GENERAL CONDITIONS OF OUR RENTAL ARRANGEMENTS

Below are the general conditions included in most of our rental arrangements:

Rental period:	The rental period commences on the day of the machine being picked up from our Group until day of the machine being returned to our Group (both inclusive). Extension of contract can be negotiated one month before the end of the rental period.
Payment:	Our Group charges handling fees on overdue amounts from customers. In the event that the amount is overdue for 60 days or more, the relevant rental contract will be considered as terminated. Either party has to give one month's advance notice or one month's rental payment in lieu of such notice to the other party if it/he/she requires early return of the machinery.
Responsibility of the hirer:	• All costs of fuel and lubricant, repair costs, costs of replacing missing or damaged parts/components on the machine arising during the rental period. • Costs for transportation, obtaining a certificate from an RPE, mobilisation and demobilisation. • Any loss or damage due to mishandling and improper operation of the machines. The hirer shall use the machine only at the agreed site and is not allowed to surrender it or transfer any rights in relation to the machine to any third party.
Responsibility of our Group:	• Routine check and maintenance at job sites in Hong Kong only (from 8:00 a.m. to 6:00 p.m. from Monday to Saturday), including the supply of material and labour, but excluding any fuel and lubricant. Parts subject to wear and tear are excluded.
Insurance:	Insurance of machines shall be covered by the hirer. The hirer is responsible for taking out insurance in respect of all risks borne by contractors, employees' compensation on operators and mechanics, third party liabilities, public liabilities, etc.
Guarantee:	Our Group shall guarantee the hydraulic hose to be in good order for one week after the setting up of the machine. Other than that, any cost of repair for damaged hydraulic hose shall be at the hirer's account. Our Group shall not be responsible for any consequential loss arising from at the hirer's job site.

MAJOR QUALIFICATIONS AND LICENCES

Our Legal Counsel was of the view that in the premises for the business of machinery leasing and trading as well as ancillary transportation, World Super has obtained all the necessary licences, consents, approvals, permits, authorisations, certificates or order for carrying on of its operations and business under the laws of Hong Kong.

The Factories and Industrial Undertakings Ordinance and Occupational Safety and Health Ordinance concern work safety particularly in factories and industrial undertakings such as a construction site. Please refer to "Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)" and "Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)" under the "Regulatory Overview" section of this prospectus for details. Our Legal Counsel was of the view that since World Super is not the proprietor of the construction sites, World Super has no control of the working environments of its members of staff in the installations and operations of the machines. In the premises, World Super has a lot of practical limitations in ensuring the safety of its employees at the construction sites. The proprietor of the construction sites are prima facie responsible for ensuring the safety of our staff at the construction sites. According to our Legal Counsel, proprietor means the person having management and control or the occupier and the agent of such occupier under section 2 of the FIU Ordinance, which generally refers to the construction contractor of the construction site. To the best knowledge of our Directors, there was no prosecution against our Group under the FIU Ordinance and/or OSH Ordinance as at the Latest Practicable Date.

Our Legal Counsel was also of the view that if a crane is leased out by World Super, it is the responsibility of the other person as defined in Regulation 3 of the FIU (LALG) Regulations such as the lessee or any person having control of the crane to ensure the testing of the crane, since they are the persons who have custody or direct control of the crane and the persons who know when the crane will be used. It is not the responsibility of World Super to ensure testing of the cranes. Please refer to "Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations" under the "Regulatory Overview" section of this prospectus for details of FIU (LALG) Regulations.

Based on the advice from our Legal Counsel as to the definition of NRMM under Air Pollution Control (Non-road Mobile Machinery)(Emission)Regulation, our Directors confirmed that the business of our Group involves the leasing of NRMMs. Please refer to the paragraph headed "Air Pollution Control (Non-road Mobile Machinery)(Emission) Regulation" under "Regulatory Overview" section of this prospectus for details of NRMMs. As at the Latest Practicable Date, 15 of our construction machinery are subject to the NRMM Regulation, among which, ten of the Regulated Machines were granted approval and five of them were granted exemption by the EPD under the NRMM Regulation.

Our Directors considered that the NRMM Regulation does not have any material adverse impact on our Group's business and its Regulated Machines.

In order to maintain a younger fleet of construction machinery with a wider variety of models, our Group has replaced and will replace our construction machinery from time to time. Capital expenditure for purchasing plant and machinery amounted to approximately HK$26.2 million, HK$4.9 million and HK$31.7 million for the three years ended 31 December 2018, respectively.

Based on the advice of our Legal Counsel, our Directors confirmed that for the plants and equipment maintained by us, only the Regulated Machines are required to obtain NRMM approval/exemption. Other plants and equipment are non-regulated, which included crawler cranes with power packs outside the regulated range of power, oscillators or RCDs without power packs/generators. The tables below further set out the plant hire income generated from our rental fleet and the carrying value of our plants and machinery in our rental fleet during the Track Record Period:

	For the year ended 31 December					
	2016		**2017**		**2018**	
	HK$	*% of plant hire income from own fleet*	*HK$*	*% of plant hire income from own fleet*	*HK$*	*% of plant hire income from own fleet*
Regulated Machines:						
(i) approved machines	4,676,643	35.4	9,182,327	38.9	7,951,707	29.5
(ii) exempted machines	4,146,737	31.4	10,171,820	43.1	10,411,555	38.6
Non-regulated machines	4,303,805	32.6	3,960,061	16.8	7,896,430	29.3
Others *(Note)*	75,652	0.6	272,000	1.2	708,821	2.6
Total	13,202,837	100.0	23,586,208	100.0	26,968,513	100.0

Note: Others include tools and spare parts for machinery which are not construction machinery.

	As at 31 December					
	2016		**2017**		**2018**	
	HK$	*% of the carrying value of construction machinery*	*HK$*	*% of the carrying value of construction machinery*	*HK$*	*% of the carrying value of construction machinery*
Regulated Machines:						
(i) approved machines	41,434,789	49.7	44,284,988	54.2	44,026,755	41.9
(ii) exempted machines	17,098,646	20.5	14,443,850	17.6	16,940,561	16.1
Non-regulated machines	24,780,240	29.8	23,167,508	28.2	43,755,157	41.6
Others *(Note)*	3,829	0.0	3,616	0.0	378,704	0.4
Total	83,317,504	100.0	81,899,962	100.0	105,101,177	100.0

Note: Others include tools and spare parts for machinery which are not construction machinery.

Impact of the Technical Circular on our Group

Pursuant to a Technical Circular, an implementation plan to phase out the use of exempted NRMMs for four types of exempted NRMMs (namely generators, air compressors, excavators and crawler cranes) has been implemented, under which, all new capital works contracts of public works including design and build contracts with an estimated contract value exceeding $200 million and tenders invited on or after 1 June 2015 shall require the contractor to allow no exempted generator and air compressor to be used after 1 June 2015 and the number of exempted excavators and crawler cranes not to exceed 50%, 20% and 0% of the total units of exempted NRMMs from 1 June 2015, 1 June 2017 and 1 June 2019 respectively. For further details, please refer to the section headed "Regulatory Overview" in this prospectus.

As at 31 December 2018, our Group had two out of six crawler cranes, three out of five RCDs, and one out of eight casing oscillators with exempted label. The machinery rental income of the construction machinery with exempted label derived from public works with contract value of exceeding HK$200 million accounted for approximately 5.1%, Nil and 2.9% of our Group's total revenue for the three years ended 31 December 2016, 2017 and 2018, respectively.

The machinery rental income generated from crawler cranes with exempted label derived from public works with contract value of exceeding HK$200 million accounted for approximately 0.6%, Nil and Nil of our Group's total revenue for the three years ended 31 December 2016, 2017 and 2018 respectively. The carrying amount of the two remaining crawler crane with exempted label as at 31 May 2019 (being the last date when exempt NRMM is still accepted for public works with contract value exceeding HK$200 million) is expected to be approximately HK$5.2 million.

Measures to minimise the impact of the Technical Circular

To cope with the replacement need or expansion plan, our Group will continue to purchase new machines which are approved NRMMs. For those construction machineries without approved labels, our Group will continue to deploy them in private projects or Macau projects.

The power generator and the casing oscillator are two separate components of a machine. The casing oscillators that our Group uses can be leased out without the power generator. As such, our Directors are of the view that the Technical Circular will not affect the rent out rate of our Group's casing oscillator.

The Group acquired one new power generator with NRMM approved label in January 2019. Our Group also plans to use approximately HK$0.6 million and HK$2.2 million to replace our another two RCD related power generators with models that can obtain NRMM approved label under NRMMs in September 2019 and December 2019 respectively. It is expected that the acquisition costs of HK$2.8 million will be financed by the proceeds from the Share Offer.

We do not expect to encounter material impairment issues with our two remaining crawler cranes with exempted label as at the Latest Practicable Date as they can be used for private projects or Macau projects.

In view of the aforesaid, our Directors considered that implementation of the NRMM Regulation and the Technical Circular will have no significant impact or adverse effect on our Group's operation and business. Our Directors considered that our Group will have sufficient approved machines to carry out contracts of public works with contract value of exceeding HK$200 million because our Group will increase the proportion of approved machines out of our rental fleet by carrying out the replacement and expansion plans.

SALES AND MARKETING

We aim to source construction machinery which can suit market needs. We joined a club which aims to promote good fellowship amongst its members who work in or are associated with the construction industry and to provide charitable assistance to those in need within the construction industry and to their dependents in qualifying cases. The club was established in England in 1956 and first came to Asia in 1986 with formation of a branch in Hong Kong. Our Group would be able to obtain information of customers and suppliers through activities organised by the club. Our Group aims to provide good services and targets to minimise number of hours of rental machine breakdown and to start repair works within two days after receiving the report of machine breakdown. Our Group also conducted visits to customers' job sites and prepared customers surveys to maintain customer relationship.

Our Directors and Chief Operating Officer are responsible for soliciting orders from the existing customers and identifying potential customers.

During the Track Record Period, we also placed advertisements on one annual magazine and one quarterly magazine both with topics focusing on construction industry on regular basis. On the other hand, our Group has promoted business through our company website and through giving out company brochure to potential customers.

For our plant hire business, our Chief Operating Officer would negotiate pricing with customers by making reference to the internal price list approved by our Director(s). If the quotation offers to the customer is below the pricing on the price list, approval from our Director(s) must be obtained. For our machinery trading service, our Chief Operating Officer must seek approval from our Director(s) if the quotation offered to customers amount exceeds HK$0.5 million.

Pricing policy

The pricing policy for our plant hire service primarily takes into consideration of prevailing market rates as well as other factors including (i) purchase costs of the construction machinery; (ii) availability of construction machinery of the same or similar specifications in the Hong Kong market; (iii) our labour cost involved in providing repair and maintenance during the rental period which would be higher for longer rental period; (iv) extent of foreseeable wear and tear on construction machinery based on working condition of the site and difficulty of the project; and (v) competition from other service providers. If applicable, we also take into account the leasing costs payable to other suppliers associated to construction machinery for sub-leasing to our customers.

The pricing policy for our machinery trading service mainly takes into consideration the credit terms granted to us by suppliers of relevant construction machinery as well as the length of customer relationship.

The pricing policy for our transportation and other services mainly takes into consideration the costs incurred for providing such services to the customer, such as fee payable to third party logistic companies for arranging transportation; and also the length of customer relationship.

Credit policy and payment methods

Our Group grants various payment terms to customers of our construction machinery trading service such as credit terms of seven days to 30 days, advance payment and payment against debit note/invoice/order confirmation. For our plant hire service, we generally grant our customers credit period of 14 days to 60 days. Our Group grants various payment terms to customers of our transportation and/or other services such as credit terms of seven days to 30 days and payment against debit note/invoice. During the Track Record Period, our invoices were mostly denominated in Hong Kong dollars, except a few invoices were denominated in EUR, USD, MOP or Singapore dollars. Accounting and human resource department of our Group reviews the trade receivables on monthly basis, informs the commercial and administration department to liaise with relevant customers and takes follow up actions for overdue payments.

PRODUCT RETURNS AND WARRANTY

For machinery trading services we do not offer any warranty in general. During the Track Record Period, we did not encounter any return of products or warranty claim in relation to defects in quality of our construction machinery sold.

The manufacturers or sellers of new construction machinery under our rental fleet usually provide us with warranty covering a period of around 12 months.

For plant hire service, our Group is generally responsible for conducting routine check and maintenance (including the provision of materials and labors) in Hong Kong job sites during business hours. Our Group also guarantees that the hydraulic hose is in good order for one week after set up of machine. Other than that, any cost of repair for damaged hydraulic hose will be at the customers' account. Please refer to the table under the paragraph headed "General Conditions of Our Rental Arrangements" in this section for details.

CUSTOMERS

Our major customers include construction companies engaged in construction projects mainly in Hong Kong and Macau which need construction machinery for their projects and companies engaged in machinery trading. Please refer to the paragraph headed "Sales and Marketing" in this section for our sales and marketing activities.

Five largest customers

The five largest customers of our Group during the Track Record Period in aggregate generated revenue of approximately HK$29.5 million, HK$24.8 million and HK$28.5 million, which represented approximately 85.3%, 64.6% and 65.1% of the total revenue of our Group for each of the three years ended 31 December 2018, respectively. Revenue from our largest customer amounted to approximately HK$10.3 million, HK$6.8 million and HK$10.9 million, which represented approximately 29.8%, 17.7% and 24.8% of our total revenue for each of the three years ended 31 December 2018, respectively.

The tables below set out further details of our top five customers for each of the respective indicated period:

For the year ended 31 December 2016

Customer	**Background and principal business nature**	**Nature of principal service provided by our Group**	**Approximate year/month(s) relationship as customer of our Group** *(at least)*	**Transaction amount** *(HK$ million)*	**% of total revenue of our Group**	**Credit terms**	**Settlement method**
Customer A	Construction *(Note 2)*	Construction machinery trading	2 years	10.3	29.8	Down payment/ 0-30 days	Cheque
Customer B	Construction *(Note 3)*	Construction machinery rental and trading and transportation and other services	3 years	9.2	26.6	15-30 days	Cheque
Customer C	Construction *(Note 4)*	Construction machinery rental and trading and transportation and other services	7 years	5.4	15.5	0-30 days/ Advance payment	Cheque/ Bank transfer
Customer D	Construction, machinery rental and trading *(Note 5)*	Construction machinery rental and transportation and other services	2 years	2.4	7.0	15-30 days	Cheque
Customer E	Machinery rental and trading *(Note 6)*	Construction machinery trading	8 years	2.2	6.4	COD	Cheque

For the year ended 31 December 2017

Customer	Background and principal business nature	Nature of principal service provided by our Group	Approximate year/months(s) relationship as customer of our Group *(at least)*	Transaction amount *(HK$ million)*	% of total revenue of our Group	Credit terms	Settlement method
Customer C	Construction *(Note 4)*	Construction machinery rental and trading and transportation and other services	7 years	6.8	17.7	0-30 days/ Advance payment	Cheque/ Bank transfer
Customer F	Construction *(Note 7)*	Construction machinery rental and trading and transportation and other services	2 years	6.6	17.2	7-30 days	Cheque/ Bank transfer
Customer G	Trading of motor vehicles and machinery *(Note 8)*	Construction machinery trading	5 years	4.7	12.1	Down payment/ 0-30 days	Cheque
Customer D	Construction, machinery rental and trading *(Note 5)*	Construction machinery rental	2 years	3.7	9.6	15-30 days	Cheque
Customer H	Construction, machinery rental and trading *(Note 9)*	Construction machinery rental and trading and transportation and other services	4 years	3.0	7.9	30 days	Cheque/ Bank transfer

For the year ended 31 December 2018

Customer	Background and principal business nature	Nature of principal service provided by our Group	Approximate year/month(s) relationship as customer of our Group *(at least)*	Transaction amount *(HK$ million)*	% of total revenue of our Group	Credit terms	Settlement method
Customer F	Construction *(Note 7)*	Construction machinery rental and trading and transportation and other services	2 years	10.9	24.8	7-30 days	Cheque/ Bank transfer
Customer H	Construction, machinery rental and trading *(Note 9)*	Construction machinery rental and trading	4 years	5.7	13.0	30 days	Cheque/ Bank transfer
Customer I	Machinery rental and trading *(Note 10)*	Construction machinery rental and transportation and other services	8 months	4.2	9.6	Down payment/ 0-15 days	Cheque
Customer J	Construction *(Note 11)*	Construction machinery trading	1 year	4.0	9.2	Down payment/ 0-30 days	Cheque/ Bank transfer
Customer K	Construction *(Note 12)*	Construction machinery rental and trading and transportation and other services	8 months	3.7	8.5	15-30 days	Cheque

Notes:

1. Our Group regard customers having common shareholders/directors/management as a single customer group.

2. Customer A is a private company. According to information publicly available, it was incorporated in 1982 and carries out construction business in Hong Kong. Customer A is registered with (i) the Buildings Department of Hong Kong as a registered general building contractor; (ii) the Construction Industry Council as a registered subcontractor under various trade specialties; and (iii) the Development Bureau of Hong Kong as one of the approved contractors for public works under the category of buildings. Customer A has up to approximately 50 employees and a paid-up capital of HK$90 million.

3. Customer B consists of two subsidiaries of a company listed on the Stock Exchange. Both members of Customer B carry out civil engineering works. According to the latest annual report of the group of Customer B, its revenue and net profit for the year ended 31 December 2017 were approximately HK$5,986 million and HK$187 million, respectively, with more than 2,000 staff and labour. One member of Customer B is registered with (i) the Buildings Department of Hong Kong as a registered general building contractor and a registered specialist contractor under the categories of foundation works and site formation works; (ii) the Construction Industry Council as a registered subcontractor under various trade specialties; and (iii) the Development Bureau of Hong Kong as one of the approved contractors for public works under the categories of buildings, roads and drainage and site formation works as well as one of the approved suppliers of materials and specialist contractors for public works under the category of structural steelwork. The other member of Customer B is registered with the Construction Industry Council as a registered subcontractor under various trade specialties. The two members of Customer B have a paid-up capital of HK$99.2 million and HK$20 million, respectively.

4. Customer C is a subsidiary of a company listed on the Shanghai Stock Exchange. According to the latest annual report of the group of Customer C, its revenue and net profit for the year ended 31 December 2017 were approximately RMB31,526 million and RMB1,833 million, respectively, with more than 9,000 staff and labour. The group of Customer C mainly engages in the design, construction, investment and operation of infrastructure, as well as the manufacturing of tunnel boring machine. Customer C is registered with the Construction Industry Council as a registered subcontractor under various trade specialties and has a paid-up capital of HK$7.6 million.

5. Customer D (also one of the group members of Supplier C) is a private company. According to information publicly available, it was incorporated in 2004 and carries out operation of construction engineering with approximately 30 employees. Customer D has a paid-up capital of HK$100.

6. Customer E (also Supplier I) is a private company. According to information publicly available, it was incorporated in 1987 and carries out machinery trading worldwide, including Hong Kong and China, with up to approximately 10 employees. Customer E has a paid-up capital of HK$4 million.

7. Customer F consists of two private companies. According to information publicly available, they were incorporated in 2015 and 2017, and carry out foundation engineering works and mechanic engineering works respectively in Macau, with approximately 10 full-time employees in total. Each of the two members of Customer F has a paid-up capital of MOP$25,000.

8. Customer G (also Supplier L) is a private company. According to information publicly available, it was incorporated in 1993 and carries out trading of motor vehicles and machinery in Hong Kong with approximately 10 employees. Customer G has a paid-up capital of HK$7 million.

9. Customer H is a private company. According to information publicly available, it was incorporated in 2013 and carries out construction works and related services in Macau with approximately 20 employees. Customer H has a paid-up capital of MOP$25,000.

10. Customer I is a private company. According to information publicly available, it was incorporated in 1991 and carries out wholesale business in China, Hong Kong, Japan, and Western Europe, with up to approximately 25 employees. Customer I has a paid-up capital of HK$10,000.

11. Customer J consists of two private companies. According to information publicly available, they were incorporated in 2018 and carry out construction business in Macau. The two members of Customer J have a paid-up capital of MOP$100,000 and HK$1, respectively. In December 2017, the owner of Customer J (the "**Owner**") approached Mr. Sou to invite Mr. Sou to invest in his construction business in Macau. In January 2018, Mr. Sou and Mr. Fok followed the Owner's suggestion to use the proposed company name of "**歷華**" and incorporated a company named "Lak Wah Engineering & Construction Limited (歷華工程建築有限公司)" ("**HK Lak Wah**") in Hong Kong with an initial intention to invest into Customer J. However, having considered that our Group might not have sufficient time and resources to handle the workloads and contribute to the development of construction business in Macau and Mr. Sou's plan for the Listing, Mr. Sou and Mr. Fok subsequently turned down the investment plan and proceeded with the deregistration of HK Lak Wah in May 2018. Mr. Sou and Mr. Fok confirmed that HK Lak Wah had never commenced any business since its incorporation and up to its deregistration in 2 November 2018. Afterwards, our Group continued its business relationship with Customer J, such as selling used construction machinery to Customer J.

    Customer J and the Owner confirmed that, save as the aforesaid and other than the business relationship with respect to our Group's core business, none of Customer J, its shareholders, administrators/directors, or any of their respective associates had any past or present relationship, including business, financial, employment, or otherwise, with our Company, its subsidiaries, their shareholders, directors and their respective associates.

12. Customer K is a subsidiary of a company listed on the Stock Exchange. According to the latest annual report of the group of Customer K, its revenue and net profit for the year ended 31 March 2018 were approximately HK$299 million and HK$25 million, respectively, with more than 100 staff and labour. The group of Customer K principally engages in the provision of foundation works and ancillary services, provision of construction wastes handling, investments in securities business and money lending business. Customer K is registered with the Construction Industry Council as a registered subcontractor under various trade specialties. Customer K has a paid-up capital of HK$100.

Customer concentration

For each of the three years ended 31 December 2018, the five largest customers of our Group, in aggregate, contributed to approximately 85.3%, 64.6% and 65.1% of the total revenue of our Group, respectively. Despite such customer concentration, our Directors considered that our business model to be sustainable:

(i) Except for Customer A, Customer B and Customer F, none of our five largest customers had accounted for more than 20% of our total sales in cash of the three years ended 31 December 2018.

(ii) The ranking of our five largest customers for each of the three years ended 31 December 2018 were substantially different, which suggests that we did not place undue reliance on any particular one of them throughout the Track Record Period for revenue generation.

(iii) Some of our major customers (including Customer C, Customer E and Customer G) had long-standing business relationships with us for over five years.

(iv) It is common for a construction company which had engaged in a few sizable projects to have substantial demand for construction machinery rental and trading and transportation and other services. Our Group preferred to supply different construction machinery to a particular customer if it has such demand as this would enhance our bargaining power and administrative efficiency. Therefore, if we decide to provide services to such construction company, the relevant customer may easily become our largest customers in terms of revenue contribution to us.

(v) Our construction machinery have standard specification and can be used in different construction projects. The concentration of customers does not imply limited demand for our construction machinery but is rather a preferred business strategy of our management.

(vi) According to the F&S Report, it is an industry norm that some rental service providers in Hong Kong and Macau, especially those companies with small-scale operation, have a relatively high customer concentration as they may only supply machineries to a few customers during a given period due to their limited fleet capacity.

Our largest customers who were also our suppliers

Customer A, B, C, D, E, G and J were also suppliers of our Group during the Track Record Period. Customer A provided machinery rental services to our Group of approximately HK$0.3 million and HK$0.5 million for each of the two years ended 31 December 2018. Customer B provided machinery rental services and spare parts to our Group of approximately HK$0.4 million and HK$0.1 million for the year ended 31 December 2018, respectively. Customer C provided machinery rental services to our Group of approximately HK$40,000 for the year ended 31 December 2018. Customer D was a top five supplier (Supplier C) for the year ended 31 December 2016 and 2018. Customer E and Customer G were also top five suppliers of our Group (Supplier I and Supplier L, respectively) for the year ended 31 December 2018. For details, please refer to the tables under "Five largest suppliers" below. Customer J provided machinery rental services to our Group of approximately HK$0.4 million for the year ended 31 December 2018.

The Directors confirm that, in certain circumstances, our Group may lease from its customers certain type of machinery that is not available in the Group's rental fleet. These customers are usually construction companies which have certain number of machineries of different types that our Group does not retain. In such circumstance, such customers become the Group's suppliers. Therefore, our Group need to sub-lease certain kind of machinery from the suppliers who may be also our customers. The overlapping of customers and suppliers is a practice which is common in the industry.

According to the F&S Report, sub-leasing arrangement is common in construction machinery rental market, under which a rental service provider sources and rents certain types of machineries from other rental service providers and sub-leases the machineries to fulfil requirements of its customers. As a result, the suppliers and customers of a rental service provider may be overlapping. Our Directors confirm that the transactions with these overlapping customers and suppliers are carried out on normal commercial terms and within the usual and ordinary course of business.

So far as our Directors are aware, none of our Directors, their respective associates or shareholders holding more than 5% of the issued share capital of our Company had any interest in our five largest customers during the Track Record Period and up to the Latest Practicable Date. Our Directors also confirmed that, to their best knowledge, and other than the business relationship with respect to our Group's core business, none of our Company or any of its subsidiaries, their shareholders, directors, or any of their respective associates had any past or present relationship, including business, financial, employment, or otherwise, with any of our five largest customers during the Track Record Period and up to the Latest Practicable Date.

SUPPLIERS

Our suppliers primarily include suppliers of construction machinery, tools and parts for our trading operations and other suppliers including construction machinery service providers in support of our plant hire operations as well as third party logistic companies and other third party service providers in support of our transportation and other services. Our Directors confirmed that during the Track Record Period, there had been no major disputes with these service providers and we had not received any complaint or request for any kind of compensation from our customers due to quality issue for the works performed by these service providers. In general, payment terms granted by suppliers were 0-30 days from the invoice date of the relevant purchases. We mainly settled our payments by cheques and sometimes, by bank transfers, by cash or others.

Supply during the Track Record Period

We believe that due to our well-established relationship with our major suppliers, we have not experienced any material shortage or delay of supply.

Five largest suppliers

For each of the three years ended 31 December 2018, purchases from our five largest suppliers, in aggregate, amounted to approximately HK$12.7 million, HK$8.7 million and HK$7.1 million, which represented approximately 86.1%, 86.2% and 63.7%, respectively, of our Total Purchases, while purchases from our largest supplier amounted to approximately HK$3.9 million, HK$3.3 million and HK$2.4 million, which represented approximately 26.3%, 32.4% and 21.4%, respectively, of our Total Purchases.

For the year ended 31 December 2016

Supplier	Principal business nature	Major product(s)/ services purchased by our Group	Approximate year(s)/month(s) relationship as supplier of our Group *(at least)*	Transaction amount *(HK$ million)*	% of Total Purchase of our Group	Credit terms	Settlement method
Supplier A	Machinery rental and trading *(Note 2)*	Machinery	9 years	3.9	26.3	Down payment and cash on delivery (COD)	Cheque
Supplier B	Manufacturer of construction machinery and parts *(Note 3)*	Machinery and spare parts or tools/ machinery rental services	17 years	3.2	21.9	0-30 days	Cheque/ Bank transfer
Supplier C	Construction, machinery rental and trading *(Note 4)*	Machinery/machinery rental services	10 years	2.0	13.9	Down payment/ 0-30 days	Cheque
Supplier D	Manufacturer of construction machinery and parts *(Note 5)*	Spare parts or tools/ transportation and other services	5 years	1.9	12.6	30 days/ Advance payment	Bank transfer/ Telegraphic transfer (TT)
Supplier E	Construction *(Note 6)*	Machinery rental services	2 years	1.7	11.5	30 days	Cheque

For the year ended 31 December 2017

Supplier	**Principal business nature**	**Major product(s)/ services purchased by our Group**	**Approximate year(s)/month(s) relationship as supplier of our Group** *(at least)*	**Transaction amount** *(HK$ million)*	**% of Total Purchase of our Group**	**Credit terms**	**Settlement method**
Supplier A	Machinery rental and trading *(Note 2)*	Machinery	9 years	3.3	32.4	Down payment and COD	Cheque
Supplier F	Machinery rental and trading *(Note 7)*	Spare parts or tools/ machinery rental services/ transportation and other services	5 years	3.1	30.6	30 days	Cheque
Supplier G	Machinery trading *(Note 8)*	Machinery/ transportation and other services	1 year	1.5	14.4	7 days	Bank transfer
Supplier B	Manufacturer of construction machinery and parts *(Note 3)*	Spare parts or tools/ machinery rental services/ transportation and other services	17 years	0.5	5.0	0-30 days	Cheque/ Bank transfer
Supplier H	Trading of tools and spare parts *(Note 9)*	Spare parts or tools	1 year	0.4	3.8	COD	TT

For the year ended 31 December 2018

Supplier	Principal business nature	Major product(s)/ services purchased by our Group	Approximate year/month(s) relationship as supplier of our Group *(at least)*	Transaction amount *(HK$ million)*	% of Total Purchase of our Group	Credit terms	Settlement method
Supplier C	Construction, machinery rental and trading *(Note 4)*	Machinery/ machinery rental services/transportation and other services	10 years	2.4	21.4	Down payment/ 0-30 days	Cheque
Supplier I	Machinery rental and trading *(Note 10)*	Machinery	11 years	2.0	17.7	Down payment/ COD	Cheque
Supplier J	Construction *(Note 11)*	Machinery	10 months	1.2	10.8	14 days	Cheque
Supplier K	Machinery trading and transportation and other services *(Note 12)*	Spare parts or tools/ transportation and other services	4 years	0.8	7.1	Down payment/ 0-60 days	Cheque
Supplier L	Trading of motor vehicles and machinery *(Note 13)*	Machinery rental services	8 months	0.7	6.7	30 days	Cheque

Notes:

1. Our Group regards those suppliers having common shareholders/directors/management as a single supplier group.

2. Supplier A is a private company. According to the F&S Report, with a rental fleet of over 100 cranes and numerous other types of construction machinery, Supplier A is a well established market leader in the field of heavy plant rental and sales to the Hong Kong market. It is the authorised dealer of a number of construction machinery brands. According to information publicly available, it was incorporated in 1993. According to the F&S Report, Supplier A is (i) one of the top five largest market players for foundation work machinery rental market in Hong Kong in 2018 with a market share of 12.4%; and (ii) one of the top five largest market players for crawler crane rental market in Hong Kong in 2018 with a market share of 15.5%. Supplier A has approximately 80 employees and a paid-up capital of HK$10,000.

3. Supplier B is a private company. According to information publicly available, its revenue and net profit for the year ended 31 December 2017 were approximately EUR9,845 million and EUR331 million, respectively, with more than 43,000 staff and labour by the end of 2017. The group of Supplier B has over 60 years of operating history and derived revenue of approximately EUR2,057 million from its mobile cranes division by the end of 2017. Supplier B has a paid-up capital of HK$42.1 million.

4. Supplier C (also Customer D) consists of two private companies. According to information publicly available, they were incorporated in 2004 and 2009. One member of Supplier C carries out foundation works in Hong Kong, which is registered with (i) the Buildings Department of Hong Kong as a registered specialist contractor under the categories of foundation works and site formation works; and (ii) the Construction Industry Council as a registered subcontractor under various trade specialties. The other member of Supplier C carries out operation of construction engineering with approximately 30 employees. Each of the two members of Supplier C has a paid-up capital of HK$100.

5. Supplier D consists of two subsidiaries of a company listed on the Frankfurt Stock Exchange. According to the latest annual report of the group of Supplier D, its revenue and net profit for the year ended 31 December 2017 were approximately EUR1,772 million and EUR3.7 million, respectively, with more than 10,900 staff and labour by the end of 2017. The group of Supplier D was founded in 1790 and derived revenue of approximately EUR754.5 million from its equipment segment by the end of 2017. The two members of Supplier D have a paid-up capital of HK$100,000 and EUR75 million, respectively.

6. Supplier E is a private company. According to information publicly available, it was incorporated in 1998 and ultimately held by State Council of the People's Republic of China. Supplier E is registered with (i) the Buildings Department of Hong Kong as a registered specialist contractor under the categories of foundation works and site formation works; (ii) the Construction Industry Council as a registered subcontractor under various trade specialties; and (iii) the Development Bureau of Hong Kong as one of the approved contractor for public works under the categories of roads and drainage, site formation and waterworks as well as one of the approved suppliers of materials and specialist contractors for public works under the categories of land piling and landslip preventive/ remedial works to slope/ retaining walls. The group of Supplier E has completed a number of projects in Hong Kong, including improvement to Island Eastern Corridor section between North Point and Sai Wan Ho, Central reclamation and Kai Tak Cruise Terminal development. Supplier E has a paid-up capital of approximately RMB362.5 million.

7. Supplier F is a private company. According to information publicly available, it was incorporated in 2007. Supplier F has approximately five to six employees and a paid-up capital of HK$10,000.

8. Supplier G is a private company. According to information publicly available, it was incorporated in 2014. Supplier G has approximately 10 employees and a paid-up capital of HK$12,000.

9. Supplier H is a sole-proprietorship. According to information publicly available, it was incorporated in 1990. Supplier H has approximately seven to eight full-time employees.

10. Supplier I (also Customer E) is a private company. According to information publicly available, it was incorporated in 1987 and carries out machinery trading worldwide, including Hong Kong and China, with up to approximately 10 employees. Supplier I has a paid-up capital of HK$4 million.

11. Supplier J is a private company. According to information publicly available, it was incorporated in 2002. Supplier J is registered with (i) the Buildings Department of Hong Kong as a registered specialist contractor under the categories of foundation works and ground investigation field works; (ii) the Construction Industry Council as a registered subcontractor under various trade specialties; and (iii) the Development Bureau of Hong Kong as one of the approved suppliers of materials and specialist contractors for public works under the categories of ground investigation field works and land piling. Supplier J has a paid-up capital of HK$9.3 million.

12. Supplier K is a private company. According to information publicly available, it was incorporated in 2010. Supplier K offers different construction machinery for sale, mainly including foundation equipment and accessories, custom equipment and accessories, and tunnel boring accessories. Supplier K has a paid-up capital of HK$1.

13. Supplier L (also Customer G) is a private company. According to information publicly available, it was incorporated in 1993 and carries out trading of motor vehicles and machinery in Hong Kong with approximately 10 employees. Customer G has a paid-up capital of HK$7 million.

Supplier concentration

For each of the three years ended 31 December 2018, the five largest suppliers of our Group in aggregate contributed to approximately 86.1%, 86.2% and 63.7% of the total purchase of our Group, respectively. Despite such supplier concentration, our Directors consider that our business model to be sustainable:

(i) Except for Supplier A, Supplier B and Supplier C as referred to in the above tables, our five largest suppliers during the Track Record Period were different.

(ii) Except for Supplier A, Supplier B, Supplier C and Supplier F, none of our five largest suppliers had accounted for more than 20% of our total purchase in each of the three years ended 31 December 2018.

(iii) Supplier A (being our largest supplier for the year ended 31 December 2016 and 2017) is a supplier of construction machinery. Given the substantial value of construction machinery, it is natural for any supplier of construction machinery to become a major supplier of ours in any particular year. Supplier A was no longer one of our five largest suppliers for the year ended 31 December 2018.

(iv) Our Directors are of the view that in case of any shortage of supply from certain suppliers, we are able to source from alternative suppliers with comparable quality and prices for similar spare parts or machinery, and hence our business operations would not solely rely on the supply of particular supplier.

Our largest suppliers who were also our customers

Supplier C, Supplier F, Supplier I, Supplier J, Supplier K and Supplier L were also customers of our Group during the Track Record Period. Supplier C was a also top five customers of our Group (Customer D) for the years ended 31 December 2016 and 2017. Supplier I was also a top five customer of our Group (Customer E) for the year ended 31 December 2016. Supplier L was also a top five customer of our Group (Customer G) for the year ended 31 December 2017. For details, please refer to the tables under "Five largest customers" above. Our Group generated income of approximately HK$18,000 and HK$0.9 million from Supplier J for the years ended 31 December 2017 and 2018 respectively. Our Group generated income of approximately HK$15,000 and HK$25,000 from Supplier F for the two years ended 31 December 2017 and 2018, respectively. Our Group generated income of approximately HK$0.3 million from Supplier K for the year ended 31 December 2018.

The Directors confirm that, in certain circumstances, the suppliers may lease from our Group certain type of machinery that is not available in the supplier's rental fleet. In such circumstance, such supplier becomes our Group's customer. The overlapping of customers and suppliers is a practice which is common in the industry.

According to the F&S Report, sub-leasing arrangement is common in construction machinery rental market, under which a rental service provider sources and rents certain types of machineries from other rental service providers and sub-leases the machineries to fulfil requirements of its customers. As a result, the suppliers and customers of a rental service provider may be overlapping. Our Directors confirm that the transactions with these overlapping customers and suppliers are carried out on normal commercial terms and within the usual and ordinary course of business.

So far as our Directors are aware and except as disclosed, none of our Directors, their respective associates or shareholders holding more than 5% of the issued share capital of our Company had any interest in our five largest suppliers during the Track Record Period and up to the Latest Practicable Date. We had not experienced any material shortage or delay in the supply of products from our suppliers during the Track Record Period.

INVENTORY MANAGEMENT

Our inventories comprised only spare parts and decreased from approximately HK$1.7 million as at 31 December 2016 to approximately HK$1.0 million as at 31 December 2017 mainly due to more consumption of spare parts for the year ended 31 December 2017. Our inventories increased to approximately HK$1.4 million as at 31 December 2018 mainly due to acquisition of additional spare parts. During the Track Record Period, we seldom kept inventory for trading of construction machinery.

We recorded average inventory turnover days of approximately 44 days, 48 days and 40 days as at 31 December 2016, 2017 and 2018, respectively. Before making purchases from our suppliers, we would check with the suppliers for the relevant quotation and the availability of supplies. Our Directors confirmed that during the Track Record Period, our Group had not encountered any shortage of supply that would have a material impact to our business operations.

RESEARCH AND DEVELOPMENT

During the Track Record Period and as at the Latest Practicable Date, we had not engaged in any research and development activity. We, however, remain attentive to the latest development and trend in construction machinery through regular contacts with our customers and machinery rental service suppliers.

SENSITIVITY ANALYSIS

The sensitivity analysis under "Sensitivity analysis" of the "Financial Information" section of this prospectus illustrates the impact of hypothetical fluctuations in machinery rental costs and staff costs on our net profit during the Track Record Period. Please refer to the relevant section for details.

QUALITY CONTROL

World Super has been assessed and certified as meeting the requirements of ISO 9001:2015 for renting and maintenance of crawler crane and reverse circulation drilling rig and casing oscillator. The certificate is valid from 24 December 2017 until 23 December 2020 and remains valid subject to satisfactory surveillance audits. This multi-site certification covers office of our Group at Unit 3403, 34/F., AIA Tower, 183 Electric Road, North Point, Hong Kong and the Fanling site at Portion of Lots Nos., 440RP, 442, 443, 444 & 447 in DD77, New Territories, Hong Kong. World Super is committed to establishing, documenting, implementing and maintaining a quality management system in accordance with the requirements of the ISO9001:2015 Quality Management System.

Upon receipt of purchase request/email from a customer, our Directors or Chief Operating Officer shall confirm all the rental information such as type of equipment, rental period, monthly rental rate, quantity, delivery time, delivery method (if applicable) and payment term in the hire quotation by signature. Our Group shall also determine the requirements not stated by the customer but necessary for specified or intended use such as lifting capacity and any additional requirement considered necessary by World Super. Our Chief Operating Officer shall fully understand customers' requirements before issuing and signing hire quotations or agreements to customers to ensure our Group has the ability to meet the requirements, such as rental period and required quantity.

Our Group shall evaluate and select suppliers based on their ability to supply product in accordance with our Group's requirements, such as technical capability, quality and management. For purchases of fixed assets (including machinery in rental fleet) with an amount in excess of HK$0.2 million, such purchases must be approved by our Directors. For purchases of fixed assets with an amount in excess of HK$5 million, such purchases must be approved by our Board. For sourcing logistic services or construction machinery related accessories from suppliers, such purchases must be evaluated by our assistant plant manager and approved by our Chief Operating Officer. The supplier will be added into the list of approved suppliers after being approved by our Director(s). Our assistant plant manager will re-evaluate these suppliers based on their quality and delivery performance and update the list of approved suppliers on quarterly basis.

Our Group shall seek external or internal resources to perform calibration on certain instruments such as tools and equipment with measurement scales, which shall be verified annually; and ensure such instruments conformed to international or national measurement standards and the accuracy of the measurement scales is verified prior to use. If there is no such existing standards, the basis used for calibration or verification shall be recorded. Our assistant plant manager shall replace the original calibration label by an obsolete label if the instrument fails the calibration and report to our technical service department for follow-up action as necessary. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, no failure of calibration was recorded. Security for machinery and spare parts in Fanling Site shall be monitored by surveillance camera installed by our Group.

Our technical service team members perform routine checks and repair and maintenance for our construction machinery to ensure good quality control on our rental fleet. As at the Latest Practicable Date, our technical service department consists of seven members and two of them are qualified to conduct gas welding works.

We endeavour to maintain the necessary competence for personnel performing work. External training in relation to ISO9001:2015 and construction machinery safety course had been provided to our staff. Our Group conducted customer survey at least once a year as one of the measurements of the performance of the quality management system.

HEALTH, WORK SAFETY AND ENVIRONMENTAL MATTERS

Pursuant to the safety guidelines of our Group, our staff is required to comply with our safety procedures to lower the chance of injury. For instance, our staff must wear protection gear when working at noisy environment, or at places high above the ground, or conducting welding works.

Our business or our construction machinery is subject to certain health, work safety and environmental laws and regulations. Please refer to the "Regulatory Overview" section of this prospectus for details. Our Chief Operating Officer monitors compliance with legal requirements and our internal standards in respect of health, work safety and environmental matters. Our Directors considered that the annual cost of compliance with the applicable health, work safety, social and environmental laws and regulations was not material during the Track Record Period and the cost of such compliance is not expected to be material going forward. During the Track Record Period, we were not subject to any material environmental claims, lawsuits, penalties or disciplinary actions.

Accident and fatality rates

During the Track Record Period and up to the Latest Practicable Date, we have not encountered any fatal construction accidents on construction sites which our plant hire operations may be related to and we may be responsible for. We are also not aware of any removal, suspension, downgrading or demotion of the qualifications or licences that our operators may have possessed. Normally we do not arrange operators at job site for customers. However, upon request, we may arrange operators for our customers. During the Track Record Period, we employed an operator whose salary was calculated based on number of days of actual service provided. We confirmed that we are not aware of any removal, suspension, downgrading or demolition of the qualification or licences that our operator may have possessed. Notwithstanding the aforesaid, our employees may be involved in accidents caused by common workplace issues resulting in injuries from time to time given the nature of our operations. During the Track Record Period and up to the Latest Practicable Date, our Group was not involved in any claim or legal proceeding in relation to work accident.

INTELLECTUAL PROPERTY

We are the registered owner of the trademark "WS" in Hong Kong. In addition, we are the registered owner of the domain name "www.worldsuperhk.com". For further information, please refer to the section headed "Statutory and General Information — B. Further Information about the Business of our Group — 2. Intellectual property rights of our Group" in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not involved in any litigation relating to the infringement of any intellectual property rights belonging to third parties in respect of our products. Our Directors have confirmed that neither our Group nor any of our Directors have received any notice of any infringement of intellectual property rights up to the Latest Practicable Date.

EMPLOYEES

As at the Latest Practicable Date, we had 14 full-time employees (not including our executive Directors) and two part-time employees (being an office assistant and an accounting clerk), all of them were located in Hong Kong. A breakdown of our employees by function is set forth below:

	As at the Latest Practicable Date *Number of Full-time employees*
Chief Operating Officer	1
Accounting and human resources	2
Commercial and administration	4
Technical service	7
Total	14

There had not been any labour strike within our Group during the Track Record Period and up to the Latest Practicable Date. Our Directors considered that we have maintained a good relationship with our staff. Our staff may be entitled to annual bonus based on the performance of our staff and our Group.

Our employees in Hong Kong have joined a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") in accordance with the arrangements prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Our employees in Hong Kong and our Group are required to contribute 5% of the relevant employee's monthly wage (up to a maximum contribution of HK$1,500 by us for each employee in Hong Kong) on a monthly basis to the fund, respectively. The employees may contribute more than 5% into the fund. The assets of the MPF Scheme are held separately from those of our Group in an independently administered fund. The employer contributions vest fully with the employees when contributed into the MPF Scheme. Our contributions under the MPF Scheme are charged to the profit or loss account as they become payable in accordance with the rules of the MPF Scheme.

Our total staff cost (including directors emoluments, directors' quarters, wages, salaries and allowances, staff welfare and contributions to defined contribution retirement plan) for each of the three years ended 31 December 2018 amounted to approximately HK$5.9 million, HK$5.9 million and HK$6.2 million respectively.

INSURANCE

Our Directors considered that our current insurance policies provide sufficient coverage of the risks to which we may be exposed for the operation of our business and are customary for businesses of our size and type and in line with the industry practice. We maintain comprehensive insurance for (i) employee's compensation for injuries or death in the course of employment; (ii) business insurance over an office premise and a premise for the use as open storage located at the Fanling Site; (iii) public liability insurance covering accidental death or bodily injury to or illness of any person and accidental loss of or damage to any property occurring within the Fanling Site; (iv) plant insurance over construction machinery generally covering physical loss, damage or destruction of the machine and permanent loss by theft; and (v) fire insurance over our construction machinery stored at Fanling Site.

For details of insurance arrangements with our customers, please refer to "General Conditions of Our Rental Arrangements" in this section.

For each of the three years ended 31 December 2018, our insurance expenses amounted to approximately HK$0.3 million, HK$0.5 million and HK$0.5 million. During the Track Record Period and up to the Latest Practicable Date, we had neither made nor been the subject of any material insurance claim.

MARKET AND COMPETITION

Our Group mainly undertakes construction machinery rental and trading business and provision of transportation or other services in Hong Kong and Macau. We ranked fourth in terms of revenue in the foundation work machinery rental market in Hong Kong and fifth in terms of revenue in the construction machinery rental market in Macau in 2018 as mentioned in the F&S Report. Our market share in the foundation work machinery rental market in Hong Kong, in terms of plant hire income (i.e. approximately HK$12.0 million for the year ended 31 December 2018), was approximately 4.6% in 2018. Our market share in the construction machinery rental market in Hong Kong, in terms of plant hire income (i.e. approximately HK$18.1 million for the year ended 31 December 2018) was approximately 0.4% in 2018. Our market share in the construction machinery trading market in Hong Kong, in terms of general sales (i.e. approximately HK$3.2 million for the year ended 31 December 2018) was approximately 0.1% in 2018. Our market share in the construction machinery rental market in Macau, in terms of plant hire income (i.e. approximately MOP13.6 million for the year ended 31 December 2018), was approximately 2.2% in 2018. Our Directors believe that our competitive strengths include, (i) good reputation with proven track record; (ii) strong management team; and (iii) stable and suitable sources of supplies. For further details on our competitive strengths, please refer to the paragraph headed "Competitive Strengths" above in this section.

Construction Machinery Rental Markets in Hong Kong and Macau

According to the F&S Report, the construction machinery leasing service market in Hong Kong grew at a CAGR of 4.6% from 2013 to 2018. The growth of the market in recent years is mainly attributed to the increasing number of construction projects with the continuous support from government. Following the market trend, the power and energy machinery enjoyed the growth from HK$509.1 million to HK$650.0 million at a CAGR of 5.0% from 2013 to 2018. The size of lifting machinery leasing service market also increased significantly from HK$904.2 million in 2013 to HK$1,203.4 million in 2018. In 2018, Macau construction machinery rental market started to recover driven by the recovery of Macau construction market. From 2019 to 2023, the total rental revenue of the Macau construction machinery rental market is expected to continue its growth at a moderate rate of 7.6%. Please refer to the section headed "Industry Overview – Overview of the Construction Machinery Rental Market in Hong Kong and Macau" in this prospectus for further details on the construction machinery rental markets in which we operate and for a discussion of our competition.

Construction Equipment Trading Market in Hong Kong

According to the F&S Report, the construction machinery trading market is estimated to pick up and grow at a moderate rate of 1.4% from 2019 to 2023, mainly due to the on-going construction of the infrastructure projects and expected commencement of new large-scale reconstruction project in Kowloon City. Please refer to the section headed "Industry Overview – Overview of the Construction Equipment Trading Market in Hong Kong" in this prospectus for further details on the construction equipment trading market in which we operate and for a discussion of our competition.

PROPERTY

As at the Latest Practicable Date, we have leased or entered into tenancy agreements for the use of the following properties:

Properties	Term	Size	Monthly rental expenses	Usage
Unit 3403, 34/F, AIA Tower, 183 Electric Road, North Point, Hong Kong	From 16 November 2017 to 15 November 2019	Approximately 910 sq.ft. saleable area	HK$52,580	Office
7th Floor, No. 106 Waterloo Road, Kowloon	From 1 August 2018 to 31 July 2020	Approximately 1,240 sq.ft.	HK$30,800	Directors' quarter
Fanling Site Portions of Lots Nos. 440RP, 442, 443, 444 and 447 in Demarcation District No. 77, New Territories, Hong Kong	From 1 October 2016 to 30 September 2019	Approximately 12,340 sq.ft.	HK$38,000	Storage of construction machinery

As at the Latest Practicable Date, we did not have any property interest that forms part of the property activities as defined in Rule 8.01(2) of the GEM Listing Rules and section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L) of the Laws of Hong Kong).

During the Track Record Period and up to the Latest Practicable Date, our Group had also entered into agreements with logistic company(ies) and machinery manufacturer(s) for the use of space provided by them for storage of construction machinery of our Group from time to time. Our Directors confirmed that we leased additional storage spaces from external parties from time to time depending on our storage needs. Pursuant to the relevant agreements, our Group was charged for the storage of such machinery.

Termination of licensing and sub-licensing of the Sheung Shui Site

Our Group entered into a licence agreement for the Sheung Shui Site for a fixed term of three months automatically renewable upon expiry until termination by prior written notice (the "**Licence Agreement**"). Our Group then further granted our right to use the Sheung Shui Site to a customer for the usage including storage of machinery and tools under an agreement dated 26 June 2012 (the "**Sub-licence Agreement**"). Our Group terminated the Licence Agreement and Sub-licence Agreement by two respective termination agreements dated 31 May 2016. The amount of income derived from sub-licensing the Sheung Shui Site was HK$210,000 for the year ended 31 December 2016.

Our Property Legal Counsel was of the view that, in the absence of the written consent of the licensor to World Super to enter into the Sub-licence Agreement, World Super was in breach of the Licence Agreement. He opined that without loss and damage, the licensor has no cause of action against World Super and/or its directors. In addition, pursuant to the termination agreement entered into with the licensor, the parties expressly waived any claim against the other party, impliedly in relation to all claims arising from the Licence Agreement. In view of the aforesaid, our Property Legal Counsel opined that even if the licensor had suffered actual loss and damage by reason of World Super's breach, the licensor was barred from commencing legal proceedings to recover the same against World Super.

To prevent the recurrence of incident similar to the breach of the Licence Agreement relating to the Sheung Shui site, our Group has implemented enhanced internal control measures, pursuant to which if our Group needs to enter into a sub-licence agreement, the sub-licence agreement needs to be (i) reviewed by commercial and administration department manager who has relevant legal knowledge and experience; and (ii) approved by our compliance officer and our Board. Our Group will also seek advice from external legal advisers and/or other appropriate independent professional advisers when necessary.

LEGAL PROCEEDINGS AND COMPLIANCE

We may be involved in legal proceedings in the ordinary course of our operations. As at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance. In addition, our Directors are not aware of any litigation, arbitration or claim pending or threatened by or against us which may have a material adverse effect on our business, financial condition or results of operations.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in the paragraph headed "Major non-compliance matters of our Group during the Track Record Period and as at the Latest Practicable Date" below, we had complied with all major applicable laws and regulations in Hong Kong in all material respects.

Major non-compliance matters of our Group during the Track Record Period and as at the Latest Practicable Date

During the Track Record Period and as at the Latest Practicable Date, we had inadvertently contravened (i) the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) and (ii) the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). A summary of the major non-compliance matters of our Group during the Track Record Period and as at the Latest Practicable Date is set out below:

(i) Non-compliance under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "IRO")

Relevant section(s) of the ordinance	Details of the non-compliance incident	Reason(s) for the non-compliance	Remedial action taken/to be taken	Possible legal consequence to our Group and maximum financial impact
Non-compliance with section 52(4) of the IRO	Failure to submit the notice (Form 56E) for commencement of employment of staff which is required to be filed within three months after such commencement of employment	Inadvertent oversight to the relevant legal requirements under the IRO	Our Company has started submitting the Forms 56E to Inland Revenue Department when there is a new employment since 1 August 2016.	Our Group may be liable to a maximum penalty of HK$390,000.
Non-compliance with section 52(5) of the IRO	Failure to submit the notice (Form 56F) for cessation of employment of staff which is required to be filed no later than one month before cessation of employment.	Inadvertent oversight to the relevant legal requirements under the IRO	Our Company has started submitting the Forms 56F to Inland Revenue Department when there is resignation of employment since 1 August 2016.	Our Group may be liable to a maximum penalty of HK$380,000.

Note: Our Legal Counsel was of the opinion that the chance of prosecution for our failure to submit Forms 56(E) and Forms 56(F) is low.

(ii) Non-compliance under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the "ECO")

Relevant section(s) of the ordinance	Details of the non-compliance incident	Reason(s) for the non-compliance	Remedial action taken/to be taken	Possible legal consequence to our Group and maximum financial impact
Non-compliance with section 40(1) of the ECO	Lack of insurance coverage for two days in between two insurance policies when our Group changed insurer.	Administrative delay with the transfer-in process due to a change in insurer and negotiation with and preparation by the insurer of a new insurance policy	Our Company will reserve sufficient time towards the end of the insured period to renew/change the insurance policy.	Our Group may be liable to a maximum fine of HK$100,000.

Note: Our Legal Counsel was of the opinion that the chance of prosecution for our non-compliance with section 40(1) of the ECO is low.

Save as disclosed above, during the Track Record Period and as at the Latest Practicable Date, we had not been involved in any material non-compliance matter involving our Group or our employees which resulted in a material impact on our business operation, financial condition or reputation.

Corporate governance measures to prevent the recurrence of non-compliance incidents

In order to continuously improve our Group's corporate governance and to prevent recurrence of the abovementioned non-compliances in the future, our Group has adopted or will adopt the following measures:

1. our Directors attended a training session 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;

2. our compliance officer, Mr. Sou, will be responsible for reviewing and updating our compliance policy and procedures on an annual basis for ensuring that the compliance policy and procedures are up-to-date in accordance with the regulatory requirements;

3. we have engaged Grand Moore Capital as our compliance adviser upon Listing to advise us on compliance matters in accordance with the GEM Listing Rules;

4. Mr. Sou, as our compliance officer, will ensure all internal control policies and procedures can be fully implemented;

5. our staff may report to our Directors or relevant coordinator of any non-compliance or potential non-compliance events; and

6. our Group will consider to 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 compliance when necessary and appropriate.

We continuously strive to strengthen the role of our Board as a body responsible for decision-making concerning our fundamental policies and upper-level management issues, and supervising the execution of our operations. Our Board includes three independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. Our independent non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialised knowledge.

We have strengthened our auditing system to ensure the appropriate functioning of the risk management and operation oversight systems. We have established the Audit Committee which comprises three independent non-executive Directors and the non-executive Director to review and monitor the effectiveness of our financial controls, internal control and risk management systems.

Measures taken to ensure compliance with the Competition Ordinance (Chapter 619 of the Laws of Hong Kong) (the "Competition Ordinance")

We have taken the following measures to ensure compliance with the Competition Ordinance:

(i) our executive Directors and senior management team have reviewed the publications and guidance materials of the Competition Commission to understand the requirements and implications of the Competition Ordinance;

(ii) our executive Directors have reviewed our business practices to identify the competition law risks that our business faces, and consider the seriousness of the risks;

(iii) we have appointed Mr. Sou as our compliance officer in respect of compliance with the Competition Ordinance;

(iv) we have adopted guidelines on employee conduct. A violation of the policy will lead to appropriate disciplinary action against the relevant employee.

The guidelines on employee conduct include, among other things, the following:

(a) When our employees engage in any contact with a competitor, they shall not agree or discuss with a competitor:

- the charging rates (actual or intended) we set for our products/services according to our internal pricing guideline save and except where such competitor is conducting business with our Group as customer in the normal course of our Group's business;
- our costs or the prices that we pay to any party of the supply chain;
- to form agreements with competitors to inflate tenders so as to cover the bid costs of the losers;

(b) if a competitor contacts our employee with a view to discussing any of the above or anything else which may be construed as anti-competitive, the employee must refuse to divulge any information and report to our management; and

(v) in respect of the compliance with the second conduct rule, our management is required not to conduct our business in any way that will constitute an abuse of our market power, if any, by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong.

Compliance with the Competition Ordinance

Our Directors confirmed that: (i) to the best of their knowledge and after due and careful enquiry, our Group and our employees had not engaged in any activity that would constitute an incident of non-compliance with the Competition Ordinance; (ii) there was no formal or informal enquiry, investigation, notification or charge by any authority against us or our employees during the Track Record Period and up to the Latest Practicable Date in respect of any non-compliance with the Competition Ordinance; and (iii) we had not received any allegation or complaint from our employees, competitors, suppliers or customers that we or our employees had engaged in activity that would constitute an incident of non-compliance with the Competition Ordinance.

In respect of the compliance with the second conduct rule as mentioned in the "Regulatory Overview" section of this prospectus, the following factors are taken into consideration:

Lack of substantial degree of market power

(i) Market share and market concentration. We do not consider that we possess substantial market power in the construction machinery rental market and construction machinery trading market, being the ability to charge prices above competitive levels, or to restrict output or quality below competitive levels, for a sustained period of time according to the second conduct rule. Despite our ranking as the fourth in terms of revenue in the foundation work machinery rental market in Hong Kong as mentioned in the F&S Report, our market share in the construction machinery rental market in Hong Kong, in terms of plant hire income (i.e. approximately HK$18.1 million for the year ended 31 December 2018), was only approximately 0.4% in 2018. Our market share in the construction machinery trading market in Hong Kong, in terms of general sales (i.e. approximately HK$3.2 million for the year ended 31 December 2018), was only approximately 0.1% in 2018.

(ii) Countervailing buyer power. The strength of buyers and the structure of the buyers' side of the market may prevent a supplier from having a substantial degree of market power; buyer power is not so much a matter of the size of the buyer but more a matter of bargaining strength and whether buyers have a choice between alternative suppliers. As mentioned in the F&S Report, in the construction machinery rental market in Hong Kong and Macau, the customers are generally large-scale construction or electrical and mechanical engineering companies, which have significant bargaining strength and have a choice between alternative suppliers for rental service, and they may also choose to purchase the relevant machinery. Further, for many large-scale construction projects, the customers can, and do, intensify competition among suppliers by adopting competitive tender arrangements.

No abuse of substantial market power

(iii) No anti-competitive conduct. Our Directors confirmed that we had not engaged and were not engaging in predatory pricing, anti-competitive tying and bundling, margin squeeze or refusal to deal, which are examples of conduct that may constitute an abuse of substantial market power that has as its object or effect the prevention, restriction or distortion of competition.

(iv) Exclusive dealing not abusive. Where an undertaking uses exclusive dealing to foreclose competitors by preventing them from accessing particular inputs, this may amount to an abuse if the exclusive supply locks up most of the efficient input suppliers in the market and competitors are unable to secure the inputs concerned from alternative suppliers. As at the Latest Practicable Date, we did not have any exclusive dealing with any of our suppliers.

In light of the prohibitions under the Competition Ordinance, we will from time to time seek compliance advice on our business operations.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Directors are responsible for overseeing the formulation and implementation of our internal control measures and the effectiveness of our risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

In accordance with the applicable laws and regulations, we have established procedures for developing and maintaining internal control systems. Such systems cover corporate governance, operations, management, legal matters, tax compliance, finance and auditing, as appropriate for our needs. We believe that our internal control systems and current procedures are sufficient in terms of comprehensiveness, practicability and effectiveness.

In preparation for Listing and to further improve our internal control systems, in September 2018, we engaged an independent internal control consultant, to review on the internal control systems of our Group, including the areas of finance, operation, compliance and risk management. The internal control consultant completed its first stage review of our internal control systems in November 2018 and performed a follow-up review in December 2018 based on the adoption of the recommendations (the "**Recommendations**") provided by the internal control consultant. As at the Latest Practicable Date, we had implemented the relevant internal control measures based on the recommendations of the internal control consultant. During the follow-up Review, the internal control consultant noted that the Recommendations were properly addressed and our internal control procedures were modified. Such modified and new internal control procedures have been satisfactorily implemented.

We will refine and enhance our internal control systems to respond to the evolving requirements of our business operations as appropriate. We will continue to review our internal control systems to ensure compliance with Hong Kong regulatory requirements.

RISK MANAGEMENT

Risk management policies and procedures

Our Directors confirmed that during the ordinary course of our Group's plant hire service, trading of new or used construction machinery, tools and parts, and transportation and other services, our Group was primarily exposed to (i) control risks relating to our Group's overall monitoring system; (ii) regulatory risks in relation to our Group's business; (iii) operational risks in relation to our Group's business; (iv) credit risks relating to accounts receivable; and (v) market risks.

The key risks of our Group's business and the mitigating internal control procedures are set out below:

Control risk management

Control risk including the risks of inappropriate and inconsistent adaptation of practices, failure to detect unethical behaviours, wrong doings or potential frauds, unauthorised access to confidential information and material misstatement which cannot be prevented or detected and corrected on a timely basis by our Group's internal control systems. In order to mitigate such risk, our Group has established comprehensive staff handbook, and operation manual which shall be observed by our Directors and employees of our Group. Each department shall be responsible for making all relevant staff aware of the abovementioned manuals and for ensuring compliance with their respective principles.

Regulatory risk management

Upon Listing, our Group will be exposed to the risks of non-compliance with the applicable laws and the GEM Listing Rules in effect from time to time. Our Group's compliance officer is responsible for checking any amendments to the GEM Listing Rules regularly.

Our Group will seek legal advice on compliance with Hong Kong laws and regulations if needed and retain a compliance adviser to advise our Group on compliance with the GEM Listing Rules after Listing.

Operational risk management

Chief Operating Officer of our Group is responsible for monitoring our operations and assessing the operational risks. He will report any irregularities in connection with our operations to our Directors and seek for directions.

Our Group emphasises on ethical value and prevention of fraud and corrupt practice. Our Group has established whistleblower programme in the operation manual, including methodologies to report any irregularities and confidentiality.

Credit risk management

Our Group is exposed to credit risks in relation to the collectability of our trade receivables, which will cause a financial loss to our Group due to failure to discharge the payment obligation by the counterparties. Our commercial and administration department manages the settlement of account receivables, including the follow up of outstanding payments and reconciliation of relevant receivables with customers on regular basis to understand if any bad debt provision is necessary. Our commercial and administration department will follow up in writing with account receivables past due over 90 days.

Our accounting and human resources department reviews account receivables and relevant credit terms as well as monitors receivables aging on monthly basis. For past due account receivables, our accounting and human resources department will notify the commercial and administration department to communicate with relevant customers. Our accounting and human resources department conducts assessment by performing account receivables aging analysis on quarterly basis and report to our Directors for approval on any bad debt provisions. Our commercial and administration department will continue to follow up with relevant customers for settlement of the outstanding payments.

Market risk management

Our Group is exposed to general market risks related to changes in macroeconomic environment and movements in market variables such as gross domestic product, interest rates, and other market changes. Our Directors are responsible for monitoring activities in the market to identify and assess the potential risks and from time to time formulate policies to mitigate these market risks.

OVERVIEW

Upon Listing, Mr. Sou and his spouse Ms. Chu, will become our Controlling Shareholders under the GEM Listing Rules. The table below sets forth the information regarding the ownership of our Shares by our Controlling Shareholders immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme):

Long position

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding in our Company
Mr. Sou	Beneficial interest and interest of spouse	262,500,000 *(Note 1)*	43.75%
Ms. Chu	Beneficial interest and interest of spouse	262,500,000 *(Note 2)*	43.75%

Notes:

(1) Out of the 262,500,000 Shares, 228,125,000 Shares are registered in the name of Mr. Sou. The remaining 34,375,000 Shares are registered in the name of Ms. Chu. Since Ms. Chu is the spouse of Mr. Sou, Mr. Sou is deemed to be interested in all the Shares which Ms. Chu is interested in under the SFO.

(2) Out of the 262,500,000 Shares, 34,375,000 Shares are registered in the name of Ms. Chu. The remaining 228,125,000 Shares are registered in the name of Mr. Sou. Since Mr. Sou is the spouse of Ms. Chu, Ms. Chu is deemed to be interested in all the Shares which Mr. Sou is interested in under the SFO.

Mr. Fok, one of our founders and executive Directors, confirmed that he is not and does not have any intention to be acting in concert with our Controlling Shareholders.

Details of our Group structure immediately after completion of the Capitalisation Issue and the Share Offer are set out in the paragraph headed "History, Reorganisation and Corporate Structure — Shareholding structure immediately after completion of the Share Offer" in this prospectus.

NO COMPETING INTERESTS

Each of our Controlling Shareholders and Directors confirmed that he/she does not have any interest in a business apart from the business of our Group, which competes or is likely to compete directly or indirectly, with the business of our Group.

RULE 11.04 OF THE GEM LISTING RULES

Save as otherwise disclosed, each of our Directors, Controlling Shareholders, and their respective close associates does not have any interest in any business, apart from the business operated by members of our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group, and would require disclosure under Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE CLOSE ASSOCIATES

Our Group is independent from our Controlling Shareholders because our Group is managerially and financially independent from our Controlling Shareholders. Based on these two reasons and the corresponding basis for asserting such reasons in the following, we are satisfied that our Group is capable of carrying on our business independently from our Controlling Shareholders (including any respective close associates thereof) after Listing.

Management independence

Board

Our Directors are of the view that our Board as a whole together with our senior management team will be able to manage our business independently from our Controlling Shareholders after Listing on the following basis:

(i) upon Listing, our Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. Each of our Directors is aware of his fiduciary duties as a director which require, among others, that he must act for the benefit of and in the best interests of our Company and not allow any conflict between his duties as a Director and his personal interests. A Director shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates has a material interest; and

(ii) in the circumstances where any of our executive Directors and non-executive Directors are required to abstain from voting due to potential conflicts of interest, our independent non-executive Directors will make their business judgment for the decision-making process of our Board. Given the experience of our independent non-executive Directors, details of which are set out in the paragraph headed "Directors and Senior Management — Directors — Independent non-executive Directors" in this prospectus, our Directors believe that the remaining Board can still function properly if our executive Directors and non-executive Director are required to abstain from voting.

Committees

We have established the Audit Committee, the Remuneration Committee and the Nomination Committee. Each committee consists of a majority of our independent non-executive Directors.

Our Audit Committee is responsible for reviewing and monitoring the effectiveness of our financial controls, internal control and risk management systems whereas our Remuneration Committee's role is to ensure that our Directors are properly remunerated and none of our Directors determine their own remuneration. Our Nomination Committee is mainly responsible for reviewing the structure, size and composition of our Board annually, identify individuals suitably qualified to become Board members, assess the independence of independent non-executive Directors, and making recommendations to our Board on relevant matters relating to appointment or reappointment of Directors.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently.

Financial independence

Our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholders and any of their respective close associates after Listing on the following basis:

(i) we have sufficient capital and banking facilities to operate our business independently and have adequate internal resources to support our daily operations;

(ii) we have our own finance and accounting team, and we make financial decisions according to our own business needs;

(iii) our Directors believe that we are and will be able to obtain financing such as bank loans, if necessary from external sources on market terms and conditions without reliance on our Controlling Shareholders;

(iv) all the non-trade amounts due to and from our Controlling Shareholders and companies controlled by our Controlling Shareholders, as well as all guarantees, indemnities and other securities provided by us for the benefit of our Controlling Shareholders, and companies controlled by our Controlling Shareholders, or vice versa, will be fully settled or released before the Listing Date; and

(v) there will be no financial assistance, security and/or guarantee provided by our Controlling Shareholders and their respective close associates in favour of our Group or vice versa upon Listing.

CORPORATE GOVERNANCE MEASURES FOR RESOLVING ACTUAL AND/OR POTENTIAL CONFLICTS OF INTERESTS

Our Directors recognise the importance of good corporate governance in protecting our Shareholders' interests as well as resolving actual and/or potential conflicts of interests between our Company and our Controlling Shareholders and Directors. Upon Listing, we would have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders and Directors:

(i) where a Shareholders' meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or any of their associates has a material interest, the relevant Controlling Shareholder(s) will abstain from voting on the relevant resolutions and shall not be counted in the quorum in the voting;

(ii) our Company has established internal control mechanisms to identify connected transactions. Upon Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable GEM Listing Rules;

(iii) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders to ensure compliance with the Deed of Non-competition by our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;

(iv) each of our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;

(v) our Company will disclose decisions on matters reviewed by the independent non-executive Directors on:

(a) for business opportunity offered to, or came to knowledge of, our Controlling Shareholders, his/her close associates and/or controlled companies to directly or indirectly engage in businesses which compete with our Group, reasons why the such business opportunity is not taken up; and

(b) the compliance with, and the enforcement of, the Deed of Non-competition,

in our annual reports, interim reports, quarterly reports or by way of announcements in compliance with the requirements of the GEM Listing Rules;

(vi) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and

(vii) we have appointed Grand Moore Capital as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the GEM Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after Listing.

IMPLEMENTATION PLANS

We set forth below the implementation plans of our Group in pursuance of our business strategies. For a detailed discussion of our business strategies, please refer to the paragraph headed "Our Business Strategies" in the "Business" section of this prospectus. Prospective investors should note that the following implementation plans are formulated on the bases and assumptions as referred to in the paragraph headed "Bases and key assumptions" in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed "Risk Factors" of this prospectus. Our Group's actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objectives of our Group will be accomplished at all.

	For the period from the Latest Practicable Date to 31 December 2019	For the six months ending 30 June 2020	For the six months ending 31 December 2020	For the six months ending 30 June 2021	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
To purchase new construction machinery for strengthening our rental fleet	2,832	—	7,912	—	10,744
To settle the consideration payable for a newly acquired crawler crane	10,300	—	—	—	10,300
To recruit and expand team of skilled and technical personnel	230	270	270	270	1,040
To repay bank borrowings and finance leases	12,357	5,000	—	—	17,357
Working capital	1,068	1,069	1,069	1,069	4,275
	26,787	6,339	9,251	1,339	43,716

BASES AND KEY ASSUMPTIONS

Prospective investors should note that the attainability of our Group's business objectives depends on the following general assumptions and specific assumptions:

- we are not materially or adversely affected by any change(s) in existing governmental policies or political, legal (including changes in legislations, regulations or rules), fiscal or economic conditions in Hong Kong or any other countries or territories in which we carry or will carry on business;

- we are not materially or adversely affected by any change(s) in bases or rates of taxation or duties in Hong Kong or any other countries or territories in which we carry or will carry on business or is incorporated;
- we are not materially or adversely affected by any change(s) in interest rates or exchange rates from those currently prevailing which will adversely affect our business;
- there will be no disasters, natural, political or otherwise, which would materially disrupt our business or operations or cause substantial loss, damage or destruction to our properties or facilities;
- our operating activities will not be adversely affected by critical labour shortages and disputes, or any other factors outside the control of our management such as government act;
- our Group is not adversely affected by any of the risk factors set out in the section headed "Risk Factors" of this prospectus;
- we are able to retain our key management and personnel during the period covered by the forecasts;
- we will be able to recruit new staff when required;
- there will not be any material change in the funding requirements for each of the near term business objectives described in this section from the amount as estimated by our Directors;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objective relates;
- there will be no change in the effectiveness of the licences and approvals obtained by us;
- we will continue to be able to renew all licences;
- the Share Offer will be completed in accordance with and as described in the section headed "Structure and Conditions of Share Offer" in this prospectus; and
- we will be able to continue our operations in substantially the same manner as it has been operating during the Track Record Period and we will also be able to carry out our development plans without disruptions.

REASONS FOR THE SHARE OFFER

Our Directors consider that the plant hire business and the construction machinery trading business are capital intensive and believe that the listing of the Shares on GEM will facilitate the implementation of our business strategies by accessing the capital market for raising funds both at the time of the Listing and at later stages. Our Directors consider that while we maintain sufficient cashflow to support our Group's existing operations, the net proceeds from the Share Offer are necessary for the implementation of our future plans which requires considerable additional financial resources. According to the implementation plans as disclosed in this section, the total expenditure for the implementation of our future plans is estimated to be approximately HK$43.7 million (assuming a Offer Price of approximately HK$0.475 per Share, being the mid-point of the proposed Offer Price range of HK$0.40 to HK$0.55 per Share) during the period from the Latest Practicable Date and up to 30 June 2021, which will be entirely financed by the net proceeds from the Share Offer. For details, please refer to the paragraph headed "Implementation plans" in this section.

As stated in the paragraph headed "Our Business Strategies" in the "Business" section of this prospectus, we plan to source new construction machinery to replace certain old construction machinery in our rental fleet. A public listing status will enhance our corporate profile and recognition and assist us in reinforcing our brand awareness and image. We believe that such enhanced corporate image could facilitate us in soliciting business of plant hire and machinery trading in the construction industry. It will also help maintain business relationships with our Group's existing suppliers and customers and attract potential suppliers and customers who are more willing to establish business relationships with listed companies.

USE OF PROCEEDS

The net proceeds to our Company from the issue of the Offer Shares, after deducting the underwriting fees and estimated total listing expenses in the aggregate amount of approximately HK$27.5 million paid and payable by our Company in connection thereto, are estimated to be approximately HK$43.7 million (but not taking into account any Shares that may be allotted and issued pursuant to the exercise of any option(s) which may be granted under the Share Option Scheme and assuming a Offer Price of approximately HK$0.475 per Share, being the mid-point of the proposed Offer Price range of HK$0.40 to HK$0.55 per Share). We intend to apply such net proceeds as follows:

(i) approximately 24.6%, or HK$10.74 million, will be used to purchase three construction machinery including the acquisitions of two power packs for upgrading existing RCD machinery in 2019 and the acquisition of one new RCD for a maximum drilling diameter of approximately 3.2 metres in 2020 to replace certain old construction machinery in our rental fleet as part of our business strategy to strengthen our fleet to attract businesses from our existing and potential customers, as set out in details in the paragraph headed "To strengthen our rental fleet" under "Our Business Strategies" in the "Business" section of this prospectus;

(ii) approximately 23.5% or HK$10.30 million, will be used to settle the remaining amount of consideration payable for a crawler crane which we entered into contract with an independent third party to acquire in January 2019 with working capacity up to 130 tonnes on or before 15 August 2019, as part of our business strategy to strengthen our fleet to attract businesses from our existing and potential customers, as set out in details in the paragraph headed "To strengthen our rental fleet" under "Our Business Strategies" in the "Business" section of this prospectus;

(iii) approximately 2.4%, or HK$1.04 million, will be used for recruiting and expanding our team of skilled and technical personnel, as set out in details in the paragraph headed "To recruit and expand our team of skilled and technical personnel" under "Our Business Strategies" in the "Business" section of this prospectus;

(iv) approximately 39.7% or HK$17.36 million, will be used for repayment of bank borrowings and finance leases, as set out in details in the paragraph headed "To repay bank borrowings and finance leases" in the "Business" section of this prospectus; and

(v) approximately 9.8% or HK$4.28 million, will be used for our general working capital.

In the event that the net proceeds from the issue of the Offer Shares is insufficient to finance the expenditure as mentioned above, we will finance our remaining business plans as scheduled up to 30 June 2021 from internal resources or external financing from independent financial institution with good standing.

The net proceeds of the Share Offer will be fully utilised by 30 June 2021 according to our business plans. We will finance our plans as scheduled after 30 June 2021 from internal resources or external financing from independent financial institution with good standing. Our Directors consider that the net proceeds of the Share Offer of approximately HK$43.7 million and our internal resources will be sufficient to finance our business plans as scheduled up to 30 June 2021.

If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds to be received by the Share Offer (but not taking into account any Shares that may be allotted and issued pursuant to the exercise of any option(s) which may be granted under the Share Option Scheme) will increase by approximately HK$10.8 million or decrease by approximately HK$10.8 million, respectively. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

To the extent that the net proceeds of the Share Offer are not immediately applied to the above purposes, it is the present intention of our Directors that such proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

The use of proceeds outlined above may change in light of our evolving business development. In the event of any material modification to the use of proceeds as described above, our Company will issue an announcement and make disclosure in its annual report for the relevant year as required by the GEM Listing Rules.

DIRECTORS

Our Board has the ultimate responsibility for the management of our Company. Our Board currently consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors.

The following table sets forth certain information regarding our Directors:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as Director	Responsibilities in our Group	Relationship with other Directors and members of senior management
Mr. SOU Peng Kan Albert (蘇秉根)	67	Executive Director, Chairman and Chief Executive Officer	23 July 1997	26 February 2016	Primarily responsible for overall management and strategic planning and development of our Group's business operations	N/A
Mr. FOK Hei Yuen Paul (霍熙元)	71	Executive Director	23 July 1997	26 April 2017	Primarily responsible for assisting the chairman in overseeing our Group's operation and finance	N/A
Mr. LEUNG Man Chiu Lawrence (梁文釗)	71	Non-executive Director	3 December 2015	26 April 2017	Primarily responsible for overseeing our Group's financial reporting	N/A
Mr. LEE Tak Fai Thomas (李德輝)	53	Independent non-executive Director	21 June 2019	21 June 2019	Supervising and providing independent judgement to our Board	N/A
Mr. YAU Lut Pong Leo (丘律邦)	32	Independent non-executive Director	21 June 2019	21 June 2019	Supervising and providing independent judgement to our Board	N/A
Mr. YUE Wai Leung Stan (余偉亮)	58	Independent non-executive Director	21 June 2019	21 June 2019	Supervising and providing independent judgement to our Board	N/A

Executive Directors

Mr. SOU Peng Kan Albert (former name: So Ping Kan) **(蘇秉根)**, aged 67, is our executive Director, our Chairman, our Chief Executive Officer and one of our Controlling Shareholders. Mr. Sou joined our Group when he became a director of World Super upon its incorporation in July 1997. He was appointed as our Director on 26 February 2016 and was redesignated as an executive Director on 26 April 2017. He is primarily responsible for overseeing management and strategic planning and development of our Group's business operations.

Mr. Sou has over 30 years of experience in the construction machinery rental and construction equipment trading industry. Mr. Sou worked at Score International Enterprises Limited, which was engaged in the business of building materials, between 1978 and 1983, with his last position as a director. Mr. Sou then, with his business partners, established Wright Joint & Company Limited, engaging in supplying drilling and construction spare parts in June 1983, which later expanded its business to leasing construction machinery until cessation of its business operation in June 1997. Mr. Sou completed his secondary education at Colegio Diocesano de Sao Jose 2nd & 3rd Branch in Macau in 1967.

Mr. Sou became a director of World Super in July 1997 and later became a managing director of World Super in September 2000, being responsible for overseeing the management and operation of the Group.

Mr. Sou was a director of the following dissolved private companies incorporated in Hong Kong which were dissolved by means of deregistration pursuant to section 291AA of the Predecessor Companies Ordinance, and section 750 of the Companies Ordinance, respectively.

Name of company	Date of incorporation	Date of dissolution	Principal business activities	Means of dissolution
Lak Wah Engineering & Construction Limited (歷華工程建築有限公司)	12 January 2018	2 November 2018	No commencement of business	Deregistration
Mansing Far East Limited (萬成遠東有限公司)	9 May 1997	12 July 2002	Plant hire of construction machinery	Deregistration

Mr. Sou confirmed that, to the best of his knowledge, the above companies were solvent and inactive at the time of deregistration, there was no wrongful act on his part leading to their dissolution, and he is not aware of any actual or potential claim which has been or will be made against him as a result of their dissolution.

Save as disclosed above, Mr. Sou has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Winding-up order against Jetview Plant Hire Company Limited (捷達機械租賃有限公司) ("Jetview Plant Hire") of which Mr. Sou was one of its directors

Mr. Sou was a director of Jetview Plant Hire and held 0.01% as to the then shareholding of Jetview Plant Hire when it was put into liquidation. The remaining shares of Jetview Plant Hire were held by WJ Holdings Limited, which was owned as to 36% by Mr. Sou, 15% by Mr. Wong Joe Cheung, spouse of Ms. Sou Lai Kuan, and 49% by three Independent Third Parties, at the material time.

Jetview Plant Hire was incorporated in Hong Kong on 31 August 1995. Mr. Sou was appointed as a director of Jetview Plant Hire on 20 September 1995. Jetview Plant Hire had engaged in the business of rental of construction machinery in Hong Kong before its cessation of business in July 1997.

On 13 March 1998, a former director of Jetview Plant Hire initiated compulsory winding up proceedings upon filing a petition seeking a court order to wind up Jetview Plant Hire on the grounds that Jetview Plant Hire was indebted to her in a sum of HK$105,000 together with interests and that Jetview Plant Hire was insolvent and unable to pay its debts. Based on the preliminary report submitted to the court by the official receiver and liquidator, the assets and liabilities of Jetview Plant Hire were estimated to be HK$144,087.25 and HK$42,777,327.49, respectively. A substantial part of the liabilities of Jetview Plant Hire was unsecured amounts due to Mr. Sou and companies controlled and/or partly owned by Mr. Sou, whereas the remaining part was mainly consisted of amounts due to its creditors including costs of purchasing spare parts, repair and maintenance costs, insurance premium and finance costs incurred in relation to accrued default interest to bank. Jetview Plant Hire was wound up on 20 May 1998 and dissolved on 14 July 2002.

Winding-up order against Sstar Engineering Limited (捷達工程有限公司) (formerly known as Frolic Limited) ("Sstar Engineering") of which Mr. Sou was one of its directors

Mr. Sou was a director of Sstar Engineering and held 0.001% as to the then shareholding of Sstar Engineering when it was put into liquidation. The remaining shares of Sstar Engineering were held by WJ Holdings Limited, which was owned as to 36% by Mr. Sou, 15% by Mr. Wong Joe Cheung, spouse of Ms. Sou Lai Kuan, and 49% by three Independent Third Parties, at the material time.

Sstar Engineering was incorporated in Hong Kong on 19 May 1987. Mr. Sou was appointed as a director of Sstar Engineering on 29 May 1987. Sstar Engineering had engaged in the business of providing construction foundation works in Hong Kong before its cessation of business in July 1997.

Due to the deteriorating financial conditions in 1997 and the cessation of business in July 1997, Sstar Engineering was unable to pay its suppliers. On 4 August 1998, one of Sstar Engineering's suppliers (the "**Petitioner**") initiated compulsory winding up proceedings upon filing a petition seeking a court order to wind up Sstar Engineering on the grounds that Sstar Engineering was indebted to the Petitioner in a sum of HK$191,101, being arrears of costs of diesel and lubricant, together with interests and costs, and that Sstar Engineering was insolvent and unable to pay its debts. Based on the preliminary report submitted to the court by the official receiver and liquidator, the assets and liabilities of Sstar Engineering were estimated to be HK$1,019.43 and HK$39,504,477.36, respectively. A substantial part of the liabilities of Sstar Engineering was unsecured amounts due to Mr. Sou and companies controlled and/or partly owned by Mr. Sou and the remaining was mainly consisted of rental costs for plant and machinery, costs for procuring and installing tools and spare parts for machinery and sub-contractor fees incurred in relation to its daily operation. Sstar Engineering was wound up on 2 September 1998 and dissolved on 30 May 2003.

Mr. Sou confirmed that there were no outstanding charges in relation to the relevant winding-up incidents of Jetview Plant Hire and Sstar Engineering against him at any time and up to the Latest Practicable Date, and to the best of his knowledge, Mr. Sou is not aware of any actual or potential claim which has been or will be made against him as a result of the winding-up proceedings.

Views of our Directors on the winding-up incidents of Jetview Plant Hire and Sstar Engineering

Mr. Sou joined World Super as a director in the same year of its establishment. He has been responsible for the overall business development and financial strategic planning of our Group since joining our Group. Under his co-leadership, our Group had attained leading position in (i) the foundation work machinery rental market, and (ii) crawler crane rental market, in Hong Kong (in terms of revenue). This clearly demonstrates Mr. Sou's competence and abilities as a director in successfully managing and expanding the business of our Group.

In respect of the winding-up orders against Jetview Plant Hire and Sstar Engineering, our Directors noted that:

- based on public records and other documents available, there was no indication of dishonesty or fraudulent act committed on the part of Mr. Sou;

- apart from his shareholding interest, Mr. Sou had made substantial investments in Jetview Plant Hire and Sstar Engineering. Based on the preliminary reports prepared by the official receiver and liquidator, more than half of the liabilities of both Jetview Plant Hire and Sstar Engineering were unsecured amounts due to companies controlled and partly owned by Mr. Sou. Therefore, Mr. Sou himself was one of the most heavily affected creditors from the winding-up orders. Nevertheless, due to the economic conditions in Hong Kong at that time and their liquidity problems, the two companies could not raise sufficient financial resources to repay all its liabilities;

- Mr. Sou confirmed that he personally had not been subject to any claim or legal proceedings in connection to the aforesaid winding-up actions of Jetview Plant Hire and Sstar Engineering as at the Latest Practicable Date; and

- Jetview Plant Hire and Sstar Engineering were business ventures of Mr. Sou in his early days, and the two winding-up incidents dated back to over 20 years ago. In addition, since the establishment of our Group and up to the Latest Practicable Date, our Directors have not been aware of any similar winding-up petition or analogous proceeding against us from its creditors.

Based on the above, our Directors are of the view that Mr. Sou is competent to conduct his role as an executive Director, and they are of the view that the two abovementioned winding-up incidents do not affect Mr. Sou's suitability as a Director under Rules 5.01 and 5.02 of the GEM Listing Rules.

Mr. FOK Hei Yuen Paul (霍熙元), aged 71, joined our Group as a director of World Super on 23 July 1997. Mr. Fok was appointed as our executive Director on 26 April 2017. He is primarily responsible for overseeing our Group's operation and finance.

Mr. Fok had over 45 years of working experience in audit and accounting. Prior to joining our Group, Mr. Fok had worked in the following companies/entities:

Period of services	Name of entity	Principal business activities	Positions held	Major responsibilities
April 2018 – present	Jeffrey Sun & Co.	Audit, Taxation, Accountancy, Consultancy	Partner	Providing audit and accounting services
January 1986 – present	Tang & Fok Certified Public Accountants	Audit and assurance, tax and consulting services	Partner	Managing the CPA practice and providing audit and accounting services
February 1980 – December 1985	Ng, Fok & Ko Certified Public Accountants	Audit and assurance, tax and consulting services	Founder partner	Providing audit and accounting services
January 1978 – January 1980	Millie's Group	Retail trading and manufacturing	Group financial controller	Overall supervision of the group's accounting function
1975 – 1977	Silver Seiko International Limited	Trading	Chief accountant	Overseeing the accounting function of the company
April 1973 – August 1975	Kwan Wong Tan & Fong	Audit and assurance, tax and consulting services	Audit manager	Providing audit and accounting services
July 1969 – December 1972	Lowe Bingham & Matthews (now known as PricewaterhouseCoopers)	Audit and assurance, tax and consulting services	Room senior audit assistant and trainee audit assistant	Auditing and accountancy

Mr. Fok obtained a higher diploma in accountancy from The Hong Kong Technical College (now known as The Hong Kong Polytechnic University) in July 1969. Mr. Fok became a fellow member of The Institute of Chartered Accountants in England and Wales in February 2015, a fellow member of the Hong Kong Society of Accountants (now known as The Hong Kong Institute of Certified Public Accountants) in March 1979 and a fellow member of The Association of Certified Accountants (now known as The Association of Chartered Certified Accountants) in September 1978. Mr. Fok was also admitted as an associate member of The Institute of Chartered Secretaries and Administrators in September 1972.

Mr. Fok was a director of the following dissolved private companies incorporated in Hong Kong, which were dissolved by means of deregistration and striking off pursuant to sections 291AA and 291(5) of the Predecessor Companies Ordinance and/or sections 750 and 746 of the Companies Ordinance.

Name of company	Date of incorporation	Date of dissolution	Principal business activities	Means of dissolution
Lak Wah Engineering & Construction Limited (歷華工程建築有限公司)	12 January 2018	2 November 2018	No commencement of business	Deregistration
Jiffy Limited (正惠有限公司)	2 January 1987	6 October 2017	Property investment	Deregistration
Shih Cheng Trading Company Limited (世成貿易有限公司)	26 September 1991	10 October 2003	Trading of general merchandise	Deregistration
Sino Chain Trading Limited (豐銘貿易有限公司)	4 March 1998	27 September 2002	Trading of general merchandise	Struck off
Mansing Far East Limited (萬成遠東有限公司)	9 May 1997	12 July 2002	Plant hire of construction machinery	Deregistration
Jay L Trading Company Limited (潔愛爾貿易有限公司)	20 June 1997	19 October 2001	Trading of general merchandise	Deregistration
Well China Consultants Limited (威華顧問有限公司)	11 June 1997	24 November 2000	Trading of general merchandise	Deregistration

Mr. Fok confirmed that, to the best of his knowledge, the above companies were solvent and inactive at the time of dissolution, there was no wrongful act on his part leading to their dissolution, and he is not aware of any actual or potential claim which has been or will be made against him as a result of their dissolution.

Save as disclosed above, Mr. Fok has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Non-executive Director

Mr. LEUNG Man Chiu Lawrence (梁文釗), aged 71, joined our Group on 3 December 2015. He was appointed as our non-executive Director on 26 April 2017. He is primarily responsible for overseeing our Group's financial reporting.

Mr. Leung has extensive experience in audit and accounting for over 45 years. Prior to joining our Group, Mr. Leung had worked in the following companies/entities:

Period of services	Name of entity	Principal business activities	Positions held	Major responsibilities
November 2005 – present	Tang & Fok Certified Public Accountants	Audit and assurance, tax and consulting services	Partner	Providing audit and assurance services
April 1997 – May 2005	Deloitte Touche Tohmatsu	Audit and assurance, tax and consulting services	Partner	Providing audit and assurance services
July 1976 – April 1997	Kwan Wong Tan & Fong	Audit and assurance, tax and consulting services	Partner and audit manager	Providing audit and assurance services
September 1972 – June 1976	Messrs. M. W. Kwan & Company	Audit and assurance, tax and consulting services	Audit manager	Providing audit and assurance services
March 1972 – September 1972	The Taikoo Dockyard & Engineering Company of Hong Kong Limited	Ship repair services	Accountant	Assisting the group chief accountant in accounting services
July 1969 – February 1972	Lowe Bingham & Matthews (now known as PricewaterhouseCoopers)	Audit and assurance, tax and consulting services	Room senior audit assistant and trainee audit assistant	Providing audit and assurance services

Mr. Leung obtained a higher diploma in accountancy from the Hong Kong Technical College (now known as The Hong Kong Polytechnic University) in July 1969. Mr. Leung became a fellow member of The Association of Certified Accountants (now known as The Association of Chartered Certified Accountants) in February 1978 and the Hong Kong Society of Accountants (now known as The Hong Kong Institute of Certified Public Accountants) in July 1978.

Mr. Leung has also held directorships in the following listed companies in Hong Kong:

Name of company	Stock code	Positions held	Period of services
PFC Device Inc.	08231	Independent non-executive director	September 2016 to present
Pak Fah Yeow International Limited	00239	Independent non-executive director	July 2006 to present
Safety Godown Company Limited	00237	Independent non-executive director	June 2006 to present

Save as disclosed above, Mr. Leung has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Independent non-executive Directors

Mr. LEE Tak Fai Thomas (李德輝) ("Mr. Lee"), aged 53, was appointed as our independent non-executive Director on 21 June 2019.

Mr. Lee has over 25 years of experience in the audit and accounting field, specialising in assurance services of listed companies, merger and acquisition, tax planning and management consultancy. Prior to joining our Group, Mr. Lee had worked in the following companies/entities:

Period of services	Name of entity	Principal business activities	Positions held	Major responsibilities
August 2018 – present	ACT Business Consultancy Limited	Consultancy services related to corporate maintenance and taxation	Business consultant	Providing business consultancy and tax services
March 2012 – May 2018	CCTH CPA Limited	Audit and assurance, tax and consulting services	Audit director, audit principal and audit senior manager	Overseeing the progress of listed company audit assignment

Period of services	Name of entity	Principal business activities	Positions held	Major responsibilities
October 1996 – October 2011	Playmates Toys Asia Limited	Marketing and distribution of toys, management of brand franchises	Finance director and chief accountant	Managing the cash flow, capital expenditure
February 1995 – October 1996	China Entertainment Television Broadcast Limited	Television broadcasting services	Financial manager	Providing financial analysis and budgetary information and overseeing office administration
January 1993 – February 1995	Coopers & Lybrand Certified Public Accountants (now known as PricewaterhouseCoopers)	Audit and assurance, tax and consulting services	Senior associate	Overseeing audit assignments and evaluating client's internal control
September 1991 – January 1993	Kwan Wong Tan & Fong BDO Certified Public Accountants	Audit and assurance, tax and consulting services	Junior accountant	Overall control of audit assignments

Mr. Lee obtained a diploma in accounting from the Hong Kong Shue Yan College (now known as the Hong Kong Shue Yan University) in July 1991. He then attained a master's degree in professional accounting from The Hong Kong Polytechnic University in November 2004 and a master's degree in business administration from the University of Leicester, England in January 2005 through long distance learning course. Mr. Lee became an associate member of the Hong Kong Society of Accountants (now known as The Hong Kong Institute of Certified Public Accountants) in June 1997. He became a fellow member of The Association of Chartered Certified Accountants in January 2002.

Mr. Lee has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. YAU Lut Pong Leo (丘律邦) ("Mr. Yau"), aged 32, was appointed as our independent non-executive Director on 21 June 2019.

Prior to joining our Group, Mr. Yau had worked in the following companies/entities:

Period of services	Name of entity	Principal business activities	Positions held	Major responsibilities
June 2018 – Present	Charles Yeung, Clement Lam Liu & Yip	Provision of legal services	Assistant solicitor	Provision of legal services
February 2016 – January 2018	Tso Au Yim & Yeung	Provision of legal services	Trainee solicitor	Handling initial public offering projects, commercial transactions and litigations
August 2014 – January 2016	The University of Hong Kong	Provision of tertiary education and research	Teaching assistant	Teaching in the school of business
September 2013 – July 2014	Joint Mediation Helpline Office	Provision of mediation services	Mediation Coordinator (part-time)	Provision of mediation services

Mr. Yau obtained a bachelor's degree in business administration from The Hong Kong Shue Yan University in July 2009 and a bachelor's degree of law from the City University of Hong Kong in July 2013. He completed the postgraduate certificate in laws in The University of Hong Kong in June 2015. Mr. Yau was admitted as a solicitor of the High Court in Hong Kong in May 2018. He was accredited as a mediator of the Hong Kong Mediation Centre in September 2010 and a general mediator of The Hong Kong Mediation Accreditation Association Limited in April 2013. He was admitted as an associate member of Hong Kong Institute of Arbitrators in August 2011 and an associate of The Chartered Institute of Arbitrators in January 2013.

Mr. Yau has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Yue Wai Leung Stan (余偉亮) ("Mr. Yue"), aged 58, was appointed as our independent non-executive Director on 21 June 2019.

He has over 20 years of experience in the finance and administrative sectors in both private and public companies in Hong Kong and the PRC. Prior to joining our Group, Mr. Yue had worked in the following companies/entities:

Period of services	Name of entity	Principal business activities	Positions held	Major responsibilities
December 2013 – Present	Genesis Strategic Investment Limited	Investment holding	Chairman/executive director	Monitoring the overall management and development of the company
April 2007 – March 2014	China New Town Development Company Limited (stock code: 1278)	Urban development and operation	Vice chairman, co-vice chairman, chief executive officer	Execution of corporate and business strategies and plans
May 2004 – June 2011	SRE Group Limited (stock code: 1207)	Property development and investment	Co-chief executive officer, chief financial officer, company secretary	Overseeing the corporate finance and financial matters
July 1998 – March 2000	Hengan International Group Company Limited (stock code: 1044)	Hygiene product manufacturer	Executive director, vice president, company secretary	Overseeing the corporate finance, finance and accounting

Mr. Yue obtained a bachelor's degree in administrative studies from York University in Toronto, Canada in June 1984. He was admitted as a member of the American Institute of Certified Public Accountants in September 1992 and as an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in December 1992.

Mr. Yue also held directorships in the following listed companies in Hong Kong and Singapore:

Name of company	Stock code	Positions held	Period of Services
China New Town Development Company Limited	1278 (HK) and D4N. Si (Singapore)	Non-independent non-executive director	June 2009 – July 2011 and August 2013 – March 2014
		Executive director	September 2006 – June 2009 and July 2011 – August 2013
SRE Group Limited	1207 (HK)	Executive director	June 2009 – July 2011

Save as disclosed above, Mr. Yue has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Yue was a director of the following dissolved private companies incorporated in Hong Kong which were dissolved by means of deregistration and striking off pursuant to sections 291AA and 291(5) of the Predecessor Companies Ordinance, and sections 750 and 746 of the Companies Ordinance.

Name of company	Date of incorporation	Date of dissolution	Principal business activities	Means of dissolution
Genesis Stones Group Limited (創石集團有限公司)	5 December 2014	18 May 2018	Trading	Deregistration
Genesis Asia Finance Limited (創金亞太金融限公司)	26 May 2015	31 March 2017	Corporate, consulting	Deregistration
Dynasty Worldwide Development Limited (向圖發展有限公司)	13 December 1994	18 November 2015	Investment holding	Struck off

Mr. Yue confirmed that, to the best of his knowledge, the above companies were solvent and inactive at the time of dissolution, there was no wrongful act on his part leading to their dissolution, and he is not aware of any actual or potential claim which has been or will be made against him as a result of their dissolution.

SENIOR MANAGEMENT

Our members of senior management are responsible for the day-to-day management of our business. The following table sets out certain information concerning our members of senior management.

Name	Age	Date of joining our Group	Position(s)	Date of appointment	Responsibilities in our Group
Mr. KAN Walter (簡偉德)	49	January 2002	Chief Operating Officer and sales engineer	April 2017	Overall management of our business operations and development
Mr. MAK Wai Kit (麥偉杰)	39	April 2018	Financial controller and company secretary	April 2018	Overseeing our Group's operation and finance

Mr. KAN Walter (簡偉德) ("Mr. Kan"), aged 49, is our Chief Operating Officer and is primarily responsible for overall management of our business operations and development. Mr. Kan joined our Group as sales engineer in January 2002. He has over 16 years of working experience in the construction machinery rental and construction equipment trading industry. Mr. Kan obtained a diploma in computer engineering technology from Seneca College of Applied Arts and Technology, Canada in December 1997.

Mr. Kan has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. MAK Wai Kit (麥偉杰) ("Mr. Mak"), aged 39, is the financial controller of our Group and is primarily responsible for overseeing our Group's operation and finance. He joined our Group as financial controller and was appointed as our company secretary in April 2018.

He has over 16 years of working experience in accounting and auditing fields. Prior to joining our Group, Mr. Mak has held directorship and senior management position in the following listed company in Hong Kong:

Name of company	Stock code	Position held	Period of services
Winto Group (Holdings) Limited	08238	Executive director	April 2015 to March 2018
		Company secretary	March 2014 to April 2018
		Financial controller	September 2012 to March 2018

Prior to that, Mr. Mak served in Deloitte Touche Tohmatsu with his last position as a manager from April 2005 to September 2012. From March 2004 to March 2005, he worked in the audit department of RSM Nelson Wheeler. From June 2002 to March 2004, he worked in Prime & Co. with his last position as a semi-senior auditor.

Mr. Mak obtained his bachelor of arts degree in accountancy from The Hong Kong Polytechnic University in November 2002. He was admitted as a certified public accountant of The Hong Kong Institute of Certified Public Accountants in July 2007.

Save as disclosed above, Mr. Mak has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

COMPANY SECRETARY

Mr. MAK Wai Kit (麥偉杰), aged 39, is our company secretary. Details of his qualifications and experience are set out in the paragraph headed "Directors and Senior Management — Senior management" in this prospectus.

COMPLIANCE OFFICER

Mr. SOU Peng Kan Albert (former name: Mr. So Ping Kan) **(蘇秉根)** was appointed as the compliance officer of our Company. Details of his qualifications and experience are set out in the paragraph headed "Directors and Senior Management — Directors" in this prospectus.

BUSINESS CONTINUITY AND SUCCESSION

Our executive Directors, namely Mr. Sou and Mr. Fok, confirmed that they will remain in office after Listing and in the foreseeable future. Our business operations will continue to be managed by the same management responsible for building our track record of profitability. Our executive Directors confirmed that since April 2017, they have performed a supervisory role and focused on the strategic planning and overall development of our Group. On the other hand, our members of senior management, namely Mr. Kan Walter and Mr. Mak Wai Kit, have been primarily responsible for our day-to-day business operations and finance and company secretarial functions, respectively. In case of retirement of Mr. Sou and/or Mr. Fok, our Directors believe that our Group will be able to maintain our business operations at the existing scale with the existing track record of profitability on the basis that over our years of operation, (i) we have established strong network with our major customers and suppliers; (ii) our staff members are well familiar with the industry know-how under the leadership of our Directors and senior management; and (iii) we have sufficient capital and resources to continue our current business operations in future.

BOARD COMMITTEES

Audit Committee

Our company established the Audit Committee pursuant to a resolution of our Directors passed on 21 June 2019 in compliance with Rule 5.29 of the GEM Listing Rules and with written terms of reference in compliance with the Corporate Governance Code. The primary duties of our Audit Committee are (i) to review and monitor the independent and objective role of the external auditor to our Company; (ii) to make recommendations to our Board on the appointment and removal of the external auditor; (iii) to review the financial statements and material advice in respect of financial reporting process of our Group; (iv) oversee the risk management and internal control systems of our Group; and (v) to monitor any continuing connected transactions. At present, our Audit Committee consists of four members who are Mr. Leung, Mr. Lee Tak Fai Thomas, Mr. Yau Lut Pong Leo and Mr. Yue Wai Leung Stan, comprising one non-executive Director and three independent non-executive Directors. Mr. Lee Tak Fai Thomas is the chairman of our Audit Committee.

Remuneration Committee

Our Company established the Remuneration Committee pursuant to a resolution of our Directors passed on 21 June 2019 in compliance with Rule 5.35 of the GEM Listing Rules and with written terms of reference in compliance with the Corporate Governance Code. The primary duties of our Remuneration Committee include (i) the formulation and the recommendation to the Board on our Company's policies and structures for the remuneration of all of our Directors and senior management of our Company; (ii) the establishment of a formal and transparent procedure for developing policy on remuneration; (iii) the determination of specific remuneration packages of all executive Directors and senior management in the manner specified in the terms of reference; (iv) the recommendation to the Board of the remuneration of non-executive Directors; (v) review and approval of performance-based remuneration; and (vi) review and recommendation to our Shareholders as to the fairness and reasonableness of the terms of any Director's service agreement which is subject to the prior approval of our Shareholders in any general meeting pursuant to the GEM Listing Rules. At present, our Remuneration Committee consists of five members, who are Mr. Sou, Mr. Fok, Mr. Lee Tak Fai Thomas, Mr. Yau Lut Pong Leo and Mr. Yue Wai Leung Stan, comprising two executive Directors and three independent non-executive Directors. Mr. Yau Lut Pong Leo is the chairman of our Remuneration Committee.

Nomination Committee

Our Company established the Nomination Committee pursuant to a resolution of our Directors passed on 21 June 2019 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Nomination Committee are (i) to review the structure, size and composition of our Board on a regular basis; (ii) to identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to our Board on relevant matters relating to appointment or re-appointment of Directors; (v) to make recommendations to our Board regarding candidates to fill vacancies on the Board. At present, our Nomination Committee consists of five members, Mr. Sou, Mr. Leung, Mr. Lee Tak Fai Thomas, Mr. Yau Lut Pong Leo and Mr. Yue Wai Leung Stan, comprising three independent non-executive Directors, one non-executive Director and one executive Director. Mr. Sou is the chairman of our Nomination Committee.

CORPORATE GOVERNANCE

Our Board believes that vesting the roles of both Chairman and chief executive officer in Mr. Sou has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning and execution of our Group's development. Our Board believes that the balance of power and authority under this arrangement will not be impaired and is adequately ensured by the six-member composition of our Board, including two executive Directors, one non-executive Director and three independent non-executive Directors. We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy which sets out the approach to achieve and maintain as appropriate balance of diversity perspectives of our Board that are relevant to our business growth. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives including without limitation gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Board comprises six members, including two executive Directors, one non-executive Director, and three independent non-executive Directors. Our Directors have a balanced mix of experiences from construction machinery rental, construction equipment trading, legal, finance, administration, auditing and accounting fields. Furthermore, our Directors' age range from 32 to 71 years old. While we recognise that gender diversity at the Board level can be improved given its current composition of all-male Directors, our principle of Directors' appointments will continue to be primarily based on merits with reference to our board diversity policy as a whole. Despite the construction machinery industry has been a male-dominant industry, our Company will strive to enhance gender diversity at the Board level in recognising the particular importance of gender diversity, our Nomination Committee will identify and recommend one female candidate to our Board for consideration of her appointment as a Director within two years from the Listing Date. We will commit to look for suitable female candidates to join our Group and to provide career development and training opportunities to our female staff such that they will be eligible for managerial and board-level positions in future.

Effective implementation of the board diversity policy allows our Shareholders to be able to judge for themselves whether our Board as constituted is a reflection of diversity, or a gradual move to increased diversity, on a scale and at a speed which they support. To this end, our Shareholders will be provided with detailed information of each candidate for appointment or re-election to our Board through publication of announcements and circulars published prior to general meetings of our Company.

Our Nomination Committee is responsible for ensuring the diversity of our Board. After Listing, our Nomination Committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

COMPLIANCE ADVISER

Our Company has appointed Grand Moore Capital as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, during the term of the compliance adviser agreement, the compliance adviser will advise our Company 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 including share issues and share repurchases;

(iii) where our Group proposes to use the net proceeds of the initial public offering in a manner different from that detailed in this prospectus or where the business activities, development or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of the Company under Rule 17.11 of the GEM Listing Rules.

The terms of the appointment of the compliance adviser shall commence on the Listing Date and end on the date on which we comply 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 and such appointment shall be subject to extension by mutual agreement.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of senior management team receive compensation in the form of salaries, allowances, bonuses and other benefits-in-kind, including our contribution to the pension scheme. Our Remuneration Committee determines the salaries of our Directors based on each Director's qualification, position and seniority.

The aggregate amount of remuneration (including salaries, allowances and benefits in kind) paid to our Directors for the three years ended 31 December 2018 was approximately HK$2.0 million, HK$2.0 million and HK$1.9 million, respectively.

The aggregate amount of remuneration (including salaries, allowances and benefits in kind (where applicable)) paid to our five highest paid individuals (excluding our Directors) for the three years ended 31 December 2018 was approximately HK$1.3 million, HK$1.3 million and HK$1.9 million, respectively.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

SHARE OPTION SCHEME

Pursuant to the written resolutions of our Shareholders passed on 21 June 2019, our Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarised in the paragraph headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this prospectus.

The following illustrates the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid before and following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme):

Authorised share capital:		*HK$*
8,000,000,000	Shares	80,000,000.00

Shares in issue and to be issued, fully paid or credited as fully paid:

144	Shares in issue as at the date of this prospectus	1.44
449,999,856	Shares to be issued pursuant to the Capitalisation Issue	4,499,998.56
150,000,000	Shares to be issued pursuant to the Share Offer	1,500,000.00
600,000,000	Shares in issue immediately after the Share Offer	6,000,000.00

ASSUMPTIONS

The above table is prepared on the basis of the Share Offer becoming unconditional and the issue of Shares pursuant to the Capitalisation Issue and the Share Offer are made as described herein. It takes no account of any Share which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme or of any Share which may be allotted and issued or repurchased by our Company under the general mandates referred to below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 150,000,000 Offer Shares represent 25% of the issued share capital of our Company upon Listing.

RANKING

The Offer Shares are ordinary shares and will carry the same rights in all respects with all Shares in issue or to be allotted and issued as mentioned in this prospectus and will qualify for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the Listing Date save for any entitlement under the Capitalisation Issue.

SHARE OPTION SCHEME

Pursuant to the written resolutions of our Shareholders passed on 21 June 2019, our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the paragraph headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this prospectus.

CAPITALISATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on 21 June 2019, conditional on to the share premium account of our Company being credited with the proceeds from the Share Offer, our Directors were authorised to allot and issue a total of 449,999,856 Shares to our existing Shareholders, credited as fully paid at par by way of capitalisation of the sum of HK$4,499,998.56 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank equally in all respects with the Shares in issue (save for the right to participate in the Capitalisation Issue).

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" being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with our Shares with a total of not more than the sum of:

(i) 20% of the aggregate number of our Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme); and

(ii) the aggregate number of our Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors as referred to below.

Our Directors may, in addition to our Shares which they are authorised to issue under this general mandate, allot, issue, or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement or pursuant to the exercise of the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which our Company's next annual general meeting is required to be held by the Articles or any other applicable laws of the Cayman Islands; and

(iii) the passing of an ordinary resolution of our Shareholders in a general meeting revoking, varying or renewing such mandate.

For further details of this general mandate, please refer to the paragraph headed "Statutory and General Information — A. Further information about our Company and its subsidiaries — 3. Written resolutions of our Shareholders passed on 21 June 2019" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the paragraph headed "Structure and Conditions of the Share Offer — Conditions of the Share Offer" 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 our Shares in issue following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed "Statutory and General Information — A. Further information about our Company and its subsidiaries — 6. Repurchase by our Company of our own securities" in Appendix IV to this prospectus. The Repurchase Mandate will remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which our Company's next annual general meeting is required to be held by the Articles or any other applicable laws of the Cayman Islands; and

(iii) the passing of an ordinary resolution of our Shareholders in a general meeting revoking, varying or renewing such mandate.

For further details of this general mandate, please refer to the paragraph headed "Statutory and General Information — A. Further information about our Company and its subsidiaries — 3. Written resolutions of our Shareholders passed on 21 June 2019" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary Shares, each of which ranks *pari passu* with the other Shares. The circumstances under which general meetings are required are provided in the Articles. Detailed information on the Articles is set forth in the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to this prospectus.

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), the following persons and/or entities will have an interest or a short position in our Shares or the underlying Shares, which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, is, directly or indirectly interested in 10% or more of the number of Shares carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position

		As at the date of this prospectus		Immediately following completion of the Capitalisation Issue and the Share Offer	
Name of Shareholder	**Nature of Interest**	**Number of Shares held/ interested**	**Approximate percentage of shareholding in our Company**	**Number of Shares held/ interested**	**Approximate percentage of shareholding in our Company**
Mr. Sou	Beneficial interest and interest of spouse	84	58.33%	262,500,000 *(Note 1)*	43.75%
Ms. Chu	Beneficial interest and interest of spouse	84	58.33%	262,500,000 *(Note 2)*	43.75%
Mr. Fok	Beneficial interest	24	16.67%	75,000,000	12.50%
Ms. Yang Mei Lan	Interest of spouse	24	16.67%	75,000,000 *(Note 3)*	12.50%
Integrated Asset Management	Beneficial interest	12	8.33%	37,500,000	6.25%
Mr. Yam Tak Cheung	Interest in a controlled corporation	12	8.33%	37,500,000 *(Note 4)*	6.25%
Rosy Dragon Global	Beneficial interest	18	12.50%	56,250,000	9.375%
Mr. Sze Chun Lee	Interest in a controlled corporation	18	12.50%	56,250,000 *(Note 5)*	9.375%

Notes:

(1) Out of the 262,500,000 Shares, 228,125,000 Shares are registered in the name of Mr. Sou and the remaining 34,375,000 Shares are registered in the name of Ms. Chu. As Ms. Chu is the spouse of Mr. Sou, Mr. Sou is deemed to be interested in all the Shares which Ms. Chu is regarded to be interested in under the SFO.

(2) Out of the 262,500,000 Shares, 34,375,000 Shares are registered in the name of Ms. Chu and the remaining 228,125,000 Shares are registered in the name of Mr. Sou. As Mr. Sou is the spouse of Ms. Chu, Ms.Chu is deemed to be interested in all the Shares which Mr. Sou is regarded to be interested in under the SFO.

(3) The 75,000,000 Shares are registered in the name of Mr. Fok. As Ms. Yang Mei Lan is the spouse of Mr. Fok, Ms. Yang Mei Lan is deemed to be interested in all the Shares which Mr. Fok is regarded to be interested in.

(4) The 37,500,000 Shares are registered in the name of Integrated Asset Management, the entire issued share capital of which is legally and beneficially owned by Mr. Yam Tak Cheung. Under the SFO, Mr. Yam Tak Cheung is deemed to be interested in all the Shares held by Integrated Asset Management.

(5) The 56,250,000 Shares are registered in the name of Rosy Dragon Global, the entire issued share capital of which is legally and beneficially owned by Mr. Sze Chun Lee. Under the SFO, Mr. Sze Chun Lee is deemed to be interested in all the Shares held by Rosy Dragon Global.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), have an interest or a short position in our Shares or the underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the number of Shares carrying rights to vote in all circumstances at general meetings of any member of our Group.

You should read the following discussion and analysis in conjunction with our combined financial information as at and for the three years ended 31 December 2016, 2017 and 2018 together with the accompanying notes thereto set forth in the Accountants' Report included as Appendix I to this prospectus. Our combined financial information has been prepared in accordance with HKFRSs issued by Hong Kong Institute of Certified Public Accountants. Our financial information and the discussion and analysis below assume that our current structure had been in existence throughout the Track Record Period. For further information in relation to our Group's structure, please refer to the section headed "History, Reorganisation and corporate structure" in this prospectus.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumptions and analyses made by us 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 over which we do not have control. Please refer to the sections headed "Risk Factors" and "Forward-looking Statements" for discussions of those risks and uncertainties.

OVERVIEW

Our Group mainly undertakes (i) provision of rental services of crawler cranes, casing oscillators, RCDs and hydromill trench cutter for construction projects mainly in Hong Kong and/or Macau; (ii) trading of new or used crawler cranes, RCDs, trench cutters, casing oscillators and/or related spare parts to customers mainly in Hong Kong; and (iii) to a lesser extent, provision of transportation services in delivering our machinery to and from customers' designated sites and other services such as arrangement of set-up and repair of machinery for customers of our plant hire service, arrangement of insurance for customers of our plant hire service for projects outside Hong Kong and marketing of construction machinery for our machinery suppliers.

Our plant hire income accounted for approximately 45.7%, 73.6% and 71.4% of the total revenue of our Group for the three years ended 31 December 2016, 2017 and 2018, respectively. General sales generated from the trading of construction machinery, tools and parts accounted for approximately 42.6%, 21.7% and 24.2% of the total revenue of our Group for the three years ended 31 December 2016, 2017 and 2018, respectively. Revenue generated from provision of transportation and other services accounted for approximately 11.7%, 4.7% and 4.4% of the total revenue of our Group for the three years ended 31 December 2016, 2017 and 2018, respectively.

Our open storage for construction machinery and equipment is located at portions of Lots Nos. 440RP, 442, 443, 444 and 447 in Demarcation District No. 77, New Territories, Hong Kong under a tenancy agreement with an Independent Third Party for a three years term up to 30 September 2019. We source new construction machinery for our plant hire business mainly from German, Korean and Austrian brand manufacturers or their affiliates in Hong Kong, while our used construction machinery are sourced from local or overseas traders in countries such as China, Korea and Singapore. We sometimes enter into rental agreements with third party construction machinery service providers to lease certain construction machinery for sub-leasing to our customers.

During the Track Record Period, we mainly traded construction machinery of certain German, Japanese, Italian and Austrian brands, which were sourced from local traders. Occasionally, upon request, we may provide transportation and other services to customers by charging a fee. Other services mainly involve provision of set-up and repair services to customers of our machinery rental business, arrangement of insurance for customers of our machinery rental business for projects outside Hong Kong and marketing construction machinery for our machinery suppliers. We also engage third party logistic companies and insurance compan(ies) to provide transportation services and insurance services to customers respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company on 26 February 2016 in preparation for a listing of our Shares. Pursuant to the Reorganisation as more fully described in the section "History, Reorganisation and corporate structure" in this prospectus, our Company was owned by the Controlling Shareholders and our Company became the holding company of the companies now comprising our Group on 31 May 2016. Our Group comprising our Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period and the combined statements of financial position of our Group as at 31 December 2016, 2017 and 2018 have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation of the relevant entity, where there is a shorter period.

Further details on the basis of presentation are set out in Note 2 in the Accountants' Report.

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations have been and will continue to be affected by a number of factors, including those discussed below, some of which are beyond our control.

Market conditions in Hong Kong and Macau

Substantially all of our Group's operations and management are currently located in Hong Kong. The level of profitability of the construction machinery rental and trading industry depends primarily upon the continued availability of construction projects in Hong Kong and/or Macau. The timing, size and nature of these projects will be determined by the interplay of a number of factors such as the government's spending patterns on the construction projects, the investment of property developers and the general conditions and prospects of the economy of Hong Kong and Macau. These factors may affect the availability of construction projects from both the private and public sectors.

Our reputation in the industry

The reputation that our Group has built up over the years plays a significant role in attracting customers and maintaining customer relationships. During the Track Record Period, certain customers of our machine hiring and trading businesses have long-term business relationship with our Group. We believe that our industry reputation and strong relationship with major suppliers and customers provide us with a favourable position to capture the overall growth trend of the construction machinery rental markets in Hong Kong and Macau. Our ability to maintain our industry reputation and relationship with major suppliers and customers thus affects our ability to generate revenue.

Our fleet management strategy

We will take into account the reputation of and expected market demand for the brand and specification of the construction machinery before making purchases of construction machinery in attempt to achieve satisfactory return in terms of rental income and resale value. In addition to using our owned construction machinery, we also rent machinery from our suppliers. Such arrangements allow us to provide a wide range of construction machinery even when we do not have the required construction machinery in our fleet. Our fleet management strategy therefore affects our financial performance. Our Group would take into consideration and compare between the amount of costs incurred from renting machinery from our suppliers and depreciation expenses incurred from acquiring our owned construction machinery.

As mentioned in the F&S Report, it is common for market players in Hong Kong construction machinery rental market to rent machinery from other suppliers, which are either manufacturers or rental companies, on a fixed term or on as-needed basis.

SENSITIVITY ANALYSIS

Machinery rental costs

Machinery rental costs of our Group increased by approximately 22.1% from approximately HK$3.1 million for the year ended 31 December 2016 to approximately HK$3.7 million for the year ended 31 December 2017. Machinery rental costs of our Group decreased by approximately 11.2% from approximately HK$3.7 million for the year ended 31 December 2017 to approximately HK$3.3 million for the year ended 31 December 2018.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in machinery rental costs on our profit before tax and our profit for the year during the Track Record Period. Fluctuations are assumed to be approximately 5%, 10% and 15% for each of the three years ended 31 December 2016, 2017 and 2018.

Hypothetical fluctuations	+/-5%	+/-10%	+/-15%
	HK$	*HK$*	*HK$*
Change in machinery rental costs			
For the year ended 31 December 2016	+/-153,018	+/-306,035	+/-459,053
For the year ended 31 December 2017	+/-186,768	+/-373,537	+/-560,305
For the year ended 31 December 2018	+/-165,888	+/-331,775	+/-497,663
Change in profit/(loss) before tax			
For the year ended 31 December 2016	+/-153,018	+/-306,035	+/-459,053
For the year ended 31 December 2017	+/-186,768	+/-373,537	+/-560,305
For the year ended 31 December 2018	-/+165,888	-/+331,775	-/+497,663
Change in profit/(loss) for the year			
For the year ended 31 December 2016	+/-127,770	+/-255,539	+/-383,309
For the year ended 31 December 2017	+/-155,952	+/-311,903	+/-467,855
For the year ended 31 December 2018	-/+138,516	-/+277,032	-/+415,548

Staff costs

Staff costs (including wages and MPF) of our Group under cost of sales and services decreased by approximately 6.8% from approximately HK$1.5 million for the year ended 31 December 2016 to approximately HK$1.4 million for the year ended 31 December 2017. Staff costs (including wages and MPF) of our Group under cost of sales and services increased by approximately 3.4% from approximately HK$1.4 million for the year ended 31 December 2017 to approximately HK$1.5 million for the year ended 31 December 2018. As at the Latest Practicable Date, we had a total of 14 full-time employees (not including the executive Directors) out of which seven employees were under our technical service team. Our technical service team members provide timely maintenance and other supporting services to our customers. Should we fail to retain such staff and to control our staff costs, our operational result and condition may be adversely affected.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in staff costs on our profit before tax and our profit for the year during the Track Record Period. Fluctuations are assumed to be approximately 5%, 10% and 15% for each of the three years ended 31 December 2016, 2017 and 2018.

Hypothetical fluctuations	*+/-5%*	*+/-10%*	*+/-15%*
	HK$	*HK$*	*HK$*
Change in staff costs			
For the year ended 31 December 2016	+/-75,524	+/-151,048	+/-226,571
For the year ended 31 December 2017	+/-70,396	+/-140,792	+/-211,188
For the year ended 31 December 2018	+/-72,764	+/-145,527	+/-218,291
Change in profit/(loss) before tax			
For the year ended 31 December 2016	+/-75,524	+/-151,048	+/-226,571
For the year ended 31 December 2017	+/-70,396	+/-140,792	+/-211,188
For the year ended 31 December 2018	-/+72,764	-/+145,527	-/+218,29
Change in profit/(loss) for the year			
For the year ended 31 December 2016	+/-63,062	+/-126,125	+/-189,187
For the year ended 31 December 2017	+/-58,781	+/-117,561	+/-176,342
For the year ended 31 December 2018	-/+60,758	-/+121,515	-/+182,273

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain significant accounting policies that are critical to the preparation of our financial information. These significant accounting policies are important for an understanding of our financial position and results of operations and are set forth in Note 4 "Significant Accounting Policies" of the Accountants' Report in Appendix I to this prospectus.

In the application of our Group's accounting policies, the management of our Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. These key estimates are set forth in Note 5 "Key Sources of Estimation Uncertainty" of the Accountants' Report in Appendix I to this prospectus.

Certain key accounting policies, judgments and estimations applied in preparing our Group's financial information are discussed below.

Key accounting policies

(a) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenues from the sales of goods in the ordinary course of business is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For sales contract for which the control of the goods is transferred at a point in time, revenue is recognised when the customer obtains the physical possession and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

Rental income from machinery leasing under operating lease is recognised on a straight-line basis over the term of the relevant lease.

Operating service income and other services income are recognised when services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(b) 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 lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as obligations under finance leases.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as lease liability at the date of initial application. The Group measure that lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group recognise a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying HKAS 17. The Group measure a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the combined statement of financial position immediately before the date of initial application.

The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's combined statement of cash flow.

The Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets.

(c) Plant and equipment and right of use assets

Plant and equipment and right of use assets held for use in the production or supply of goods or services, or for administrative purposes are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent 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 value 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture, fixtures and equipment	20%
Motor vehicles	20%
Plant and machinery	Over the relevant useful live, or 25 years whichever is the shorter

An item of plant and equipment or right of use assets 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.

(d) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(e) Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(f) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For financial assets measured at amortised cost that are considered to be of low credit risk, it is assumed that no significant increase in credit risk has occurred. Thus, the impairment provision recognised during the year was limited to 12-month expected losses.

For trade receivables only, the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9. Management considers trade receivables do not contain a significant financing component. Thus, the impairment provision recognised during the year was equal to the lifetime expected losses.

When there is information (developed internally or obtained from external sources) indicating that a debtor is unlikely to pay its creditors, including the Group, in full, the Group may consider the related receivables are generally not recoverable and constitute as a default.

A financial asset is regarded as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

— significant financial difficulty of the counterparty;
— it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
— the disappearance of an active market for that financial asset because of financial difficulties.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Critical accounting estimates and judgments

(a) Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period. As at 31 December 2016, 2017 and 2018, the carrying amounts of plant and equipment are approximately HK$84.5 million, HK$82.7 million and HK$106.2 million respectively.

(b) Estimated impairment of plant and equipment

The Group assesses annually whether plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations if there is indication of impairment. The calculations and valuations require the use of judgment and estimates on future operating cash flows and discount rates adopted. As at 31 December 2016, 2017 and 2018, the managements of the Group considered that there is no impairment indication and no impairment is recognised for the years/period.

(c) Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flow. 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 future cash flows are less than expected a further impairment loss may arise. As at 31 December 2018, the carrying amount of trade receivable is approximately HK$10.3 million (31 December 2016: HK$13.8 million and 31 December 2017: HK$8.3 million).

(d) *Early adoption of HKFRS 16*

HKFRS 16 "Leases" are mandatorily effective for annual periods beginning on or after 1 January 2019. HKFRS 16 will replace HKAS 17 "Leases" and related interpretations. Under HKAS 17, operating lease commitments are disclosed separately in a note to the consolidated financial statement and are recognised outside of the consolidated statement of financial position. Under HKFRS 16, all leases (except for those with lease term of less than 12 months or of low value) must be recognised in the form of an asset (being the right-of-use assets in our financial statements) and a financial liability (being the lease liabilities in our financial statements), and, accordingly, each lease will be mapped in our combined statements of financial position.

After due and careful consideration and taking into account of, among other things, the significance of operating leases to our Group, the consolidated statement of financial position prepared under HKFRS 16 will provide more information to the financial statement users and the potential impact of the adoption of such standards in a later stage, our Directors decided to early adopt the HKFRS 16 in our first published audited combined financial statements.

Following the early adoption of HKFRS 16, leases are recognised in the form of an asset (being the right-of-use assets) together with financial liabilities (being lease liabilities) and in respect of which depreciation expenses and finance costs are charged instead of rental expenses. Accordingly, certain financial ratios are also affected. The table set forth below summarised the impacts of the adoption of HKFRS 16 on certain key items of our combined financial statements:

	Revenue Year ended 31 December			**Net (loss)/profit Year ended 31 December**		
	2016	**2017**	**2018**	**2016**	**2017**	**2018**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
As if reported under HKAS 17	34,570,762	38,363,829	43,781,015	(4,219,811)	(593,939)	8,069,150
Currently reported under HKFRS 16	34,570,762	38,363,829	43,781,015	(4,232,771)	(679,240)	8,026,120
Difference	—	—	—	(12,960)	(85,301)	(43,030)

	Total assets As at 31 December			**Total liabilities As at 31 December**		
	2016	**2017**	**2018**	**2016**	**2017**	**2018**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
As if reported under HKAS 17	104,035,751	98,766,364	124,669,603	(75,387,263)	(70,711,815)	(85,545,904)
Currently reported under HKFRS 16	106,245,216	100,501,973	125,792,738	(77,609,688)	(72,545,685)	(86,810,330)
Difference	2,209,465	1,735,609	1,123,135	(2,222,425)	(1,833,870)	(1,264,426)

	Operating cash flows before changes in working capital Year ended 31 December			Net cash generated from/(used in) financing activities Year ended 31 December		
	2016	2017	2018	2016	2017	2018
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
As if reported under HKAS 17	7,907,222	16,200,301	22,171,410	(605,825)	(16,300,438)	(20,488,280)
Currently reported under HKFRS 16	8,749,374	17,555,422	23,627,970	(1,447,977)	(17,655,559)	(21,944,840)
Difference	842,152	1,355,121	1,456,560	(842,152)	(1,355,121)	(1,456,560)

In particular, the above-mentioned differences are principally due to the differences in our right-of-use assets, lease liabilities, depreciation of right-of-use assets and rental expenses during the Track Record Period as a result of the adoption of HKFRS 16, and the impact of which are further summarised below:

	Right-of-use assets As at 31 December			Lease liabilities As at 31 December		
	2016	2017	2018	2016	2017	2018
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
As if reported under HKAS 17	—	—	—	—	—	—
Currently reported under HKFRS 16	2,209,465	2,042,320	1,400,478	(2,222,425)	(2,102,306)	(1,437,881)
Difference	2,209,465	2,042,320	1,400,478	(2,222,425)	(2,102,306)	(1,437,881)

	Depreciation of right-of-use assets Year ended 31 December			Rental expenses Year ended 31 December		
	2016	2017	2018	2016	2017	2018
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
As if reported under HKAS 17	—	—	—	(1,785,254)	(1,848,528)	(1,743,949)
Currently reported under HKFRS 16	(786,661)	(1,311,979)	(1,347,308)	(943,102)	(493,407)	(287,389)
Difference	(786,661)	(1,311,979)	(1,347,308)	842,152	1,355,121	1,456,560

RESULTS OF OPERATIONS

The following is a summary of the combined statements of profit or loss and other comprehensive income of our Group for the three years ended 31 December 2016, 2017 and 2018 respectively, as extracted from the Accountants' Report set out in Appendix I to this prospectus. This summary should be read in conjunction with the Accountants' Report as set out in Appendix I to this prospectus

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Revenue	34,570,762	38,363,829	43,781,015
Cost of sales and services	(21,913,326)	(17,693,357)	(18,512,261)
Gross profit	12,657,436	20,670,472	25,268,754
Other income	1,586,024	1,391,212	3,629,430
Other operating expenses	(2,552,669)	(2,997,261)	(1,520,106)
Administrative expenses	(11,834,726)	(12,304,920)	(11,644,226)
Selling and distribution expenses	(1,296,589)	(1,181,288)	(1,165,678)
Finance costs	(3,309,808)	(4,181,305)	(3,776,170)
(Loss) profit before taxation	(4,750,332)	1,396,910	10,792,004
Income tax credit (expense)	517,561	(2,076,150)	(2,765,884)
(Loss) profit and total comprehensive (expense) income for the year	(4,232,771)	(679,240)	8,026,120

DESCRIPTION OF SELECTED LINE ITEMS OF COMBINED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our revenue includes plant hire income from leasing of construction machinery, general sales from trading of construction machinery, tools and parts and transportation and other services income.

Our revenue increased from approximately HK$34.6 million for the year ended 31 December 2016 to approximately HK$38.4 million for the year ended 31 December 2017, representing an increase of approximately 11.0%. It increased by approximately 14.1% from approximately HK$38.4 million for the year ended 31 December 2017 to approximately HK$43.8 million for the year ended 31 December 2018.

The table below sets out the breakdown of our revenue by business segments:

	For the year ended 31 December					
	2016		2017		2018	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Plant hire income	15,790,162	45.7	28,229,707	73.6	31,274,550	71.4
General sales	14,741,518	42.6	8,325,014	21.7	10,598,263	24.2
Transportation and other services income	4,039,082	11.7	1,809,108	4.7	1,908,202	4.4
Total	34,570,762	100.0	38,363,829	100.0	43,781,015	100.0

	For the year ended 31 December					
	2016		2017		2018	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Hong Kong	29,445,326	85.2	17,914,073	46.7	22,521,699	51.4
Macau	5,125,436	14.8	18,708,344	48.8	20,707,322	47.3
Philippines	—	—	1,741,412	4.5	551,994	1.3
Total	34,570,762	100.0	38,363,829	100.0	43,781,015	100.0

Plant hire service

Our plant hire service mainly involves rental of crawler cranes, casing oscillators, RCDs and hydromill trench cutter to customers for the use in their construction projects.

The table below set out the breakdown of our plant hire income by project types:

	For the year ended 31 December					
	2016		2017		2018	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Building	5,267,714	33.4	25,382,047	89.9	28,259,296	90.4
Infrastructure	8,693,520	55.1	1,843,660	6.6	—	—
Transport system	1,828,928	11.5	432,000	1.5	2,503,164	8.0
Others	—	—	572,000	2.0	512,090	1.6
Total	15,790,162	100.0	28,229,707	100.0	31,274,550	100.0

Set forth below are the details of our plant hire income by rental fleet and sub-leasing for the Track Record Period:

	For the year ended 31 December					
	2016		2017		2018	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Plant hire income from our rental fleet	13,202,837	83.6	23,586,208	83.6	26,968,513	86.2
Plant hire from sub-leasing of machinery	2,587,325	16.4	4,643,499	16.4	4,306,037	13.8
Total	15,790,162	100.0	28,229,707	100.0	31,274,550	100.0

The table below set out the breakdown of our plant hire income by geographical locations:

	For the year ended 31 December					
	2016		2017		2018	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Hong Kong	11,603,726	73.5	11,130,613	39.4	18,071,707	57.8
Macau	4,186,436	26.5	17,099,094	60.6	13,202,843	42.2
Total	15,790,162	100.0	28,229,707	100.0	31,274,550	100.0

Our plant hire income is closely tied to the level of construction activities and the number of construction projects (including building, infrastructure and transport system) in Hong Kong and Macau. Our plant hire income increased by approximately 78.8% from approximately HK$15.8 million for the year ended 31 December 2016 to approximately HK$28.2 million for the year ended 31 December 2017. Our plant hire income derived from Macau increased from approximately HK$4.2 million for the year ended 31 December 2016 to approximately HK$17.1 million for the year ended 31 December 2017. The increase in plant hire income derived from Macau was mainly attributable to the revenue contribution from a public building project in Macau of approximately HK$9.0 million and a private building project regarding new phases of a Macau casino of approximately HK$6.4 million. According to the F&S Report, the construction machinery rental market in Macau experienced strong performance mainly driven by the extensive expansion of casinos and hotels and enormous investment by the Government of Macau on infrastructural projects. Our plant hire income derived from Hong Kong slightly decreased from approximately HK$11.6 million for the year ended 31 December 2016 to approximately HK$11.1 million for the year ended 31 December 2017 mainly because several construction machineries were occupied to fulfill orders in the Macau market resulting in less orders for same type of construction machineries could be taken in the Hong Kong market.

Our plant hire income increased by approximately 10.8% from approximately HK$28.2 million for the year ended 31 December 2017 to approximately HK$31.3 million for the year ended 31 December 2018 mainly due to (i) increase in plant hire income by approximately HK$6.9 million derived from Hong Kong as a result of more engagements on private building projects but partly offset by (ii) decrease in plant hire income by approximately HK$3.9 million from Macau as a result of the completion of several private building projects.

Business drivers and the underlying reasons for the revenue growth during the Track Record Period

As mentioned in the "Industry Overview" section in this Prospectus, the factors causing the market downtrend in 2015 to 2017 had changed since 2017 and 2018. Moreover, our Group's business drivers and the underlying reasons for the revenue growth during the Track Record Period are as follows:

i) our Group adopts a flexible approach to solicit business from various project types, i.e. building projects, infrastructure projects and transport system projects. Our Group owns and offers rental fleet comprising crawler cranes, casing oscillators and RCD, which are bored piling machines and can facilitate the foundation works for various kinds of projects, including infrastructure project, building projects and transport project, etc. Our Directors consider that it may not be very common in the industry to own a full set of rental fleets, which can be used for most type of foundation work for various kinds of projects. The Group can also provide advice to our customers on the type of construction machinery, which can best fit the customer's need and best utilize such machinery at construction sites. Although there is improvement in approving budget for public expenditure within the Hong Kong government, infrastructure projects are usually with relatively long period and different market players are engaged in various stages of the projects. It takes time for those players to fully realise the increase in public expenditure on infrastructure. As such, our Group devoted more of its resource to solicit business from building projects;

ii) with the aforesaid flexible approach, our Group was able to capture the growth in both the public and private building projects in the markets. Based on the F&S Report, the total usable floor area of newly completed private buildings in Hong Kong increased from approximately 1.23 million sq.m. in 2016 to approximately 1.41 million sq.m. in 2018. The total floor area of newly completed private buildings in Macau increased from approximately 192,000 sq.m. in 2016 to approximately 1.29 million sq.m. in 2018. Our Group's revenue contribution from building projects has increased from approximately HK$5.3 million (33.4%) for the year ended 31 December 2016 to approximately HK$28.3 million (90.4%) for the year ended 31 December 2018;

iii) for various kinds of construction projects, the foundation work, for which our Group's machineries are mainly engaged in, is usually the early stage of a construction project. Therefore, our Group can benefit from the recovery of the construction market earlier than other competitors, which mainly provide construction machineries for the subsequent stages of construction project, such as lifting machineries mainly for the building works on the ground; and

iv) the continuous increase in housing demand is driving the construction of residential buildings in Hong Kong and Macau. As the business activities and tourism keep growing in Hong Kong and Macau, these have also stimulated the construction of non-residential buildings which, in turn, contributed to our revenue from non-residential building projects.

General sales from trading of construction machinery, tools and parts

Our trading of construction machinery, tools and parts mainly involves sales of new or used crawler cranes, RCDs, trench cutters, casing oscillators and/or related spare parts, tools, or oil and lubricant to customers.

Our general sales from the trading of construction machinery, tools and parts decreased by approximately 43.5% from approximately HK$14.7 million for the year ended 31 December 2016 to approximately HK$8.3 million for the year ended 31 December 2017 mainly due to less trading of used machines for the year ended 31 December 2017.

Our general sales from the trading of construction machinery, tools and parts increased by approximately 27.3% from approximately HK$8.3 million for the year ended 31 December 2017 to approximately HK$10.6 million for the year ended 31 December 2018 mainly due to the sale of two RCDs and two casing oscillators to customers which amounted to HK$7.7 million, in aggregate for the year ended 31 December 2018 while there was only one transaction of crawler crane for the year ended 31 December 2017 which amounted to HK$4.7 million.

Transportation and other services

Transportation and other services represent the provision of transportation services in delivering our machinery to and from customers' designated sites and other services such as arrangement of set-up and repair of machinery for customers of our plant hire service, arrangement of insurance for customers of our plant hire service for projects outside Hong Kong and marketing of construction machinery for our machinery suppliers. Based on the F&S Report, it is common for both public and private construction machinery rental and trading companies to provide marketing service for suppliers to promote their products in Hong Kong market, and there are some construction machinery rental and trading companies that earn marketing service fee income from these suppliers. Our Industry Consultant is of the view that the terms offered by the suppliers in relation to the Company's provision of marketing service are in line with the industry's practice. The marketing and promotional service on machinery and other products by the Group's technical team is on a continuous basis in order to maintain the Group's proper market position. Our Directors consider that, in view of the Group's good business relationship with the machinery manufacturer and their representatives in Hong Kong, the machinery manufacturers are confident that the Group can provide effective marketing and promotional services for their products in Hong Kong. Therefore, the Company and the Reporting Accountants are of the view that such income should be considered generated from the ordinary and usual course of business. The amount of such income were approximately HK$1.4 million, HK$0.9 million and HK$0.3 million for the three years ended 31 December 2018, respectively. The Directors believe that such decrease was mainly due to the decrease in new models launched by related suppliers in 2017 and 2018, and thus less marketing and promotion activities are needed.

Our transportation and other services income decreased by approximately 55.2% from approximately HK$4.0 million for the year ended 31 December 2016 to approximately HK$1.8 million for the year ended 31 December 2017. Such decrease was mainly due to less transportation fee charged on delivery of spare parts and absence of sub-license income for the year ended 31 December 2017.

Our transportation and other services income increased by approximately 5.5% from approximately HK$1.8 million for the year ended 31 December 2017 to approximately HK$1.9 million for the year ended 31 December 2018. Such increase was mainly due to the increase in transportation service fees charged to customers offset by the decrease in marketing and promotion charge income for the year ended 31 December 2018.

The table below sets out the breakdown of revenue by business segment generated from projects in Hong Kong, Macau and the Philippines during the Track Record Period:

	2016				2017				2018			
	Hong Kong		Macau and the Philippines		Hong Kong		Macau and the Philippines		Hong Kong		Macau and the Philippines	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*	*HK$*	*%*	*HK$*	*%*	*HK$*	*%*
Plant hire income	11,603,726	39.4%	4,186,436	81.7%	11,130,613	62.1%	17,099,094	83.6%	18,071,707	80.2%	13,202,843	62.1%
General sales	14,461,518	49.1%	280,000	5.4%	5,325,707	29.7%	2,999,307	14.7%	3,211,592	14.3%	7,386,671	34.7%
Transportation and other services income	3,380,082	11.5%	659,000	12.9%	1,457,753	8.2%	351,355	1.7%	1,238,400	5.5%	669,802	3.2%
	29,445,326	100.0%	5,125,436	100.0%	17,914,073	100.0%	20,449,756	100.0%	22,521,699	100.0%	21,259,316	100.0%

Our revenue derived from Hong Kong decreased from approximately HK$29.4 million for the year ended 31 December 2016 to approximately HK$17.9 million for the year ended 31 December 2017 mainly because of the decrease in trading of construction machinery in the Hong Kong market from HK$14.5 million for the year ended.

Our revenue derived from Hong Kong increased from approximately HK$17.9 million for the year ended 31 December 2017 to approximately HK$22.5 million for the year ended 31 December 2018 mainly due to the increase in plant hire income by approximately HK$6.9 million derived from Hong Kong as a result of more engagements on private building projects.

Our revenue derived from Macau and Philippines increased from approximately HK$5.1 million for the year ended 31 December 2016 to approximately HK$20.4 million for the year ended 31 December 2017 mainly because our plant hire income derived from Macau increased from approximately HK$4.2 million for the year ended 31 December 2016 to approximately HK$17.1 million for the year ended 31 December 2017.

Our revenue derived from Macau and Philippines increased from approximately HK$20.4 million for the year ended 31 December 2017 to approximately HK$21.3 million for the year ended 31 December 2018 mainly due to the increase in general sales derived from Macau, partially offset by the decrease in plant hire income derived from Macau and the decrease in general sales derived from Philippines.

Cost of sales and services rendered

Set forth below are the details of the cost of sales and services rendered during the Track Record Period:

	For the year ended 31 December					
	2016		2017		2018	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Product purchases	10,492,140	47.9	5,912,163	33.4	6,391,053	34.5
Machinery rent paid	3,060,352	13.9	3,735,366	21.1	3,317,750	17.9
Depreciation on plant and machinery	5,628,656	25.7	6,157,950	34.8	6,059,699	32.7
Staff costs	1,510,475	6.9	1,407,921	8.0	1,455,270	7.9
Transportation and others	1,221,703	5.6	479,957	2.7	1,288,489	7.0
	21,913,326	100.0	17,693,357	100.0	18,512,261	100.0

Product purchases

Our product purchases represent the costs incurred for the purchase of construction machinery, tools and parts in order to generate trading income. Our product purchases costs decreased by approximately 43.7% from approximately HK$10.5 million for the year ended 31 December 2016 to approximately HK$5.9 million for the year ended 31 December 2017. The decrease was generally in line with the decrease in our general sales from the trading of machinery, tools and parts by approximately 43.5% as mentioned above.

Our product purchases costs increased by approximately 8.1% from approximately HK$5.9 million for the year ended 31 December 2017 to approximately HK$6.4 million for the year ended 31 December 2018. The increase was generally in line with the increase in our general sales from the trading of machinery, tools and parts as mentioned above.

Machinery rent paid

Our machinery rent paid represented the rental expenses we paid to our suppliers for renting machinery in order to deliver the plant hire service to our customers. Our machinery rent paid amount increased by approximately 22.1% from approximately HK$3.1 million for the year ended 31 December 2016 to approximately HK$3.7 million for the year ended 31 December 2017, which is consistent with the movement in our plant hire income from sub-leasing of machinery.

Our machinery rent paid amount decreased by approximately 11.2% from approximately HK$3.7 million for the year ended 31 December 2017 to approximately HK$3.3 million for the year ended 31 December 2018. Such decrease was generally in line with the decrease in our movement of plant hire income from sub-leasing of machinery.

Depreciation on plant and machinery

Depreciation on plant and machinery under cost of sales mainly related to the depreciation expenses for our owned fleet of plant and machinery. Depreciation on plant and machinery increased by approximately 9.4% from approximately HK$5.6 million for the year ended 31 December 2016 to approximately HK$6.2 million for the year ended 31 December 2017 mainly due to acquisition of a vibratory hammer and a crawler crane during the year ended 31 December 2017 and a full year effect of depreciation on a casing rotator acquired in December 2016.

Depreciation on plant and machinery remained at a similar level of approximately HK$6.2 million and HK$6.1 million for the years ended 31 December 2017 and 2018, respectively.

Staff costs

Staff costs under cost of sales represented wages and Mandatory Provident Fund ("**MPF**") to machinery operators engaged by our Group to provide relevant services upon requests from customers and several staff in our technical service department to provide technical support. Staff costs was maintained at a similar level of approximately HK$1.5 million and HK$1.4 million for the year ended 31 December 2016 and 2017, respectively.

Staff costs remained at a similar level of approximately HK$1.4 million and HK$1.5 million for the years ended 31 December 2017 and 2018, respectively.

Transportation and others

Transportation and others mainly represented the costs for the engagements of third party logistic companies to provide transportation to customers (including the delivery of machinery and spare parts to and from customers' designated sites), the costs for licencing the Sheung Shui Site (including the security fee) for sub-licence to one of our customers until termination on 31 May 2016 and the repair charges/service fees. Normally, the transportation costs, and related assembly and demobilisation costs are borne by our customers, if the customers choose to arrange the delivery and other services by themselves, and in that case, our Group will not incur any transportation and others costs. If requested by our customers, our Group will provide such transportation services in delivering our machinery to and from our customers' designated sites, and other services, such as assembly and demobilisation of the construction machinery.

Transportation and others costs may be incurred in different geographical locations. When requested by our customers, our Group will arrange transportation to deliver our machinery to the designated sites, according to the project location. Based on the aforesaid, our Directors consider that the change in transportation and others costs depend on the preferences of each of our Group's customers.

The table below sets out the breakdown of transportation and others costs by geographical location:

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Hong Kong	1,022,148	165,643	773,221
Macau	199,554	276,805	473,737
The Philippines	—	37,509	41,531
Total	1,221,702	479,957	1,288,489

Transportation and other expenses decreased by approximately 60.7% from approximately HK$1.2 million for the year ended 31 December 2016 to approximately HK$0.5 million for the year ended 31 December 2017, which (i) was mainly due to the decrease of transportation and other expenses in Hong Kong from approximately HK$1.0 million to HK$0.2 million for the years ended 31 December 2016 and 2017, respectively, resulted from a decrease in our customers' requests for transportation and repair services in Hong Kong for the year ended 31 December 2017; and (ii) was offset by the increase in transportation and other expenses in Macau and the Philippines from a total of HK$199,554 to approximately HK$314,314 for the years ended 31 December 2016 and 2017, respectively, resulted from an increase in our customers' requests for transportation and repair services in Macau and the Philippines for the year ended 31 December 2017.

Transportation and other expenses increased by approximately 168.5% from approximately HK$0.5 million for the year ended 31 December 2017 to approximately HK$1.3 million for the year ended 31 December 2018. Such increase was mainly due to (a) the increase in transportation and other expenses in Hong Kong from approximately HK$0.2 million to HK$0.8 million for the years ended 31 December 2017 and 2018, resulted from the increase in our customers' requests for transportation services and repair services for the year ended 31 December 2018 and; (b) the increase in transportation and other expenses in Macau and the Philippines from approximately HK$0.3 million to HK$0.5 million for the years ended 31 December 2017 and 2018, resulted from the increase in our customers' requests to provide the transportation services to deliver our Group's rental fleet to Macau and the Philippines and repair services.

Gross profit and gross profit margin

Our gross profit for the three years ended 31 December 2016, 2017 and 2018 amounted to approximately HK$12.7 million, HK$20.7 million and HK$25.3 million, representing gross profit margin of approximately 36.6%, 53.9% and 57.7%, respectively.

Set forth below are the details of our Group's gross profit by business segments during the Track Record Period:

	For the year ended 31 December					
	2016		2017		2018	
		Gross profit margin		Gross profit margin		Gross profit margin
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Plant hire service	5,590,678	35.4	16,928,470	60.0	20,441,831	65.4
General sales from trading of construction machinery, tools and parts	4,249,378	28.8	2,412,851	29.0	4,207,210	39.7
Transportation and other services	2,817,380	69.8	1,329,151	73.5	619,713	32.5
Total	12,657,436	36.6	20,670,472	53.9	25,268,754	57.7

Notes:

1. Gross profit margins are calculated based on the gross profit divided by revenue from the respective business segment. Gross profits are calculated based on revenue after deduction of costs incurred for generating revenue for the respective business segment.

2. Costs incurred for generating plant hire income comprised machinery rent paid, depreciation on plant and machinery and staff costs.

3. Costs incurred for generating general sales from trading of construction machinery, tools and parts comprised product purchases costs.

4. Costs incurred for generating transportation and other services mainly comprised costs for the engagements of third party logistic companies to provide transportation to customers (including the delivery of machinery and spare parts to and from customers' designated sites), the costs for licensing the Sheung Shui Site (including security fee) for sub-licence to one of our customers until termination on 31 May 2016 and the repair charges/service fees.

Our gross profit margin for plant hire service increased from approximately 35.4% for the year ended 31 December 2016 to approximately 60.0% for the year ended 31 December 2017 mainly due to the increase in revenue as discussed above while depreciation on plant and machinery and staff costs remained at similar level. Our gross profit margin for plant hire service increased from approximately 60.0% for the year ended 31 December 2017 to approximately 65.4% for the year ended 31 December 2018 mainly due to the increase in revenue as discussed above while machinery rent paid decreased as discussed above.

Our gross profit margin for the general sales from trading of construction machinery, tools and parts remained at a similar level of 28.8% and 29.0% for the years ended 31 December 2016 and 2017. Our gross profit margin for the general sales from trading of construction machinery, tools and parts increased from approximately 29.0% for the year ended 31 December 2017 to approximately 39.7% for the year ended 31 December 2018 mainly due to the increase in proportion of trading spare parts for the year ended 31 December 2018, which in general have a higher gross profit margin.

Our gross profit margin for transportation and other services increased from approximately 69.8% for the year ended 31 December 2016 to approximately 73.5% for the year ended 31 December 2017 mainly due to the increase in the proportion of marketing and promotion charge income, which, in general, would incur limited direct cost, resulting in higher gross profit margin. Our gross profit margin for transportation and other services decreased from approximately 73.5% for the year ended 31 December 2017 to approximately 32.5% for the year ended 31 December 2018 mainly due to the decrease in marketing and promotion charge income for the year ended 31 December 2018.

Set forth below are the details of our Group's gross profit from plant hire service by rental fleet and sub-leasing of machinery during the Track Record Period:

	For the year ended 31 December					
	2016		2017		2018	
		Gross profit margin		Gross profit margin		Gross profit margin
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Rental fleet	6,063,705	45.9	16,020,337	67.9	19,453,544	72.1
Sub-leasing of machinery	(473,027)	(18.3)	908,133	19.6	988,287	23.0
Overall	5,590,678	35.4	16,928,470	60.0	20,441,831	65.4

Notes:

1. Gross profit margins from plant hire by rental fleet are calculated based on the gross profit from rental fleet divided by respective plant hire income. Gross profit margins from plant hire by sub-leasing of machinery are calculated based on the gross profit from sub-leasing machinery divided by respective plant hire income. Overall gross profit margins of our Group are calculated based on the total gross profit from our plant hire business divided by the total plant hire income.

2. Gross profits from rental fleet are calculated based on plant hire income from rental fleet after deduction of depreciation on plant and machinery and staff costs.

3. Gross profits from sub-leasing of machinery are calculated based on plant hire income from sub-leasing of machinery after deduction of machinery rent paid.

Our gross profit margin for rental fleet increased from approximately 45.9% for the year ended 31 December 2016 to approximately 67.9% for the year ended 31 December 2017 mainly due to the increase in plant hire income from rental fleet while depreciation on plant and machinery and staff costs remained at similar level. Our gross profit margin for rental fleet increased from approximately 67.9% for the year ended 31 December 2017 to approximately 72.1% for the year ended 31 December 2018 mainly due to the increase in plant hire income from rental fleet while staff costs remained at a stable level.

Our gross profit margin for sub-leasing was negative for the year ended 31 December 2016 mainly because our Group rented a RCD, for which our customer indicated interest to lease, during the year ended 31 December 2015 but subsequently our Group was not able to sub-lease it out to such customer. The rental period of that RCD was from June 2015 to June 2016 and the rental expenses were approximately HK$0.8 million for the year ended 31 December 2016. Our gross profit margin for sub-leasing of machinery turned from negative for the year ended 31 December 2016 to 19.6% for the year ended 31 December 2017 mainly due to the absence of the above mentioned loss-making transaction for the year ended 31 December 2017. Our gross profit margin for sub-leasing increased from approximately 19.6% for the year ended 31 December 2017 to approximately 23.0% for the year ended 31 December 2018 mainly due to the fact that several customers were charged extra fee for working overtime for the year ended 31 December 2018.

Our Directors confirmed that it was an isolated case and our Group has implemented internal control measures in relation to lease agreements with contract sum larger than HK$500,000, which requires Directors' approval on such transactions and the relevant documents (such as customer's order form or signed quotation) before entering into such lease agreements with or issuing hire quotations to customers. Our Group will also try to negotiate for a more favorable term with construction machinery service providers, such as allowing our Group not to pay full compensations when it terminates lease agreements before delivery of the construction machinery.

For details of our Group's sub-leasing arrangements, please refer to the section headed "Business — Sub-leasing arrangements" in this prospectus.

The table below sets out the details of gross profit by business segment generated from projects in Hong Kong, Macau and the Philippines during the Track Record Period:

	2016				2017				2018			
	Hong Kong Gross profit		Macau and the Philippines Gross profit		Hong Kong Gross profit		Macau and the Philippines Gross profit		Hong Kong Gross profit		Macau and the Philippines Gross profit	
	HK$	*margin*	*HK$*	*margin*	*HK$*	*margin*	*HK$*	*margin*	*HK$*	*margin*	*HK$*	*margin*
Plant hire income	3,297,035	28.4%	2,293,643	54.8%	6,771,214	60.8%	10,157,256	59.4%	11,265,732	62.3%	9,176,099	69.5%
General sales	3,969,378	27.4%	280,000	100.0%	1,626,651	30.5%	786,200	26.2%	1,448,575	45.1%	2,758,635	37.3%
Transportation and other services income	2,357,934	69.8%	459,446	69.7%	1,292,110	88.6%	37,041	10.5%	465,179	37.6%	154,534	23.1%
	9,624,347	32.7%	3,033,089	59.2%	9,689,975	54.1%	10,980,497	53.7%	13,179,486	58.5%	12,089,268	56.9%

Our gross profit derived from Hong Kong maintained at a similar level of approximately HK$9.6 million and HK$9.7 million for the year ended 31 December 2016 and 2017. Our gross profit margin derived from Hong Kong increased from approximately 32.7% for the year ended 31 December 2016 to approximately 54.1% for the year ended 31 December 2017 mainly due to the decrease in machinery rent paid and depreciation on plant and machinery with similar level of revenue for the year ended 31 December 2017. Our gross profit margin of plant hire income from Hong Kong increased from approximately 28.4% for the year ended 31 December 2016 to approximately 60.8% for the year ended 31 December 2017 mainly due to (i) the decrease in machinery rent paid as a result of more owned fleet was used instead of sub-leasing from third-party service providers in Hong Kong and an absence of a loss-making sub-leasing transaction of a RCD which was rented by our Group but cannot be sub-leased out during the year ended 31 December 2016 (please refer to the section headed "Business — Sub-leasing arrangements" in this prospectus for details); and (ii) the decrease in deprecation expenses in Hong Kong as a result of the project locations of two crawler cranes and one RCD transferred from Hong Kong to Macau during the year ended 31 December 2017, while similar level of revenue was recorded, which was reflected in that the number of plant hire rental projects engaged maintained at 9 and 10 and aggregate number of days that our own rental fleet was rented out maintained at similar level of approximately 1,200 days and 1,300 days for the two years ended 31 December 2017 respectively, resulting in the increase in our gross profit margin. Our gross profit margin for transportation and other services in Hong Kong increased from approximately 69.8% for the year ended 31 December 2016 to approximately 88.6% for the year ended 31 December 2017. The increase was mainly due to the increase in the proportion of marketing and promotion charge income, which, in general, would incur limited direct cost, resulting in higher gross profit margin.

Our gross profit derived from Hong Kong increased from approximately HK$9.7 million for the year ended 31 December 2017 to approximately HK$13.2 million for the year ended 31 December 2018 mainly due to the increase in plant hire income as discussed above. Our gross profit margin derived from Hong Kong increased from approximately 54.1% for the year ended 31 December 2017 to approximately 58.5% for the year ended 31 December 2018 mainly due to the increase in the proportion of plant hire income, which is with a higher gross profit margin, and the number of projects engaged increased from 10 for the year ended 31 December 2017 to 16 for the year ended 31 December 2018.

Our gross profit derived from Macau and Philippines increased from approximately HK$3.0 million for the year ended 31 December 2016 to approximately HK$11.0 million for the year ended 31 December 2017 mainly due to the increase in plant hire income derived from Macau as discussed above. Our gross profit margin derived from Macau and Philippines decreased from approximately 59.2% for the year ended 31 December 2016 to approximately 53.7% for the year ended 31 December 2017 mainly due to the decrease in gross profit margin in general sales derived from Macau. Our gross profit margin derived from Macau and the Philippines increased from approximately 53.7% for the year ended 31 December 2017 to approximately 56.9% for the year ended 31 December 2018 mainly due to the increase in gross profit margin in plant hire income derived from Macau. Our gross profit margin for plant hire income from Macau increased from approximately 59.4% for the year ended 31 December 2017 to approximately 69.5% for the year ended 31 December 2018 mainly due to (1) the decrease in machinery rent paid as a result of more self-owned machinery used instead of sub-leasing from third-party service providers for projects in Macau, resulting in saving of machinery rent of approximately HK$1.5 million; (2) the decrease in depreciation expenses in Macau because (i) two crawler cranes, which were fully depreciated during the year ended 31 December 2017, were engaged in projects in Macau for the whole year in the year ended 31 December 2018; and (ii) one crawler crane, which was mostly engaged by projects in Macau for the year ended 2017, was transferred back to Hong Kong for plant hire rental project(s) during the year ended 31 December 2018; and (3) similar level of revenue was recorded because the number of plant hire rental projects maintained at 4 and the aggregate number of days that our own rental fleet was rented maintained at similar level at approximately 1,900 days and 1,800 days for the two years ended 31 December 2018, respectively.

Our gross profit derived from Macau and Philippines increased from approximately HK$11.0 million for the year ended 31 December 2017 to approximately HK$12.1 million for the year ended 31 December 2018 mainly due to the increase in general sales derived from Macau as discussed above. Our gross profit margin derived from Macau and Philippines increased from approximately 53.7% for the year ended 31 December 2017 to approximately 56.9% for the year ended 31 December 2018 mainly due to the increase in gross profit margin in plant hire income derived from Macau. Our gross profit margin for plant hire income from Macau increased for the year ended 31 December 2018 mainly due to the decrease in machinery rent paid as a result of more self-owned machinery used instead of sub-leasing from third-party service providers for projects in Macau.

Other income

Set forth below are the details of our Group's other income during the Track Record Period:

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Interest income	58	7,591	6,110
Gain on disposal of plant and equipment	1,400,667	1,328,749	3,622,789
Net exchange gain	28,859	36,172	531
Others	156,440	18,700	—
Total	1,586,024	1,391,212	3,629,430

Interest income

The significant increase of interest income from HK$58 for the year ended 31 December 2016 to HK$7,591 for the year ended 31 December 2017 was mainly due to the increase in average balance of pledged fixed deposits during the year ended 31 December 2017.

The decrease of interest income from approximately HK$7,591 for the year ended 31 December 2017 to approximately HK$6,110 for the year ended 31 December 2018 was mainly due to less interest income from pledged fixed deposit in 2018.

Gain on disposal of plant and equipment

We sell used plant and equipment in our rental fleet from time to time to satisfy the specific demand of customers and/or as part of our rental fleet management to adjust the size and composition of our fleet according to changing market conditions. The gain on disposal of plant and equipment of approximately HK$1.4 million for the year ended 31 December 2016 was mainly due to disposal of two used crawler cranes from the rental fleet.

The gain on disposal of plant and equipment of approximately HK$1.3 million for the year ended 31 December 2017 was mainly due to disposal of one used crawler crane and one used RCD from rental fleet.

The gain on disposal of plant and equipment of approximately HK$3.6 million for the year ended 31 December 2018 were mainly due to disposal of four crawler cranes from the rental fleet.

Net exchange gain

Net exchange gain for the three years ended 31 December 2016, 2017 and 2018 represented exchange gain resulting from bank deposit denominated in EUR.

Others

Others for the year ended 31 December 2016 mainly represented claim of insurance for motor vehicles owned by our Group, waive of professional fees charged in prior years and proceeds from disposal of interest in a machinery which had already been written off. Others for the year ended 31 December 2017 mainly represented a small amount of a trade payable, for which the trade creditor has been dissolved.

Other operating expenses

Set forth below are the details of our Group's other operating expenses during the Track Record Period:

	For the year ended 31 December					
	2016		2017		2018	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Insurance	159,997	6.3	338,682	11.3	304,108	20.0
Repairs and maintenance	1,941,637	76.1	2,303,299	76.8	791,677	52.1
Freight and transportation	260,336	10.2	170,055	5.7	250,717	16.5
Others	190,699	7.4	185,225	6.2	173,604	11.4
Total	2,552,669	100.0	2,997,261	100.0	1,520,106	100.0

Insurance

Insurance expenses under other operating expenses represented insurance purchased for construction machinery in our rental fleet. Insurance expenses remained at a similar level of approximately HK$0.2 million and HK$0.3 million for the years ended 31 December 2016 and 2017. Insurance expense remained at a similar level of approximately HK$0.3 million for the years ended 31 December 2017 and 2018.

Repairs and maintenance

Under hire quotations for our plant hire business, our Group is in general responsible for the provision of routine check and maintenance in Hong Kong job sites, including material and labour. Our Group may also provide maintenance services apart from routine check and maintenance by charging a fee upon request from customers. Repairs and maintenance expenses under other operating expenses represented expenses incurred for repairs and maintenance work without additional charge to customers. The increase in repairs and maintenance expenses from approximately HK$1.9 million for the year ended 31 December 2016 to approximately HK$2.3 million for the year ended 31 December 2017 was mainly due to more repair charges and acquisition costs for spare parts incurred for the year ended 31 December 2017. Repairs and maintenance expenses decreased from approximately HK$2.3 million for the year ended 31 December 2017 to approximately HK$0.8 million for the year ended 31 December 2018, mainly due to the completion of modification of one crawler crane which incurred approximately HK$0.9 million of repairs and maintenance expenses for the year ended 31 December 2017.

Freight and transportation

Freight and transportation expenses represented expenses for transportation of construction machinery and spare parts without additional charge to customers. Freight expenses remained at a similar level of approximately HK$0.3 million and HK$0.2 million for the years ended 31 December 2016 and 2017. Freight and transportation expenses remained at a similar level of approximately HK$0.2 million and HK$0.3 million for the years ended 31 December 2017 and 2018, respectively.

Others

Others mainly represented fuel cost and sundry expenses. Others remained at a similar level of approximately HK$0.2 million for the years ended 31 December 2016 and 2017. Others remained at a similar level of approximately HK$0.2 million for the years ended 31 December 2017 and 2018.

Administrative expenses

Set forth below are the details of our Group's administrative expenses during the Track Record Period:

	For the year ended 31 December					
	2016		2017		2018	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Staff costs and MPF	2,436,428	20.6	2,486,690	20.2	2,788,975	24.0
Directors' emoluments (including directors' quarter)	1,825,543	15.4	1,650,000	13.4	1,570,210	13.5
Rent	715,602	6.0	493,407	4.0	287,389	2.5
Depreciation on right of use asset	786,661	6.6	1,311,979	10.7	1,347,308	11.6
Bank charges	294,070	2.5	96,548	0.8	80,461	0.7
General insurance	159,320	1.3	178,496	1.5	173,773	1.5
Legal and professional fees	237,156	2.0	158,563	1.3	73,987	0.6
Overseas travelling	105,024	0.9	30,724	0.2	53,550	0.5
Impairment loss on club membership	301,887	2.6	—	—	—	—
Written off of trade receivable	14,788	0.1	—	—	—	—
Listing expenses	4,460,166	37.7	5,490,142	44.6	4,941,045	42.4
Others	498,081	4.3	408,371	3.3	327,528	2.7
Total	11,834,726	100.0	12,304,920	100.0	11,644,226	100.0

Our administrative expenses increased from approximately HK$11.8 million for the year ended 31 December 2016 to approximately HK$12.3 million for the year ended 31 December 2017, representing an increase of approximately 4.0%. Our administrative expenses decreased from approximately HK$12.3 million for the year ended 31 December 2017 to approximately HK$11.6 million for the year ended 31 December 2018, representing a decrease of approximately 5.4%.

Staff costs and MPF

Staff costs represented salaries, allowances and other benefits to staff other than machinery operators engaged by our Group to provide relevant services upon requests from customers and several staff in our technical service department to provide technical support. Staff costs and MPF remained at a similar level of approximately HK$2.4 million and HK$2.5 million for the years ended 31 December 2016 and 2017.

Staff costs and MPF increased from approximately HK$2.5 million for the year ended 31 December 2017 to approximately HK$2.8 million for the year ended 31 December 2018 mainly due to the bonus payment during the year ended 31 December 2018, which was absent in the same period in 2017.

Directors' emoluments (including directors' quarter)

Directors' emoluments (including directors' quarter) decreased from approximately HK$1.8 million for the year ended 31 December 2016 to approximately HK$1.7 million for the year ended 31 December 2017 mainly due to the reclassification of certain amount of directors' quarter expenses over the term of rental agreement to the "Right of use assets" item in the balance sheet, for which the rental expenses are recognised by depreciation for office, after the adoption of HKFRS 16. For details of the HKFRS 16, please refer to Note 3 of the Accountants' Report in Appendix I to the prospectus. Directors' emoluments (including directors' quarter) remained stable at approximately HK$1.7 million and HK$1.6 million for the years ended 31 December 2017 and 2018, respectively.

Rent

Rent decreased from approximately HK$0.7 million for the year ended 31 December 2016 to approximately HK$0.5 million for the year ended 31 December 2017 mainly due to the reclassification of certain amount of the office premises expenses over the term of rental agreement to the "Right of use assets" item in the balance sheet, for which the expenses are recognised by depreciation for office, after the adoption of HKFRS 16. Rent decreased from approximately HK$0.5 million for the year ended 31 December 2017 to approximately HK$0.3 million for the year ended 31 December 2018 mainly due to the reclassification mentioned above.

Depreciation on right of use asset

Depreciation on right of use asset represented the depreciation charged on right of use asset, which was arisen from the adoption of HKFRS 16 Leases. Depreciation for office increased from approximately HK$0.8 million for the year ended 31 December 2016 to approximately HK$1.3 million for the year ended 31 December 2017, mainly due to the renewal of our office in AIA Tower in 2017.

Depreciation on right of use asset remained stable at approximately HK$1.3 million for the years ended 31 December 2017 and 2018.

Bank charges

Bank charges decreased from approximately HK$0.3 million for the year ended 31 December 2016 to approximately HK$0.1 million for the year ended 31 December 2017, mainly due to the absence of bank charge of release of finance leases of approximately HK$0.2 million for the year ended 31 December 2017. Bank charges remained at a similar level of approximately HK$0.1 million for the years ended 31 December 2017 and 2018.

General insurance

General insurance mainly represented expenses for employee compensation and medical insurance. General insurance remained at a similar level of approximately HK$0.2 million for the years ended 31 December 2016 and 2017. General insurance remained stable at approximately HK$0.2 million for the years ended 31 December 2017 and 2018.

Legal and professional fees

Legal and professional fees represent professional fees for various services such as valuation services, taxation services and secretary services. Legal and professional fees remained at a similar level of approximately HK$0.2 million for the years ended 31 December 2016 and 2017.

Legal and professional fees remained at a similar level of approximately HK$0.2 million and approximately HK$0.1 million for the years ended 31 December 2017 and 2018, respectively.

Overseas travelling

Overseas travelling mainly represented expenses for overseas trips. Overseas travelling expenses decreased from approximately HK$0.1 million for the year ended 31 December 2016 to HK$30,724 for the year ended 31 December 2017 mainly due to less overseas trips made by our Directors and senior management. Overseas travelling expenses increased from HK$30,724 for the year ended 31 December 2017 to HK$53,550 for the year ended 31 December 2018 mainly due to more overseas trip made by our Directors.

Impairment loss on club membership

We held a membership right in a recreational club since 2000 with acquisition cost of approximately HK$0.3 million. Full impairment was provided for the club membership (with a Director being named as the corporate representative) during the year ended 31 December 2016 due to the winding up of the club.

Written off of trade receivable

During the year ended 31 December 2016, trade receivables of HK$14,788 were written off, of which our Directors considered the recoverability was remote.

Listing expenses

Listing expenses of approximately HK$4.5 million, HK$5.5 million and HK$4.9 million were incurred during the three years ended 31 December 2016, 2017 and 2018, respectively. Expenses in relation to the Listing are non-recurring.

Other administrative expenses

Other administrative expenses included advertising expenses, electricity and water, repairs and maintenance, accounting fee, printing and stationery, telephone expenses and other expenses. Other administrative expenses remained at a similar level of approximately HK$0.5 million and HK$0.4 million for the years ended 31 December 2016 and 2017.

Other administrative expenses maintained at a similar level of approximately HK$0.4 million and HK$0.3 million for the years ended 31 December 2017 and 2018, respectively.

Selling and distribution expenses

Set forth below are the details of our Group's selling and distribution expenses during the Track Record Period:

	For the year ended 31 December					
	2016		2017		2018	
	HK$	*%*	*HK$*	*%*	*HK$*	*%*
Entertainment	306,601	23.6	221,458	18.7	203,022	17.4
Local travelling	205,620	15.9	195,147	16.5	209,397	18.0
Motor vehicles expenses	423,044	32.6	447,177	37.9	443,707	38.1
Depreciation on motor vehicles	361,324	27.9	317,506	26.9	309,552	26.5
Total	1,296,589	100.0	1,181,288	100.0	1,165,678	100.0

Our selling and distribution expenses decreased from approximately HK$1.3 million for the year ended 31 December 2016 to approximately HK$1.2 million for the year ended 31 December 2017, representing a decrease of approximately 8.9%.

Our selling and distribution expenses maintained at a similar level of approximately HK$1.2 million and HK$1.2 million for the years ended 31 December 2017 and 2018, respectively.

Entertainment

Entertainment expenses remained at a similar level of approximately HK$0.3 million and HK$0.2 million for the years ended 31 December 2016 and 2017.

Entertainment expenses maintained at a similar level of approximately HK$0.2 million and HK$0.2 million for the years ended 31 December 2017 and 2018, respectively.

Local travelling

Local travelling maintained at a similar level of approximately HK$0.2 million for the two years ended 31 December 2017 respectively. Local travelling maintained at a similar level of approximately HK$0.2 million for the years ended 31 December 2017 and 2018, respectively.

Motor vehicles expenses

Motor vehicles expenses maintained at a similar level of approximately HK$0.4 million for the two years ended 31 December 2017 respectively.

Motor vehicles expenses maintained at a similar level of approximately HK$0.4 million for the years ended 31 December 2017 and 2018, respectively.

Depreciation on motor vehicles

Depreciation on motor vehicles maintained at a similar level of approximately HK$0.4 million and HK$0.3 million for the two years ended 31 December 2017 respectively.

Depreciation on motor vehicles maintained at a similar level of approximately HK$0.3 million for the years ended 31 December 2017 and 2018, respectively.

Finance costs

Finance costs increased by approximately 26.3% from approximately HK$3.3 million for the year ended 31 December 2016 to approximately HK$4.2 million for the year ended 31 December 2017 mainly due to the full-year effect of effective interest expense on the Pre-IPO Convertible Bonds issued in May 2016 and the increased interest expenses on finance leases and bank overdraft.

Finance costs decreased by approximately 9.7% from approximately HK$4.2 million for the year ended 31 December 2017 to approximately HK$3.8 million for the year ended 31 December 2018 mainly due to the decrease in (i) finance lease interest, (ii) bank overdraft interest and (iii) convertible bond interest.

On 30 May 2016, our Company entered into the CB Subscription Agreements with each of Trade Mass and Rosy Dragon Global in relation to the issue of the Convertible Bonds in the principal amount of HK$6.0 million to Trade Mass and Rosy Dragon Global. Please refer to the sub-section headed "Pre-IPO Investments" of the "History, Reorganisation and corporate structure" section of this prospectus for details. The effective interest rates of the liability component of Convertible Bonds in the Track Record Period were 16.38%, 8.6%, 7.0% per annum.

Income tax expense

Our Group recorded income tax credit of approximately HK$0.5 million for the year ended 31 December 2016 as compared to income tax expense of approximately HK$2.1 million for the year ended 31 December 2017 mainly because our Group turned from loss before taxation of approximately HK$4.8 million for the year ended 31 December 2016 to profit before taxation of approximately HK$1.4 million for the year ended 31 December 2017.

Our Group recorded income tax expenses of approximately HK$2.1 million and HK$2.8 million for the years ended 31 December 2017 and 2018 mainly because the increase in profit before taxation for the year ended 31 December 2018.

There is no Macau Tax implication during the Track Record Period. Macau segment result is included in Hong Kong tax implication during the Track Record Period.

Profit (loss) and total comprehensive income (expense) for the year

In view of the foregoing, our Group's net loss decreased from approximately HK$4.2 million for the year ended 31 December 2016 to approximately HK$0.7 million for the year ended 31 December 2017. If Listing expenses are excluded, there would be net profit of approximately HK$0.2 million and HK$4.8 million for the years ended 31 December 2016 and 2017 respectively.

Our Group turned from net loss of approximately HK$0.7 million for the year ended 31 December 2017 to net profit of approximately HK$8.0 million for the year ended 31 December 2018. If the Listing expenses are excluded, there would be net profit of approximately HK$4.8 million and HK$13.0 million for the years ended 31 December 2017 and 2018, respectively.

DIVIDEND

We have declared dividend of HK$450,000, HK$Nil and HK$Nil during the years ended 31 December 2016, 2017 and 2018, respectively.

Our Group does not have any dividend policy and has not adopted a fixed dividend payout ratio. Dividends may be paid out by way of cash or by other means that our Group considers appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including results of operations, financial condition, the payment by our Group's subsidiaries of cash dividends to us, and other factors our Board may deem relevant.

There will be no assurance that our Company will be able to declare or distribute any dividend. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

LISTING EXPENSES

The estimated expenses in relation to the Listing are approximately HK$27.5 million (based on the Offer Price of HK$0.475, being the mid-point of the indicative Offer Price range of HK$0.4 to HK$0.55 per Offer Share), of which approximately HK$7.2 million is directly attributable to the issue of the Offer Shares under the Share Offer and is expected to be accounted for as a deduction from equity. The remaining Listing expenses of approximately HK$4.5 million, HK$5.5 million and HK$4.9 million was charged to the statement of comprehensive income for the year ended 31 December 2016, 2017 and 2018 respectively and approximately HK$5.4 million is expected to be charged to the combined statements of profit or loss and other comprehensive income of the year ending 31 December 2019. Expenses in relation to the Listing are non-recurring. Accordingly, our Board wishes to inform our Shareholders and potential investors that our Group's financial results for the year ending 31 December 2019 will be affected by the estimated expenses in relation to the Listing.

Non-HKFRS measures

Adjusted return on total assets and adjusted return on equity

To supplement our combined statements of profit or loss and other comprehensive income which are presented in accordance with HKFRS, we have also presented below our adjusted profit and adjusted return on total assets, adjusted return on equity as non-HKFRS measures, which are not required by, or presented in accordance with, HKFRS. We believe that these non-HKFRS measures facilitate comparison of operating performance from year to year by eliminating potential impacts of items that our management do not consider to be indicative of our operating performance. We also believe that the non-HKFRS measures provides additional information to investors and others in understanding and evaluating our combined results of operations in the same manner as they help our management and in comparing financial results across accounting periods and to those of our peer companies.

The following table reconciles our net profit, return on total assets and return on equity to adjusted profit, adjusted return on total assets and adjusted return on equity:

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
(Loss)/Profit and total comprehensive (expense) income for the year	(4,232,771)	(679,240)	8,026,120
Add: Listing expenses	4,460,166	5,490,142	4,941,045
Adjusted profit for the year *(note 1)*	227,395	4,810,902	12,967,165
Total assets	106,245,216	100,501,973	125,792,738
Return on total assets *(note 2)*	(4.0)%	(0.7)%	6.4%
Adjusted return on total assets *(note 3)*	0.2%	4.8%	10.3%
Total equity	28,635,528	27,956,288	38,982,408
Return on equity *(note 4)*	(14.8)%	(2.4)%	20.6%
Adjusted return on equity *(note 5)*	0.8%	17.2%	33.3%

Notes:

1. Adjusted profit for the respective year is calculated as the profit and other comprehensive income for the respective year added by the listing expenses.

2. Return on total assets is calculated by net profit for the year divided by the total assets as at the respective year end and multiplied by 100%.

3. Adjusted return on total assets is calculated by adjusted profit for the year divided by the total assets as at the respective year end and multiplied by 100%.

4. Return on equity is calculated by net profit for the year divided by the total equity as at the respective year end and multiplied by 100%.

5. Adjusted return on equity is calculated by adjusted profit for the year divided by the total equity as at the respective year end and multiplied by 100%.

We believe that these non-HKFRS measures provide useful information to investors and others in understanding and evaluating our combined statements of profit or loss and other comprehensive income or financial position in the same manner as they assist our management in reviewing our financial performance. None of the non-HKFRS financial measures is a recognised term under HKFRS. They do not have a standardized meaning prescribed by HKFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies and they should not be construed as an alternative to other financial measures determined in accordance with HKFRS. The use of these non-HKFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our combined statements of profit or loss and other comprehensive income or financial position as reported under HKFRS.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash flows

The following table sets forth a summary of our cash flows during the Track Record Period:

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Net cash generated from operating activities	8,855,366	20,756,131	22,031,283
Net cash generated from/(used in) investing activities	(14,021,909)	(1,937,894)	2,618,869
Net cash used in financing activities	(1,447,977)	(17,655,559)	(21,944,840)
Net increase/(decrease) in cash and cash equivalents	(6,614,520)	1,162,678	2,705,312
Cash and cash equivalents at beginning of the year	1,569,944	(5,044,576)	(3,881,898)
Cash and cash equivalents at end of the year	(5,044,576)	(3,881,898)	(1,176,586)

Cash flow generated from operating activities

Cash flows from operating activities for the years are adjusted for items such as interest income, Listing expenses, depreciation on plant and equipment, finance costs, gain on disposal of plant and equipment, impairment on plant and equipment, impairment on intangible assets and impairment on trade receivables; and the effect of cashflow arising from increase/decrease in inventories, increase/decrease in trade and other receivables, increase/decrease in trade and other payables and decrease in amount due to a director.

Net cash flows generated from operating activities for the year ended 31 December 2016 were approximately HK$8.9 million while our loss before tax was approximately HK$4.8 million. The net cash generated from operating activities was mainly the result of operating cash flows before movements in working capital of approximately HK$8.7 million, adjusted for (i) the decrease in inventories of approximately HK$0.2 million, (ii) the increase in trade and other payables of approximately HK$1.6 million, (iii) the increase in trade and other receivables of approximately HK$1.7 million and (iv) the decrease in amount due to a director of HK$25,032. For details of movement of (1) trade and other receivables and (2) trade and other payables, please refer to section "Net Current Liabilities — Major components in the net current liabilities" in this "Financial Information".

Net cash flows generated from operation activities for the year ended 31 December 2017 were approximately HK$20.8 million while our profit before tax has approximately HK$1.4 million. The net cash generated from operating activities was mainly the result of operating cash flows before movements in working capital of approximately HK$17.6 million, adjusted for (i) the decrease in inventories of approximately HK$0.7 million, (ii) the decrease in trade and other receivables of approximately HK$5.5 million and (iii) the decrease in trade and other payables of approximately HK$3.0 million. For details of movement of (1) trade and other receivables and (2) trade and other payables, please refer to "Net Current Liabilities — Major components in the net current liabilities" in this "Financial Information" section.

Net cash flows generated from operating activities for the year ended 31 December 2018 were approximately HK$22.0 million while our profit before tax was approximately HK$10.8 million. The net cash generated from operating activities was mainly the result of operating cash flows before movements in working capital of approximately HK$23.6 million, adjusted for (i) the increase in inventories of approximately HK$0.4 million, (ii) the increase in trade and other receivables of approximately HK$2.7 million and (iii) the increase in trade and other payables of approximately HK$1.5 million. For details of movement of (1) trade and other receivables and (2) trade and other payables, please refer to "Net Current Liabilities — Major components in the net current liabilities" in this "Financial Information" section.

Cash flow used in/generated from investing activities

Our investing activities during the Track Record Period primarily included purchase of plant and equipment, placement of pledged bank deposits, proceeds from disposal of plant and equipment and interest income received.

Net cash used in investing activities for the year ended 31 December 2016 amounted to approximately HK$14.0 million mainly attributable to purchase of plant and equipment of approximately HK$14.9 million and placement of pledged bank deposit of HK$1.0 million, but partially offset by the proceeds from disposal of plant and equipment of approximately HK$1.8 million.

Net cash used in investing activities for the year ended 31 December 2017 amounted to approximately HK$1.9 million mainly attributable to the purchase of plant and equipment of approximately HK$1.1 million and placement of pledged bank deposits of HK$4.9 million, but partially offset by proceeds from disposal of plant and equipment of approximately HK$1.5 million and withdrawal of pledged bank deposit of approximately HK$2.5 million.

Net cash generated from investing activities for the year ended 31 December 2018 amounted to approximately HK$2.6 million mainly attributable to proceeds from disposal of plant and equipment of approximately HK$6.3 million, but partially offset by the purchase of plant and equipment of approximately HK$4.2 million.

Cash flow used in financing activities

Our financing activities during the Track Record Period mainly included interest paid, dividend paid, new borrowings raised, repayments of borrowings, repayments of obligations under finance leases, proceeds on issue of convertible bonds and payment of listing expenses.

Net cash used in financing activities for the year ended 31 December 2016 was approximately HK$1.4 million mainly attributable to interest paid of approximately HK$2.2 million, dividend paid of approximately HK$0.5 million, repayments of borrowings of approximately HK$2.9 million and repayments of obligations under finance leases of approximately HK$14.1 million, repayments of lease liabilities of approximately HK$0.8 million and payment of listing expense of approximately HK$5.9 million, but partially offset by new borrowings raised of approximately HK$12.9 million and proceeds on issue of convertible bonds of HK$12.0 million.

Net cash used in financing activities for the year ended 31 December 2017 was approximately HK$17.7 million which was mainly attributable to interest paid of approximately HK$2.9 million, repayments of borrowings of approximately HK$6.6 million, repayments of obligations under finance leases of approximately HK$12.4 million, payment of listing expenses of approximately HK$5.4 million and repayments of lease liabilities of approximately HK$1.3 million, but partially offset by the new borrowing raised of HK$11.0 million.

Net cash used in financing activities for the year ended 31 December 2018 was approximately HK$21.9 million attributable to interest paid of approximately HK$2.8 million, repayments of borrowings of approximately HK$4.3 million, repayments of obligations under finance leases of approximately HK$16.7 million, payment of listing expenses of approximately HK$2.8 million and repayments of lease liabilities of approximately HK$1.4 million, but partially offset by new borrowings raised of HK$3.0 million and proceeds on issue of shares of HK$3.0 million.

CAPITAL EXPENDITURES

Historical capital expenditures

Our capital expenditures, which were funded out of the borrowings, finance leases, and cash flows from our operations, have been primarily used to expand our rental fleet. The following table sets out our historical capital expenditures during the Track Record Period:

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Plant and equipment			
Plant & machinery (owned and leased)	26,172,625	4,877,228	31,745,000
Furniture, fixtures and equipment (owned)	48,105	8,016	57,960
Motor vehicles (leased)	319,098	—	826,080
Total	26,539,828	4,885,244	32,629,040

Planned capital expenditures

Our Group's planned capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to the section headed "Future plans and use of proceeds" in this prospectus for further information.

Plant and equipment

During the Track Record Period, our plant and equipment mainly consisted of construction plant and machinery, motor vehicles, furniture, fixtures and equipment. As at 31 December 2016, 2017 and 2018, our plant and equipment were approximately HK$84.5 million, HK$82.7 million and HK$106.2 million, respectively. The decrease as at 31 December 2017 was mainly due to the depreciation for the year ended 31 December 2017 of approximately HK$6.5 million, which was partially offset by the acquisition of construction machinery of approximately HK$4.9 million. The increase as at 31 December 2018 was mainly due to the acquisition of construction machinery of approximately HK$32.6 million.

Furniture, fixtures and equipment were owned by us and had total carrying amount of approximately HK$0.4 million, HK$0.3 million and HK$0.3 million as at 31 December 2016, 2017 and 2018, respectively. Motor vehicles (i) owned by us had a total carrying amount of HK$Nil, approximately HK$0.1 million and HK$Nil; and (ii) leased by us had a total carrying amount of approximately HK$0.8 million, HK$0.3 million and HK$0.9 million as at 31 December 2016, 2017 and 2018, respectively. Plant and machinery (i) owned by us had a total carrying amount of HK$15.1 million, HK$6.2 million and HK$10.3 million, (ii) leased by us had a total carrying amount of approximately HK$68.2 million, HK$75.7 million and HK$94.8 million, respectively.

From 2013 to 2015, World Super entered into agreements with an Independent Third Party (the "**Joint Owner**") on different dates to acquire five construction machines; and the parties shared 50:50 ultimate ownership of each construction machine which was in line with their respective portion of investment to the construction machine. World Super was responsible for the rental and management of the five construction machines. Rental income, after a deduction of 6% management fee (including the expenses related to the provision of staff for rental management and technical team, storage, etc.) to World Super, was shared on a 50:50 basis.

The Joint Owner's principal business is trading of motor vehicles and machinery. The Joint Owner approached Mr. Sou and indicated that he wanted to reallocate his resources to develop its principal business and ask if Mr. Sou might be interested to acquire the 50% interest from the Joint Owner. Other than the plan to reduce the complexity involved in the operation, our Directors were optimistic about the machinery rental market in the coming years. As such, our Group decided to purchase the remaining 50% interest from the Joint Owner.

World Super and the Joint Owner entered into an agreement on 1 February 2016, pursuant to which, World Super purchased the Joint Owner's 50% ownership in the five machinery at a total consideration of HK$13.5 million. The consideration for each construction machinery was determined with reference to market valuation in the valuation report prepared by an independent valuer.

CAPITAL AND CONTRACTUAL COMMITMENTS

Capital commitments

The table below sets forth our Group's capital expenditures as at 31 December 2016, 2017 and 2018:

	As at 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Capital expenditure in respect of the acquisition of plant and equipment:			
Contracted but not provided for	—	—	8,749,479
Authorised but not contracted for	—	—	—
	—	—	8,749,479

The increase in capital commitment for the year ended 31 December 2018 was because the Group entered a contract with the machine supplier to acquire an RCD machine near the end of 2018 to cope with the increase in market demand.

Operating lease commitments

Our Group had contracted for the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Within one year	—	65,000	92,137
In the second to fifth year inclusive	—	—	—
Total	—	65,000	92,137

Operating lease payments represent rentals payable by our Group for certain of its machines. Please refer to Note 30 of the Accountants' Report in Appendix I to this prospectus.

NET CURRENT LIABILITIES

As at 31 December 2016, 2017 and 2018 and 30 April 2019, being the latest practicable date for determining our Group's indebtedness, our Group had net current liabilities of approximately HK$42.4 million, HK$36.1 million, HK$60.3 million and HK$78.7 million respectively. Details of the components are set out as below:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)
Current assets				
Inventories	1,690,865	987,905	1,404,505	1,114,505
Trade and other receivables	15,827,901	10,923,388	13,526,512	14,266,174
Bank balances and cash	1,014,112	470,502	313,138	827,035
Pledged bank deposits	1,000,034	3,402,452	2,902,912	2,907,377
	19,532,912	15,784,247	18,147,067	19,115,091
Current liabilities				
Trade and other payables	8,605,805	6,278,993	9,867,245	22,242,709
Borrowings — due within one year	4,920,000	7,303,353	7,373,304	7,398,075
Obligations under finance leases — due within one year	41,118,351	32,691,689	44,026,065	46,109,115
Convertible bonds — due within one year	—	—	14,482,003	14,800,400
Bank overdrafts	6,058,688	4,352,400	1,489,724	6,387,340
Lease liabilities — current portion	1,247,341	1,228,128	1,225,497	880,809
	61,950,185	51,854,563	78,463,838	97,818,448
Net current liabilities	(42,417,273)	(36,070,316)	(60,316,771)	(78,703,357)

This net current liabilities position during the Track Record Period was mainly due to (i) the classification of all construction machines purchase cost under finance lease as non-current assets, whereas the relevant obligation under finance lease related to the machines purchase were classified under current liabilities and non-current liabilities; (ii) the increase in bank borrowing to settle listing expenses, (iii) revolving loan for trading machine and (iv) increase in current portion of convertible bonds and trade and other payables. Also, certain of the Group's borrowings and obligation under finance leases, of which the loan and finance lease agreement contain repayment on demand clauses, the whole term loans would be classified as current liabilities.

Our net current liabilities decreased from approximately HK$42.4 million as at 31 December 2016 to approximately HK$36.1 million as at 31 December 2017 mainly due to the decrease in current liabilities by approximately HK$10.1 million. Our current liabilities as at 31 December 2017 decreased mainly due to (i) the decrease in the current portion of obligations under finance leases of approximately HK$8.4 million as a result of our repayments on finance leases; (ii) the decrease in trade and other payables of approximately HK$2.3 million and (iii) the decrease in bank overdrafts of approximately HK$1.7 million. Such decrease was partially offset by the decrease in trade and other receivables of approximately HK$4.9 million.

Our net current liabilities increased from approximately HK$36.1 million as at 31 December 2017 to approximately HK$60.3 million as at 31 December 2018 mainly due to the increase in current liabilities. Our current liabilities as at 31 December 2018 increased mainly due to the combined result of (i) the current portion of convertible bonds of approximately HK$14.5 million; (ii) the increase in trade and other payables by approximately HK$3.6 million; (iii) the increase in obligation under finance leases of approximately HK$11.3 million as a result of the acquisition of new fleet under finance leases during the year ended 31 December 2018.

Our net current liabilities increased from approximately HK$60.3 million as at 31 December 2018 to approximately HK$78.7 million as at 30 April 2019 mainly due to the increase in current liabilities. Our current liabilities as at 30 April 2019 increased mainly due to the increase in the trade and other payables of approximately HK$12.4 million contributed by the payable for a crawler crane which we entered into contract to acquire in January 2019 with working capacity up to 130 tonnes, the increase in the bank overdrafts of approximately HK$4.9 million for the settlement of the Listing expenses and deposit of acquisition of machinery, and the increase in the obligations under finance leases due within one year of approximately HK$2.1 million contributed by a finance lease of a RCD which we contracted to acquire in November 2018 but the machine was delivered to our Group in April 2019. The finance lease was subsequently entered into in January 2019.

To improve our net current liabilities position, we will take the following measures to improve our liquidity: (i) plan and monitor our cash flow situation on a regular basis to ensure the cash flow of our Group remains at a healthy level; (ii) maintain stable relationships with our principal banks so as to timely obtain/renew bank borrowings and negotiate for better terms of loans; (iii) tighten cost controls over administrative and other expenses aiming at improving the working capital and cash flow position of our Group including closely monitoring the daily operating expenses; and (iv) actively follow up with our debtors on outstanding receivables with an aim to expedite collection.

Major components in the net current liabilities

As at 31 December 2016, our Group had net current liabilities of approximately HK$42.4 million comprising current assets of approximately HK$19.5 million and current liabilities of approximately HK$62.0 million. The current assets as at 31 December 2016 were made up of inventories of approximately HK$1.7 million, trade and other receivables of approximately HK$15.8 million, bank balances and cash of approximately HK$1.0 million and pledged bank deposits of approximately HK$1.0 million. The current liabilities were made up of trade and other payables of approximately HK$8.6 million, borrowings due within one year of approximately HK$4.9 million, obligations under finance leases due within one year of approximately HK$41.1 million current portion of lease liabilities of approximately HK$1.2 million and bank overdrafts of approximately HK$6.1 million.

As at 31 December 2017, our Group had net current liabilities of approximately HK$36.1 million comprising current assets of approximately HK$15.8 million and current liabilities of approximately HK$51.9 million. The current assets as at 31 December 2017 were made up of inventories of approximately HK$1.0 million, trade and other receivables of approximately HK$10.9 million, bank balances and cash of approximately HK$0.5 million and pledged bank deposits of approximately HK$3.4 million. The current liabilities were made up of trade and other payables of approximately HK$6.3 million, borrowings due within one year of approximately HK$7.3 million, obligations under finance leases due within one year of approximately HK$32.7 million, current portion of lease liabilities of approximately HK$1.2 million and bank overdrafts of approximately HK$4.4 million.

As at 31 December 2018, our Group had net current liabilities of approximately HK$60.3 million comprising current assets of approximately HK$18.1 million and current liabilities of approximately HK$78.5 million. The current assets as at 31 December 2018 were made up of inventories of approximately HK$1.4 million, trade and other receivables of approximately HK$13.5 million, bank balances and cash of approximately HK$0.3 million and pledged bank deposits of approximately HK$2.9 million. The current liabilities were made up of trade and other payables of approximately HK$9.9 million, borrowings due within one year of approximately HK$7.4 million, obligations under finance leases due within one year of approximately HK$44.0 million, current portion of lease liabilities of approximately HK$1.2 million, convertible bonds due within one year of approximately HK$14.5 million and bank overdrafts of approximately HK$1.5 million.

As at 30 April 2019, our Group had net current liabilities of approximately HK$78.7 million comprising current assets of approximately HK$19.1 million and current liabilities of approximately HK$97.8 million. The current assets as at 30 April 2019 were made up of inventories of approximately HK$1.1 million, trade and other receivables of approximately HK$14.3 million, bank balances and cash of approximately HK$0.8 million and pledged bank deposits of approximately HK$2.9 million. The current liabilities were made up of trade and other payables of approximately HK$22.2 million, current portion of lease liabilities of approximately HK$0.9 million, borrowings due within one year of approximately HK$7.4 million, obligations under finance leases due within one year of approximately HK$46.1 million, convertible bonds due within one year of approximately HK$14.8 million and bank overdrafts of approximately HK$6.4 million.

Inventories

Our inventories as at 31 December 2016, 2017 and 2018 consist only spare parts. Our inventories maintained at a stable level of approximately HK$1.7 million, HK$1.0 million and HK$1.4 million as at 31 December 2016, 2017 and 2018, respectively. For the years ended 31 December 2016, 2017 and the year ended 31 December 2018, our inventory turnover days (based on average inventories divided by Total Purchases times 366 days or 365 days) were approximately 44, 48 and 40 days. The increase of our inventory turnover days for the year ended 31 December 2017 was mainly due to the significant decrease in cost of sales and services which was mainly attributable to the decrease in purchase of machinery and spare parts for trading, while our inventories were mainly for repairs and maintenance purpose. The decrease of our inventory turnover days for the year ended 31 December 2018 was mainly due to the increase in Total Purchase for the year ended 31 December 2018.

Trade and other receivables

The following table sets forth our trade and other receivables as at the indicated dates:

	As at 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Trade receivables	13,809,195	8,296,254	10,304,809
Deposits paid	310,327	296,236	906,981
Prepayments	1,708,379	2,300,098	2,311,608
Other receivables	—	30,800	3,114
	15,827,901	10,923,388	13,526,512

Trade and other receivables decreased by approximately 31.0% from approximately HK$15.8 million as at 31 December 2016 to approximately HK$10.9 million as at 31 December 2017. The decrease was mainly due to the decrease in trade receivables by approximately HK$5.5 million from approximately HK$13.8 million as at 31 December 2016 to approximately HK$8.3 million as at 31 December 2017, which was partially offset by the increase in prepayment for the Listing by HK$0.6 million.

Trade and other receivables increased by approximately 23.8% from approximately HK$10.9 million as at 31 December 2017 to approximately HK$13.5 million as at 31 December 2018. The increase was mainly due to the increase in trade receivables by approximately HK$2.0 million from approximately HK$8.3 million as at 31 December 2017 to approximately HK$10.3 million as at 31 December 2018.

Our trade receivables represented receivables from our customers for our rental and trading of construction machinery and spare parts, as well as transportation and other services. Our Group granted various payment terms to customers of our construction machinery trading business such as credit terms seven days to 30 days, advance payment and payment against debit note/invoice/order confirmation. For our plant hire business, we generally granted our customers a credit period of 14 to 60 days. Our Group granted various payment terms to customers of our transportation and/or other services such as credit terms of seven days to 30 days and payment against debit note/invoice. Before accepting any new customer, our Group makes enquiries to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually. Impairment loss on trade receivables of HK$14,788, HK$Nil and HK$Nil were recognised for the two years ended 31 December 2017 and for the year ended 31 December 2018, respectively. The management of our Group has individually assessed all receivables by taking into account the length of business relationship, reputation and repayment history of each of customers.

Our trade receivables decreased from approximately HK$13.8 million as at 31 December 2016 to approximately HK$8.3 million as at 31 December 2017 mainly due to trading of machines close to the end of the year ended 31 December 2016 which has been settled during 2017 and there was no similar trading of machines incurred close to the end of the year ended 31 December 2017. Our trade receivables increased from approximately HK$8.3 million as at 31 December 2017 to approximately HK$10.3 million as at 31 December 2018, which is consistent with the movement of our revenue.

	For the year ended 31 December		
	2016	**2017**	**2018**
Average trade receivable turnover days by business segments			
Rental of construction machinery	95	70	99
Trading of construction machinery, tools and parts	123	228	17
Transportation and other services	64	85	63
Overall	103	105	78

The average trade receivable turnover days maintained at a similar level of approximately 103 and 105 days for the years ended 31 December 2016 and 2017, respectively. It then decreased to approximately 78 days for the year ended 31 December 2018.

The average trade receivable turnover days in rental of construction machinery decreased from approximately 95 days for the year ended 31 December 2016 to approximately 70 days for the year ended 31 December 2017 and our Directors believe that this was mainly due to (i) the increase in revenue from plant hire income as discussed; and (ii) tighter credit control imposed by our Group. The average trade receivable turnover days in rental of construction machinery increased from approximately 70 days for the year ended 31 December 2017 to approximately 99 days for the year ended 31 December 2018 and our Directors believe that this was mainly due to the increase in average balance of trade receivable contributed by the increasing trend of our revenue from plant hire income. The average trade receivable turnover days of our plant hire business is beyond the credit period of 0-30 days generally granted by our Group because (i) several customers which are more sizeable construction companies were in a better position to negotiate with us on credit terms; and (ii) we allow longer settlement time to those sizeable construction companies as a mean to maintain business relationship.

The average trade receivable turnover days in the trading of construction machinery, tools and parts increased from approximately 123 days for the year ended 31 December 2016 to approximately 228 days for the year ended 31 December 2017 mainly due to the increase in average trade receivable relating to the trading of machines for year ended 31 December 2017. The average trade receivable turnover days in the trading of construction machinery, tools and parts decreased from approximately 228 days for the year ended 31 December 2017 to approximately 17 days for the year ended 31 December 2018 mainly due to the early payments from several customers.

The average trade receivable turnover days in transportation and other services increased from approximately 64 days for the year ended 31 December 2016 to approximately 85 days for the year ended 31 December 2017. The average trade receivable turnover days in transportation and other services decreased from approximately 85 days for the year ended 31 December 2017 to approximately 63 days for the year ended 31 December 2018 mainly due to the decrease in average balance of trade receivables in transportation and other services in 2018.

The table below sets out the aging analysis of our trade receivables based on the invoice date as at the indicated dates and subsequent settlement up to the Latest Practicable Date:

	As at 31 December 2016	Subsequent settlement up to the Latest Practicable Date	As at 31 December 2017	Subsequent settlement up to the Latest Practicable Date	As at 31 December 2018	Subsequent settlement up to the Latest Practicable Date
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Within 30 days	6,089,964	6,089,964	1,453,054	1,453,054	1,989,189	1,987,510
31-60 days	5,878,055	5,878,055	3,179,228	3,179,228	3,732,078	3,725,923
61-90 days	640,000	640,000	1,479,472	1,479,472	3,220,400	3,151,600
91-120 days	580,000	580,000	960,960	960,960	722,531	722,531
121 to 365 days	563,769	563,769	1,223,540	1,223,540	640,611	584,311
Over 1 year	57,407	57,407	—	—	—	—
	13,809,195	13,809,195	8,296,254	8,296,254	10,304,809	10,171,875

The table below sets out the aging analysis of our trade receivables based on the due date as at the indicated dates and subsequent settlement up to the Latest Practicable Date:

	As at 31 December 2016	Subsequent settlement up to the Latest Practicable Date	As at 31 December 2017	Subsequent settlement up to the Latest Practicable Date	As at 31 December 2018	Subsequent settlement up to the Latest Practicable Date
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Neither past due nor impaired	6,056,964	6,056,964	1,623,054	1,623,054	1,985,510	1,985,510
Past due:						
Within 30 days	5,448,000	5,448,000	3,179,228	3,179,228	2,760,757	2,752,923
31-60 days	1,103,055	1,103,055	1,309,472	1,309,472	3,545,015	3,476,215
61-90 days	580,000	580,000	960,960	960,960	1,372,916	1,372,916
91-120 days	250,000	250,000	102,000	102,000	375,000	345,000
121-365 days	371,176	371,176	1,121,540	1,121,540	265,611	239,311
Over 1 year	—	—	—	—	—	—
	13,809,195	13,809,195	8,296,254	8,296,254	10,304,809	10,171,875

As illustrated by the aging analysis, up to the Latest Practicable Date, trade receivables as at 31 December 2016 and 2017 had been fully settled.

Up to the Latest Practicable Date, approximately HK$10.2 million of trade receivables as at 31 December 2018 had been settled, and approximately HK$0.1 million of trade receivables as at 31 December 2018 remained outstanding (which represents approximately 1.3% of the total trade receivables as at 31 December 2018). Among the approximately HK$8.3 million past due trade receivables as at 31 December 2018, approximately HK$8.2 million had been settled, and approximately HK$0.1 million remained outstanding up to the Latest Practicable Date.

Our management considers that there has not been a significant change in credit quality of the trade receivables. In view of the good settlement history as at 31 December 2016, 2017 and 2018, management of our Group considers that no provision for impairment for the past due but not impaired trade receivables set out in table above is necessary. Our Group did not hold any collateral over these balances.

Impairment losses on trade and other receivables are assessed and recognised based on our management's regular review of ageing analysis and evaluation of collectability. Our accounting and human resource department would monitor the trade receivables on a monthly basis and assess whether any bad debt should be provided based on the monthly trade receivable ageing report, which would be reviewed by our Directors. When overdue amount is located, our commercial and administrative department would contact customers for settlement.

Deposits paid mainly represented deposit paid for the acquisition of construction machinery or spare parts and rental deposits. Prepayments consisted of certain prepayments to professional parties in relation to the listing exercise. The increase in deposits, prepayments and other receivables from approximately HK$2.0 million as at 31 December 2016 to approximately HK$2.6 million as at 31 December 2017 was mainly due to the increase in prepayment for the Listing by HK$0.6 million. The increase in deposits, prepayments and other receivables from approximately HK$2.6 million as at 31 December 2017 to approximately HK$3.2 million as at 31 December 2018 was mainly due to the increase in deposit paid of approximately HK$0.6 million.

Trade and other payables

The following table sets forth our trade and other payables as at the indicated dates:

	As at 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Trade payables	4,934,748	1,603,278	1,625,592
Other payable	—	5,769	—
Accrued expenses	461,057	1,459,946	3,176,032
Deposits and temporary received	3,210,000	3,210,000	5,065,621
	8,605,805	6,278,993	9,867,245

In general, payment terms granted by suppliers are 0-30 days from the invoice date of the relevant purchases.

Our trade payable balance decreased by approximately HK$3.3 million from approximately HK$4.9 million as at 31 December 2016 to approximately HK$1.6 million as at 31 December 2017 mainly because the settlement of a purchase of construction machinery from a supplier for our machinery trading business close to the end of the year ended 31 December 2016 was made at the beginning of the year ended 31 December 2017, while there was no similar transaction incurred close to the end of the year ended 31 December 2017.

Our trade payable balance maintained at similar level of approximately HK$1.6 million as at 31 December 2017 and 2018.

	For the year ended 31 December		
	2016	**2017**	**2018**
Average trade payable turnover days by business segments			
Rental of construction machinery	55	19	61
Trading of construction machinery, tools and parts	81	176	35
Transportation and other services	23	168	128
Overall	71	118	54

The average trade payable turnover days (based on average trade payables divided by Total Purchases times 366 days or 365 days) increased from approximately 71 days for the year ended 31 December 2016 to approximately 118 days for the year ended 31 December 2017 and then decreased to approximately 54 days for the year ended 31 December 2018.

The average trade payable turnover days in rental of construction machinery decreased from approximately 55 days for the year ended 31 December 2016 to approximately 19 days for the year ended 31 December 2017 mainly due to the early settlement of our trade payable aiming to further enhance our relationship with suppliers. The average trade payable turnover days in rental of construction machinery increased from approximately 19 days for the year ended 31 December 2017 to approximately 61 days for the year ended 31 December 2018 mainly due to the increase in number of machinery rental transactions from suppliers close to the end of the year ended 31 December 2018.

The average trade payable turnover days in trading of construction machinery and parts increased from approximately 81 days for the year ended 31 December 2016 to approximately 176 days for the year ended 31 December 2017 mainly due to the decrease in the overall amount of product purchase for the year ended 31 December 2017 as discussed above. The average trade payable turnover days in trading of construction machinery and parts decreased from approximately 176 days for the year ended 31 December 2017 to approximately 35 days for the year ended 31 December 2018 mainly due to the decrease in average balance of trade payable in trading of construction machinery and parts in 2018.

The average trade payable turnover days in transportation and other services increased from approximately 23 days for the year ended 31 December 2016 to approximately 168 days for the year ended 31 December 2017. Our Directors believe that the increase was mainly because of the significant decrease in the transportation and others under cost of sales and services rendered as discussed above. The average trade payable turnover days in transportation and other services decreased from approximately 168 days for the year ended 31 December 2017 to approximately 128 days for the year ended 31 December 2018 mainly due to the rebound of transportation and others under cost of sale and services rendered for the year ended 31 December 2018.

The table below sets out the aging analysis of our trade payables based on the invoice date as at the indicated dates:

	As at 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Within 30 days	4,502,931	1,238,000	493,710
31-60 days	126,907	28,649	290,825
61-90 days	—	308,064	219,531
Over 90 days	304,910	28,565	621,526
	4,934,748	1,603,278	1,625,592

Up to the Latest Practicable Date, all the trade payables outstanding balance as at 31 December 2016 and 2017 had been settled. Up to the Latest Practicable Date, approximately 83.7% of the trade payables outstanding balance as at 31 December 2018 had been settled.

Our accrued expenses increased from approximately HK$0.5 million as at 31 December 2016 to approximately HK$1.5 million as at 31 December 2017 mainly due to the increase in accrued expenses for the Listing and staff cost. Our accrued expenses further increased from approximately HK$1.5 million as at 31 December 2017 to approximately HK$3.2 million as at 31 December 2018 mainly due to the increase in accrued expenses for Listing.

Our deposit and temporary receipts maintained at a similar level of approximately HK$3.2 million as at 31 December 2016 and 2017. Our deposit and temporary receipts increased from approximately HK$3.2 million as at 31 December 2017 to approximately HK$5.1 million as at 31 December 2018 mainly due to the deposit of approximately HK$1.9 million from a customer for consumption of spare parts.

INDEBTEDNESS

The following table sets forth the amounts of indebtedness as at 31 December 2016, 2017 and 2018 and 30 April 2019, being the latest practicable date for determining our Group's indebtedness:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)
Current Liabilities				
Borrowings — due within one year	4,920,000	7,303,353	7,373,304	7,398,075
Obligations under finance leases — due within one year	41,118,351	32,691,689	44,026,065	46,109,115
Convertible Bonds — due within one year	—	—	14,482,003	14,800,400
Bank overdrafts	6,058,688	4,352,400	1,489,724	6,387,340
Lease liabilities — current portion	1,247,341	1,228,128	1,225,497	880,809
	53,344,380	45,575,570	68,596,593	75,575,739
Non-current Liabilities				
Borrowings — due after one year	—	1,967,298	594,306	119,926
Obligations under finance leases — due after one year	303,043	129,316	526,802	439,929
Convertible Bonds — due after one year	12,210,410	13,473,214	—	—
Lease liabilities — non current portion	975,084	874,178	212,384	91,707
	13,488,537	16,444,006	1,333,492	651,562
	66,832,917	62,019,576	69,930,085	76,227,301

Borrowings and bank overdrafts

We obtained financing in the form of bank overdrafts and bank borrowings.

Our bank overdrafts were approximately HK$6.1 million, HK$4.4 million, HK$1.5 million and HK$6.4 million as at 31 December 2016, 2017 and 2018 and 30 April 2019. Bank overdrafts carry interest rate of 5.75% to 6.5% per annum, ranging from 5.75% to 6.5% per annum, ranging from 5.75% to 6.625% per annum and ranging from 5.75% to 6.625% per annum as at 31 December 2016, 2017 and 2018 and 30 April 2019 and are repayable on demand. The decrease of bank overdrafts as at 31 December 2017 and 31 December 2018 was mainly due to our Group obtained external funding by bank borrowing.

Our bank borrowings were approximately HK$4.9 million, HK$9.3 million, HK$8.0 million and HK$7.5 million as at 31 December 2016, 2017 and 2018 and 30 April 2019. Bank borrowings as at 31 December 2016, 2017 and 2018 and 30 April 2019 carry interest at a variable-rate of 1% above prime rate per annum, a variable-rate of 1% above prime rate per annum, a variable-rate of 1% above prime rate per annum and a variable-rate of 1% above prime rate per annum respectively. Our bank borrowings as at 31 December 2016 increased to the level as at 31 December 2017, as at 31 December 2018 mainly due to the drawdown of new bank borrowings for acquisition of machinery and spare parts.

		As at 31 December		**As at 30 April**
	2016	**2017**	**2018**	**2019**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)
Borrowings that do not contain a repayable on demand clause:				
Within one year	—	1,303,353	1,373,304	1,398,075
More than one year, but not more than five years	—	1,967,298	594,306	119,926
Borrowings that contain a repayable on demand clause (shown under current liabilities):				
Within one year	4,920,000	6,000,000	6,000,000	6,000,000
More than one year, but not more than five years	—	—	—	—
	4,920,000	9,270,651	7,967,610	7,518,001

Set out below is a breakdown of secured and unsecured borrowings of our Group:

		As at 31 December		As at 30 April
	2016	**2017**	**2018**	**2019**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)
Secured bank borrowings	—	3,270,651	1,967,610	1,518,001
Unsecured bank borrowings	4,920,000	6,000,000	6,000,000	6,000,000
	4,920,000	9,270,651	7,967,610	7,518,001

Set out below is a breakdown of utilised and unutilised bank borrowing facilities of our Group:

		As at 31 December		As at 30 April
	2016	**2017**	**2018**	**2019**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)
Total bank borrowing facilities granted to our Group	5,000,000	11,000,000	13,000,000	10,000,000
Less: Amount of bank borrowing facilities utilised	4,920,000	11,000,000	13,000,000	10,000,000
Total unutilised bank borrowing facilities	80,000	—	—	—

		As at 31 December		As at 30 April
	2016	**2017**	**2018**	**2019**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)
Total bank overdrafts and trade facilities granted to our Group	13,300,000	8,800,000	7,500,000	7,500,000
Less: Amount of bank overdrafts and trade facilities utilised	6,058,688	4,352,400	1,489,724	6,387,340
Total unutilised bank overdrafts and trade facilities	7,241,312	4,447,600	6,010,276	1,112,660

Our Directors confirmed that there were no material covenants or any breach in financial covenants relating to our Group's outstanding bank borrowings and no material defaults by our Group in the payment of its bank borrowings during the Track Record Period. During the Track Record Period, we have not experienced difficulties in obtaining bank borrowings. As at the Latest Practicable Date, our Directors confirmed that we had no material external financing plan.

Obligations under finance leases

We leased a number of motor vehicles and machinery under finance lease arrangements during the Track Record Period. The following table sets forth the outstanding obligations under finance leases as at the end of year/period indicated:

	As at 31 December			**As at 30 April**
	2016	**2017**	**2018**	**2019**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)
Present value of minimum lease payments:				
Not later than one year	41,118,351	32,691,689	44,026,065	46,109,115
Later than one year and not later than five years	303,043	129,316	526,802	439,929
	41,421,394	32,821,005	44,552,867	46,549,044

The total amount of finance lease obligations was approximately HK$41.4 million, HK$32.8 million and HK$44.6 million as at 31 December 2016, 2017 and 2018, respectively. Obligations under finance leases decrease as at 31 December 2017 mainly due to the repayment on finance leases. Obligations under finance leases increase as at 31 December 2018 mainly due to the acquisition of new machinery.

Our Group acquires certain of its plant and machinery, and motor vehicles under finance leases. The average lease term entered by our Group for the leases outstanding as at 31 December 2016, 2017 and 2018 ranged from four to five years, four to five years and four to five years respectively. Interest rates underlying all obligations under finance leases as at 31 December 2016, 2017 and 2018 ranged from 4.75% to 6.06% per annum, 4.75% to 6.00% per annum and 4.625% to 5.23% per annum, respectively.

As at 31 December 2016 and 2017, our Group's borrowings, bank overdrafts and obligations under finance leases are secured and guaranteed by: (i) the leased assets; (ii) personal guarantees given by our Directors and/or Shareholders, Mr. Sou, Mr. Fok and Ms. Chu; (iii) pledged deposits of related parties including Centralink International Limited, Mr. Sou and Ms. Chu of not less than HK$3.4 million and our Group of approximately HK$1.0 million; and (iv) a guarantee offered by The Hong Kong Mortgage Corporation Limited under the SME Financing Guarantee Scheme.

As at 31 December 2018, the Group's borrowings, bank overdrafts and obligations under finance leases are secured and guaranteed by (i) the leased assets; (ii) personal guarantees given by our Directors and/or Shareholders, Mr. Sou and Mr. Fok; and (iii) pledged deposits of the Group of approximately HK$2.9 million. Such borrowings, bank overdraft and obligations under finance leases would/will either be fully repaid or relevant deposits and/or guarantees will be released and/or replaced by corporate guarantees from our Company before or upon the Listing. Our Directors confirmed that there had been no enforcement of or liabilities arising from any of the foregoing guarantees during the Track Record Period and up to the Latest Practicable Date.

The details of the finance lease arrangements of our Group by types of machinery are set out as follows:

			Number of machinery/motor vehicles under finance lease as at		
Type of machinery/ motor vehicles	**No. of monthly instalments**	**Effective interest rate**	**31 December 2016**	**31 December 2017**	**31 December 2018**
Crawler crane	36-60 months	4.5%-5.25%	3	5	5
Casing Oscillator *(note 1)*	36-60 months	4.5%-5.25%	4	6	7
RCD	48-60 months	4.5%-5.0%	3	3	2
Hydromill trench cutter	60 months	4.5%	—	—	1
Motor vehicles	48-60 months	4.84%-6.06%	3	2	4

Note:

1. Casing oscillator includes machinery which performs similar functions, namely casing rotator and vibratory hammer.

Convertible Bonds

On 30 May 2016, our Company entered into the CB Subscription Agreements with each of Trade Mass and Rosy Dragon Global in relation to the issue of the Convertible Bonds in the principal amount of HK$6.0 million to each of Trade Mass and Rosy Dragon Global. As at 30 May 2016, fair value of the Convertible Bonds includes equity component of approximately HK$0.9 million and liability component of approximately HK$11.1 million. The effective interest rates of the liability component of Convertible Bonds in the Track Record Period were 16.38%, 8.6% and 7.0% per annum.

On 28 March 2017 and 4 May 2018, respectively, our Company executed a supplemental instrument and a supplemental agreement with each of Trade Mass and Rosy Dragon Global. The maturity date of the Convertible Bonds were extended to 30 May 2018 and 30 May 2019, respectively (subject to the bondholders' right of extension to 30 November 2019). On 18 December 2018, Trade Mass disposed of all its Convertible Bonds in the principal amount of HK$6,000,000 to two purchasers, namely Integrated Asset Management and Mr. Yang.

On 24 May 2019, our Company entered into a supplemental agreement with each of the Pre-IPO Investors, pursuant to which the maturity date of the Convertible Bonds were extended to 31 August 2019 (subject to the Pre-IPO Investors' right of extension to 30 November 2019).

Please refer to the sub-section headed "Pre-IPO Investments" of the "History, Reorganisation and corporate structure" section of this prospectus for details.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, we did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 30 April 2019, being the latest practicable date for determining our Group's indebtedness.

Our Directors have confirmed that there has not been any material adverse change in our Group's indebtedness and contingent liabilities since 30 April 2019, being the latest practicable date for determining our Group's indebtedness.

OFF-BALANCE SHEET ARRANGEMENTS

As at Latest Practicable Date, our Directors confirm that we had not entered into any off-balance sheet arrangements.

WORKING CAPITAL

Our Directors confirm 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 the estimated net proceeds from the Share Offer, available banking facilities, settlement of trade receivables when due and cash flows from our operations.

KEY FINANCIAL RATIOS

	As at/For the year ended 31 December		
	2016	2017	2018
Current ratio(Note 1) *(unit: times)*	0.3 times	0.3 times	0.2 times
Quick ratio(Note 2) *(unit: times)*	0.3 times	0.2 times	0.2 times
Gearing ratio(Note 3)	233.4%	221.8%	179.4%
Debt to equity ratio(Note 4)	226.4%	208.0%	171.1%
Interest coverage(Note 5) *(unit: times)*	0.9 times	2.7 times	5.2 times
Non-HKFRS measures			
Adjusted return on total assets(Note 6)	0.2%	4.8%	10.3%
Adjusted return on equity(Note 7)	0.8%	17.2%	33.3%

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year end.

2. Quick ratio equals the current assets minus inventories then divided by the current liabilities as at the respective year end.

3. Gearing ratio is calculated based on the total debt (including finance lease payables) divided by the total equity as at the respective year end and multiplied by 100%. Debts are defined to include payables incurred not in the ordinary course of business.

4. Debt to equity ratio is calculated by the net debt divided by the total equity as at the respective year end and multiplied by 100%. Net debts are defined to include all borrowings net of cash and cash equivalents.

5. Interest coverage ratio is calculated by adjusted profit before interest and tax (excluding the Listing expenses) divided by interest expense for the respective year.

6. Adjusted return on total assets is calculated by adjusted net profit for the year (excluding the Listing expenses) divided by the total assets as at the respective year end and multiplied by 100%.

7. Adjusted return on equity is calculated by adjusted net profit for the year (excluding the Listing expenses) divided by the total equity as at the respective year end and multiplied by 100%.

Current ratio and Quick ratio

Due to business nature, our Group's current ratio and quick ratio maintained at relatively low level, Please refer to the paragraph headed "We recorded net current liabilities during the Track Record Period and may not generate sufficient cash flows in the future to finance our operations or satisfy our current liabilities." under "Risk Factors" section of this prospectus for details. Our Group's current ratio and quick ratio remained stable during the Track Record Period, which were approximately 0.3 times and 0.3 times as at 31 December 2016, 0.3 times and 0.2 times as at 31 December 2017, and 0.2 times and 0.2 times as at 31 December 2018 respectively.

Gearing ratio and Debt to equity ratio

Our Group's gearing ratio was approximately 233.4%, 221.8% and 179.4% as at 31 December 2016, 2017 and 2018, respectively. Our Group's debt to equity ratio was approximately 226.4%, 208.0% and 171.1% as at 31 December 2016, 2017 and 2018, respectively. Our Group's gearing ratio and debt to equity ratio decreased as at 31 December 2017 mainly due to the increase in equity contributed by the increase in retained earning was in a larger proportion than the increase in total debt.

Our Group's gearing ratio and debt to equity ratio decreased as at 31 December 2018 mainly due to the increase in equity contributed by the capital injection mentioned above, and the increase in retained earning.

The Group's high gearing ratio of 233.4%, 221.8% and 179.4% as at 31 December 2016, 2017 and 2018, respectively, was mainly due to the inclusion of Convertible Bonds with principal amounts of HK$12,210,410, HK$13,473,214 and HK$14,482,003, which were classified under the non-current liabilities or current liabilities of the combined statements of financial position during each of the Track Record Period. If the principal amounts of the Convertible Bonds are excluded, the gearing ratio as at 31 December 2016, 2017 and 2018 will be decreased to 190.8%, 173.7% and 142.2%, respectively.

Interest coverage

Our Group's interest coverage was approximately 0.9, 2.7 and 5.2 times for the year ended 31 December 2016 and 2017 and for the year ended 31 December 2018, respectively. The interest coverage increased in the year ended 31 December 2017 mainly due to the increased revenue and profit before interest and tax as described above. The interest coverage increased in the year ended 31 December 2018 mainly due to the increased revenue and net profit as described above.

Non-HKFRS Measures — Adjusted return on total assets

Our Group's adjusted return on total assets was approximately 0.2%, 4.8% and 10.3% for the year ended 31 December 2016 and 2017 and for the year ended 31 December 2018, respectively. The adjusted return on total assets increased in the year ended 31 December 2017 mainly due to the increased revenue and net profit as described above. The adjusted return on total assets increased in the year ended 31 December 2018 mainly due to the increased revenue and net profit as described above.

Non-HKFRS Measures — Adjusted return on equity

Our Group's adjusted return on equity was approximately 0.8%, 17.2% and 33.3% for the year ended 31 December 2016 and 2017 and the year ended 31 December 2018, respectively. The adjusted return on equity increased in the year ended 31 December 2017 mainly due to the increased revenue and net profit as described above. The adjusted return on equity increased in the year ended 31 December 2018 mainly due to the increased revenue and net profit as described above.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 26 February 2016. As at 31 December 2018, our Company had no reserves available for distribution to our Shareholders.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in Note 32 of the Accountants' Report in Appendix I to this prospectus. Our Directors consider that these related party transactions would not distort our results during the Track Record Period, and would not make our historical results not reflective of our future performance.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to various types of market risks including interest rate risk, credit risk and liquidity risk. The management of our Group and our Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further information, please refer to Note 6 of the Accountant's Report in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

Please see the section headed "Unaudited pro forma financial information" in Appendix II to this prospectus for details.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had our Group been required to comply with Rules 17.15 to 17.21 of the GEM Listing Rules, would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

RECENT DEVELOPMENT

After the Track Record Period, our business operations remained stable. After the Track Record Period, to cope with our Group's business strategies and to cater to the demand of our customers, we entered into a contract to acquire a crawler crane with working capacity of up to 130 tonnes, to which the remaining amount of its acquisition cost is to be settled by mid-August 2019. The RCD which our Group contracted to acquire in November 2018 was delivered to us in April 2019. As at the Latest Practicable Date, our Group had secured orders of approximately HK$44.5 million for plant hire rental projects, of which, approximately HK$17.6 million was recognised as revenue from 1 January 2019 to the Latest Practicable Date. Among the closing backlog of approximately HK$26.8 million as at the Latest Practicable Date, approximately HK$24.9 million would be recognised as revenue after the Latest Practicable Date and up to 31 December 2019, and approximately HK$1.9 million would be recognised as revenue after 2019. Other than the plant hire rental projects, our Group also had secured orders of approximately HK$10.0 million for general sales service, among which, approximately HK$4.4 million was recognised as revenue from 1 January 2019 to the Latest Practicable Date and approximately HK$5.6 million would be recognised as revenue after the Latest Practicable Date and up to 31 December 2019.

Based on the unaudited management accounts of our Group, revenue of our Group for the four months ended 30 April 2019 increased as compared to the corresponding period in 2018. Our Directors confirmed that the increase in revenue was mainly due to the increase in plant hire income and general sales for the four months ended 30 April 2019. Meanwhile, gross profit margin decreased for the four month ended 30 April 2019 as compared to that of the corresponding period in 2018 mainly due to the increase in product purchase cost for general sales.

Save for the recent development as disclosed above and the professional fees of approximately HK$27.5 million estimated to be incurred in connection with the Listing, of which approximately HK$5.4 million will be charged to our combined statements of profit or loss and other comprehensive income for the year ending 31 December 2019. Our Directors confirmed that there has been no material adverse change in the operation, financial or trading position or prospects of our Group since the end of the Track Record Period and up to the date of this prospectus, and there is no event since the end of the Track Record Period and up to the date of this prospectus which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

NO MATERIAL ADVERSE CHANGE

Save for the recent development disclosed above and the professional fees of approximately HK$27.5 million estimated to be incurred in connection with the Listing, of which approximately HK$5.4 million will be charged to our combined statements of profit or loss and other comprehensive income for the year ending 31 December 2019, respectively, our Directors confirmed that there has been no material adverse change in the operation, financial or trading position or prospects of our Group since the end of the Track Record Period and up to the date of this prospectus, and there is no event since the end of the Track Record Period and up to the date of this prospectus which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

UNDERWRITERS

Public Offer Underwriters

Elstone Securities Limited
Sun International Securities Limited
Grand Moore Capital Limited
First Fidelity Capital (International) Limited
CRIC Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering the Public Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other matters, the Listing Division granting the approval for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and to the satisfaction of certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) shall have the absolute discretion to terminate the arrangements set out in the Public Offer Underwriting Agreement by notice in writing given to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, if there shall develop, occur, exist or come into effect:

(i) any new law or regulation or any material change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Macau, the Cayman Islands, the BVI or any relevant jurisdiction;

(ii) any adverse change (whether or not permanent) in local, national or international stock market conditions;

(iii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise;

(iv) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, Macau, the Cayman Islands, the BVI or any relevant jurisdiction;

(v) any adverse change in the business or in the financial or trading position of our Group or otherwise;

(vi) any change or development (whether or not permanent), or any event or series of events resulting in any change in the financial, legal, political, economic, military, industrial, fiscal, regulatory, market (including stock market) or currency matters or condition in Hong Kong, Macau, the Cayman Islands, the BVI, or any relevant jurisdiction;

(vii) a general moratorium on commercial banking business activities in Hong Kong, Macau, the Cayman Islands, the BVI or any relevant jurisdiction declared by the relevant authorities; or

(viii) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, natural disaster or outbreak of infectious diseases, which in the reasonable opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):

(a) might be materially adverse to the business, financial condition or prospects of our Group taken as a whole; or

(b) might have a material adverse effect on the success of the Share Offer or might have the effect of making any part of the Public Offer Underwriting Agreement incapable of implementation or performance in accordance with its terms; or

(c) makes it inadvisable or inexpedient to proceed with the Share Offer.

Without prejudice to the above, if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, it comes to the notice of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):

(i) any matter or event showing any of the warranties to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been any breach of any of the warranties or any other provision of the Public Offer Underwriting Agreement which is considered, in the reasonable opinion of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), to be material in the context of the Public Offer;

(ii) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted a material omission in the reasonable opinion of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in the context of the Public Offer; or

(iii) any statement contained in this prospectus and the Application Forms reasonably considered to be material by the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) which is discovered to be or becomes untrue, incorrect or misleading and in the reasonable opinion of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) to be material in the context of the Public Offer; or

(iv) any event, act or omission which gives rise or is likely to give rise to any material liability of any of our Company, our executive Directors and our Controlling Shareholders pursuant to the indemnities contained in the Public Offer Underwriting Agreement,

the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) shall be entitled (but not bound) by notice in writing to our Company on or prior to such time to terminate the Public Offer Underwriting Agreement.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the GEM Listing Rules as soon as possible.

Undertakings given to the Stock Exchange pursuant to the GEM Listing Rules

Undertaking by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that except pursuant to the Share Offer, he/she will not and will procure that the relevant registered holder(s) will not: (a) in the period commencing on the date by reference to which disclosure of his/her shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she is shown by this prospectus to be the beneficial owner; and (b) in the period of 12 months commencing on the date on which the period referred to in the paragraph

(a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in the paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she would cease to be a Controlling Shareholder of our Company. Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholder has undertaken to the Stock Exchange and to our Company that, within the period commencing on the date by reference to which disclosure of his/her shareholding in our Company is made in this prospectus and ending on the date which is 24 months from the date on which dealings in the Shares commence on the Stock Exchange, he/she will: (i) when he/she pledges or charges any Shares beneficially owned by him/her in favour of an authorised institution pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and (ii) when he/she receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Except pursuant to the Capitalisation Issue, the Share Option Scheme and the Share Offer, during the period commencing on the date of this prospectus and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), our Company has undertaken to each of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), the Public Offer Underwriters and the Sole Sponsor not to, and to procure each other member of our Group not to, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) (such consent not to be unreasonably withheld or delayed) and the Sole Sponsor and unless in compliance with the requirements of the GEM Listing Rules:

(i) offer, allot, issue or sell, or agree to allot, issue or sell, hedge, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates), either directly or indirectly, conditionally or unconditionally, any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any securities convertible into or exchangeable for such Shares (or any interest in any Shares or any voting or other right attaching to any Shares); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or such securities; or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

(iv) offer or agree to do any of the foregoing transactions and publicly disclose any intention to effect such transaction, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of 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).

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to each of our Company, the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), the Public Offer Underwriters and the Sole Sponsor that, save as (i) pursuant to the Share Offer; or (ii) permitted under the GEM Listing Rules, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) (such consent not to be unreasonably withheld or delayed) and the Sole Sponsor:

(1) he/she will not, at any time during the period commencing on the date by reference to which disclosure of his/her shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Stock Exchange (the "**First Twelve-Month Period**"), (i) 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 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 any other securities of our Company or any interest therein (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), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (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 (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of 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);

(2) he/she will not, during the period of 12 months commencing on the date on which the First Twelve-Month Period expires (the "**Second Twelve-Month Period**"), enter into any of the transactions specified in (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/she will cease to be a "controlling shareholder" (as defined in the GEM Listing Rules) of our Company; and

(3) without prejudice to the undertakings as referred to in paragraphs (1) and (2) above, during the period commencing on the date by reference to which disclosure of his/her direct or indirect shareholding in our Company is made in this prospectus and ending on the date which is 24 months from the Listing Date, it shall:

(i) when he/she pledges or charges or otherwise create any rights of encumbrances over any Shares or other securities of our Company beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform our Company, the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) of such pledge or charge or creation of the rights of encumbrances together with the number of the securities so pledged or charged and all other information as may be reasonably requested by our Company, the Sole Sponsor and/or the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters); and

(ii) subsequent to the pledge or charge or creation of rights or encumbrances over the Shares (or interest therein) or other shares or interests as mentioned in subparagraph (i) above, when it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in sub-paragraph (i) above will be disposed of, immediately inform our Company of such indications, and inform the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) as soon as practicable thereafter (taking into account the requirements of applicable laws, rules and regulations) of such indications.

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriter(s), 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, the Placing Underwriter(s) will severally agree to subscribe or procure subscribers for the Placing Shares being offered pursuant to the Placing.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed "Underwriting arrangements and expenses — Public Offer Underwriting Agreement — Undertakings pursuant to the Public Offer Underwriting Agreement" in this section.

It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriter(s) not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of our Shares held by him/her in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraph "Underwriting arrangements and expenses — Public Offer Underwriting Agreement — Undertakings pursuant to the Public Offer Underwriting Agreement" in this section.

Commission and expenses

The Public Offer Underwriters will receive a gross commission of 3.0% on the aggregate Offer Price for the Public Offer Shares in accordance with the terms of the Public Offer Underwriting Agreement, out of which will, as the case may be, be applied to any sub-underwriting commissions and selling concession. The underwriting commission, documentation fee, Stock Exchange listing fees, brokerage, Stock Exchange trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expense relating to the Share Offer are estimated to be approximately HK$27.5 million in aggregate (based on an Offer Price of HK$0.475 per Offer Share, being the mid-point of the proposed Offer Price range of HK$0.40 to HK$0.55 per share) and is paid or payable by our Company.

Underwriters' interests in our Company

Save for its interests and obligations under the Underwriting Agreements and save as disclosed in this prospectus, none of the Underwriters or any of its associates is interested beneficially or non beneficially in any shares in any member of our Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares of any member of our Group.

Sole Sponsor's interest in our Company

Grand Moore Capital, being the Sole Sponsor, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Save for the advisory and documentation fees to be paid to Grand Moore Capital as the Sole Sponsor to the Share Offer, its obligations under the Underwriting Agreements and any interests in securities that may be subscribed by it pursuant to the Share Offer, neither Grand Moore Capital nor any of its associates has or may, as a result of the Share Offer, have any interest in any class of securities of our Company or any other company in our Group (including options or rights to subscribe for such securities).

No director or employee of Grand Moore Capital who is involved in providing advice to our Company has or may, as a result of the Share Offer, have any interest in any class of securities of our Company or other company in our Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer).

No director or employee of Grand Moore Capital has a directorship in our Company or any other company in our Group.

STRUCTURE OF THE SHARE OFFER

The Share Offer comprises:

(i) the Public Offer of an aggregate of 15,000,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong; and

(ii) the Placing of 135,000,000 Placing Shares (subject to reallocation as mentioned below).

Investors may apply for the Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for the Offer Shares under the Placing, but may not do both. The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (but without taking into account any options which may be granted under the Share Option Scheme). The number of Offer Shares to be offered under the Public Offer and the Placing, respectively, may be subject to reallocation as mentioned below.

CONDITIONS OF THE SHARE OFFER

The Share Offer is conditional upon, among other things:

(i) the Listing Division of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be allotted and issued as mentioned in this prospectus, and such approval and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(ii) the Offer Price having been duly determined; and

(iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Bookrunners (for themselves and on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with its terms, in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.worldsuperhk.com** on the next business day following such lapse.

THE PUBLIC OFFER

Number of Shares initially offered

We are initially offering 15,000,000 Public Offer Shares at the Offer Price, representing 10% of the Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation of Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, and without taking into account Shares which may be issued upon exercise of options as may be granted under the Share Option Scheme. The Public Offer is open to members of the public in Hong Kong as well as to institutional professional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Share Offer" in this section.

Allocation

Allocation of the Offer Shares to investors under the Share Offer will be based solely on the level of valid applications received under the Share Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by applicants. Allocation of the Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications under the Public Offer and any application for more than 15,000,000 Public Offer Shares initially available for subscription will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The final Offer Price, the level of indication of interest in the Placing, level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Thursday, 11 July 2019 through a variety of channels as described in paragraph headed "How to apply for Public Offer Shares — Publication of results".

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

(a) Where the Placing Shares are fully subscribed or oversubscribed:

- if the Public Offer Shares are undersubscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deem appropriate;

- if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times of the number of Offer Shares initially available for subscription under the Public Offer, then up to 15,000,000 Offer Shares may be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 30,000,000 Offer Shares, representing 20% of the Offer Shares initially available under the Share Offer;

- if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available for subscription under the Public Offer, then 30,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 45,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Share Offer;

- if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available for subscription under the Public Offer, then 45,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 60,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Share Offer; and

- if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available for subscription under the Public Offer, then 60,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 75,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Share Offer.

(b) Where the Placing Shares are undersubscribed:

(i) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and

(ii) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 15,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 30,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer.

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where (a) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are fully subscribed or oversubscribed by less than 15 times under paragraph (a)(ii) above; or (b) the Placing Shares are undersubscribed and the Public Offer Shares are fully subscribed or oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK$0.40 per Offer Share) stated in this prospectus.

In addition, the Joint Bookrunners may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 6 of the GEM Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. 30,000,000 Offer Shares); and the final Offer Price shall be fixed at the low end of the indicated Offer Price range stated in this prospectus (i.e. HK$0.40 per Offer Share)

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced. In addition, the Joint Bookrunners may in their sole and absolute discretion reallocate Offer Shares of the Placing to the Public Offer to satisfy valid applications under the Public Offer.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

THE PLACING

Number of the Offer Shares initially offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 135,000,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issue share capital immediately after the completion of the Share Offer and the Capitalisation Issue, but without taking into account Shares which may be upon exercise of options granted under the Share Option Scheme.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed by the Placing Underwriter(s). The Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a sizeable demand for such Placing Shares in Hong Kong. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the bookbuilding process described in the paragraph headed "Offer Price" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Bookrunners may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

OFFER PRICE

Determination of the Offer Price

The Offer Price will be fixed by the Price Determination Agreement on the Price Determination Date, which is expected to be on or around Friday, 5 July 2019. If the Joint Bookrunners (for themselves and on behalf of the other Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Monday, 8 July 2019, the Share Offer will not become unconditional and will not proceed. The Joint Bookrunners (for themselves and on behalf of the other Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range to below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company will, as soon as practicable following the decision to make such reduction, cause to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.worldsuperhk.com** an announcement of such change on or before the Price Determination Date. Prospective investors of the Offer Shares should be aware that the Offer Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If for any reason the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.worldsuperhk.com** a notice of the change and if applicable the revised date.

Offer Price range

The Offer Price will not be more than HK$0.55 per Offer Share and is expected to be not less than HK$0.40 per Offer Share. The Offer Price will fall within the indicative Offer Price range as stated in this prospectus unless otherwise announced.

Price payable on application

The Offer Price will not be more than HK$0.55 per Offer Share and is expected to be not less than HK$0.40 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK$0.55 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK$5,555.43 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$0.55 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.

ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATION

Announcement of the final Offer Price, together with 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 is expected to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.worldsuperhk.com** on Thursday, 11 July 2019.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on Friday, 12 July 2019. The Shares will be traded in board lots of 10,000 Shares each. The GEM stock code for the Shares is 8612.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. If the Stock Exchange grants the listing of and permission to deal in the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or, under contingent situation, any other date HKSCC chooses. 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 the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interest.

Details of the Share Offer will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

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 Bookrunners, 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, our Company, the Joint Bookrunners 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 and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- an associate (as defined in the GEM Listing Rules) of any of the above;
- a connected person 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 Thursday, 27 June 2019 to 12:00 noon on Wednesday, 3 July 2019 from:

(i) the following office of the Joint Bookrunners:

Elstone Securities Limited
Suite 1601-04, 16/F., West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Sun International Securities Limited
Unit 2412-13, 24/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

(ii) the following office of the Sole Sponsor:

Grand Moore Capital Limited
Unit 1607, 16th Floor, Silvercord Tower 1
30 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

(iii) any of the following branches of Bank of China (Hong Kong) Limited:

	Branch	Address
Hong Kong Island	North Point (King's Centre) Branch	193-209 King's Road, North Point, Hong Kong
Kowloon	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei, Kowloon
New Territories	Sheung Shui Branch Securities Services Centre	136 San Fung Avenue, Sheung Shui, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 27 June 2019 until 12:00 noon on Wednesday, 3 July 2019 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 **BANK OF CHINA (HONG KONG) NOMINEES LIMITED — WORLD SUPER HOLDINGS 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:

Thursday, 27 June 2019 — 9:00 a.m. to 5:00 p.m.
Friday, 28 June 2019 — 9:00 a.m. to 5:00 p.m.
Saturday, 29 June 2019 — 9:00 a.m. to 1:00 p.m.
Tuesday, 2 July 2019 — 9:00 a.m. to 5:00 p.m.
Wednesday, 3 July 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 3 July 2019, 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 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 Bookrunners (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 (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Memorandum and Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the 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 Sole Sponsor, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners 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;

(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 are eligible 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 Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted 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.

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 +852 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square,
8 Connaught Place,
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(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 Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on 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;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, 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 (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;

- 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 (Winding Up and Miscellaneous Provisions) 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.

Time for Inputting Electronic Application Instructions [1]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

9:00 a.m. to 8:30 p.m., Thursday, 27 June 2019
8:00 a.m. to 8:30 p.m., Friday, 28 June 2019
8:00 a.m. to 1:00 p.m., Saturday, 29 June 2019
8:00 a.m. to 8:30 p.m., Tuesday, 2 July 2019
8:00 a.m. to 12:00 noon, Wednesday, 3 July 2019

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 27 June 2019 until 12:00 noon on Wednesday, 3 July 2019 (24 hours daily, except on Wednesday, 3 July 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 3 July 2019, 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.

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 (as applied by Section 342E) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

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 Sole Sponsor, the Joint Bookrunners 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/CCAS 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 Wednesday, 3 July 2019.

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
- 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" of 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 Wednesday, 3 July 2019.

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 Wednesday, 3 July 2019 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" of 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 Thursday, 11 July 2019 on our Company's website at **www.worldsuperhk.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.worldsuperhk.com and the Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. on Thursday, 11 July 2019;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result (alternatively: www.hkeipo.hk/IPOResult) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 11 July 2019 to 12:00 midnight on Wednesday, 17 July 2019;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 11 July 2019 to Tuesday, 16 July 2019 (excluding Saturday and Sunday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 11 July 2019 to Monday, 15 July 2019 at the designated receiving bank 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" of this prospectus".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

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 (as applied by Section 342E) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners, 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 Department of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Department of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or 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 Bookrunners believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% 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$0.55 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" of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 11 July 2019.

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).

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 about Thursday, 11 July 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 12 July 2019 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" of this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 11 July 2019 or such other date as notified by us.

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 Thursday, 11 July 2019, 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 Thursday, 11 July 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 11 July 2019, 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 our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 11 July 2019 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.

(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 Thursday, 11 July 2019, 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, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the sub-paragraph headed "Publication of results" above in this section on Thursday, 11 July 2019.

You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 11 July 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 11 July 2019. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 11 July 2019.

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 the purpose of incorporation of this document, received from the reporting accountants of the Company, HLM CPA Limited, Certified Public Accountants, Hong Kong.

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WORLD SUPER HOLDINGS LIMITED

Introduction

We report on the historical financial information of World Super Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-5 to I-72, which comprises the combined statement of financial position of the Group as at 31 December 2016, 31 December 2017 and 31 December 2018, the statement of financial position of the Company as at 31 December 2016, 31 December 2017 and 31 December 2018, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-5 to I-72 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 27 June 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on 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 ("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 2016, 31 December 2017 and 31 December 2018, of the Company's financial position as at 31 December 2016, 31 December 2017 and 31 December 2018 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.

Report on matters under the Rules Governing the Listing of Securities on 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 13 to the Historical Financial Information which contains information about the dividends paid by the entity now comprising the Group in respect of the Track Record Period which states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

HLM CPA Limited
Certified Public Accountants
Ng Fai Fiona
Practising Certificate Number P04986
Hong Kong, 27 June 2019

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with the Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollar ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest dollar except where otherwise indicated.

A. HISTORICAL FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2016	**2017**	**2018**
	NOTES	*HK$*	*HK$*	*HK$*
Revenue	*7*	34,570,762	38,363,829	43,781,015
Cost of sales and services		(21,913,326)	(17,693,357)	(18,512,261)
Gross profit		12,657,436	20,670,472	25,268,754
Other income	*8*	1,586,024	1,391,212	3,629,430
Other operating expenses		(2,552,669)	(2,997,261)	(1,520,106)
Administrative expenses		(11,834,726)	(12,304,920)	(11,644,226)
Selling and distribution expenses		(1,296,589)	(1,181,288)	(1,165,678)
Finance costs	*9*	(3,309,808)	(4,181,305)	(3,776,170)
(Loss) profit before taxation		(4,750,332)	1,396,910	10,792,004
Income tax credit (expense)	*10*	517,561	(2,076,150)	(2,765,884)
(Loss) profit and total comprehensive (expense) income for the year	*11*	(4,232,771)	(679,240)	8,026,120

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2016	**2017**	**2018**
	NOTES	*HK$*	*HK$*	*HK$*
Non-current Assets				
Plant and equipment	*15*	84,502,839	82,675,406	106,245,193
Right of use assets	*16*	2,209,465	2,042,320	1,400,478
		86,712,304	84,717,726	107,645,671
Current Assets				
Inventories	*17*	1,690,865	987,905	1,404,505
Trade and other receivables	*18*	15,827,901	10,923,388	13,526,512
Bank balances and cash	*19*	1,014,112	470,502	313,138
Pledged bank deposits	*19*	1,000,034	3,402,452	2,902,912
		19,532,912	15,784,247	18,147,067
Current Liabilities				
Trade and other payables	*20*	8,605,805	6,278,993	9,867,245
Borrowings — due within one year	*21*	4,920,000	7,303,353	7,373,304
Obligations under finance leases — due within one year	*22*	41,118,351	32,691,689	44,026,065
Convertible Bonds — due within one year	*23*	—	—	14,482,003
Bank overdrafts	*19*	6,058,688	4,352,400	1,489,724
Lease liabilities — current portion	*24*	1,247,341	1,228,128	1,225,497
		61,950,185	51,854,563	78,463,838
Net Current Liabilities		(42,417,273)	(36,070,316)	(60,316,771)
Total Assets less Current Liabilities		44,295,031	48,647,410	47,328,900

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

COMBINED STATEMENTS OF FINANCIAL POSITION *(Continued)*

		As at 31 December		
		2016	**2017**	**2018**
	NOTES	*HK$*	*HK$*	*HK$*
Non-current Liabilities				
Borrowings — due after one year	*21*	—	1,967,298	594,306
Obligations under finance leases — due after one year	*22*	303,043	129,316	526,802
Convertible Bonds — due after one year	*23*	12,210,410	13,473,214	—
Deferred tax liabilities	*25*	2,170,966	4,247,116	7,013,000
Lease liabilities — non current portion	*24*	975,084	874,178	212,384
		15,659,503	20,691,122	8,346,492
Net Assets		28,635,528	27,956,288	38,982,408
Capital and Reserves				
Issued capital	*26*	1	1	1
Reserves		28,635,527	27,956,287	38,982,407
Total Equity		28,635,528	27,956,288	38,982,408

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Issued capital	Share premium	Merger reserve	Convertible bonds equity reserve	Retained profits	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
			(Note i)	*(Note ii)*		
At 1 January 2016	1,500,000	—	—	—	26,954,299	28,454,299
Loss and total comprehensive expense for the year	—	—	—	—	(4,232,771)	(4,232,771)
Issue of shares	4,000,000	—	—	—	—	4,000,000
Dividend *(Note 13)*	—	—	—	—	(450,000)	(450,000)
Arising from reorganisation	(5,499,999)	—	5,499,999	—	—	—
Recognition of equity component of convertible bonds	—	—	—	864,000	—	864,000
At 31 December 2016 and 1 January 2017	1	—	5,499,999	864,000	22,271,528	28,635,528
Loss and total comprehensive expense for the year	—	—	—	—	(679,240)	(679,240)
At 31 December 2017 and 1 January 2018	1	—	5,499,999	864,000	21,592,288	27,956,288
Issue of shares *(Note 26)*	—*	3,000,000	—	—	—	3,000,000
Profit and total comprehensive income for the year	—	—	—	—	8,026,120	8,026,120
At 31 December 2018	1	3,000,000	5,499,999	864,000	29,618,408	38,982,408

Notes:

(i) Merger reserve represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capital of World Super, a subsidiary which was acquired by the Company pursuant to the Group Reorganisation.

(ii) The convertible bonds equity reserve represents the equity component of convertible bonds issued by the Company. Items included in convertible bonds equity reserve will not be reclassified subsequently to profit or loss.

* Issued capital for the year less then HK$0.1.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

COMBINED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2016	**2017**	**2018**
	NOTES	*HK$*	*HK$*	*HK$*
Operating activities				
(Loss) profit before taxation		(4,750,332)	1,396,910	10,792,004
Adjustments for:				
Interest income	*8*	(58)	(7,591)	(6,110)
Listing expenses		4,460,166	5,490,142	4,941,045
Depreciation on plant and equipment	*15*	6,027,121	6,511,426	6,400,342
Depreciation on right of use assets	*16*	786,661	1,311,979	1,347,308
Finance costs	*9*	3,309,808	4,181,305	3,776,170
Gain on disposal of plant and equipment	*8*	(1,400,667)	(1,328,749)	(3,622,789)
Impairment on intangible assets	*11*	301,887	—	—
Impairment on trade receivables	*11*	14,788	—	—
Operating cash flows before movements in working capital		8,749,374	17,555,422	23,627,970
Decrease (Increase) in inventories		202,369	702,960	(416,600)
(Increase) Decrease in trade and other receivables		(1,683,230)	5,507,061	(2,672,389)
Increase (Decrease) in trade and other payables		1,611,885	(3,009,312)	1,492,302
Decrease in amount due to a director		(25,032)	—	—
Net cash generated from operating activities		8,855,366	20,756,131	22,031,283
Investing activities				
Purchase of plant and equipment		(14,850,933)	(1,073,067)	(4,168,481)
Placement of pledged bank deposits		(1,000,000)	(4,900,000)	—
Proceeds from disposal of plant and equipment		1,829,000	1,530,000	6,281,700
Interest income received		24	5,173	5,650
Withdrawal of pledged bank deposit		—	2,500,000	500,000
Net cash (used in) generated from investing activities		(14,021,909)	(1,937,894)	2,618,869

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

COMBINED STATEMENTS OF CASH FLOWS *(Continued)*

		Year ended 31 December		
		2016	**2017**	**2018**
	NOTES	*HK$*	*HK$*	*HK$*
Financing activities				
Interest paid	*31*	(2,235,398)	(2,918,501)	(2,767,381)
Dividend paid		(450,000)	—	—
New borrowings raised	*31*	12,920,000	11,000,000	3,000,000
Repayments of borrowings	*31*	(2,910,000)	(6,649,349)	(4,303,041)
Repayments of obligations under finance leases	*31*	(14,051,990)	(12,412,566)	(16,728,697)
Proceeds on issue of shares		—	—	3,000,000
Proceeds on issue of Convertible Bonds		12,000,000	—	—
Payment of listing expenses		(5,946,888)	(5,410,190)	(2,775,830)
Repayment of lease liabilities	*31*	(773,701)	(1,264,953)	(1,369,891)
Net cash used in financing activities		(1,447,977)	(17,655,559)	(21,944,840)
Net (decrease) increase in cash and cash equivalents		(6,614,520)	1,162,678	2,705,312
Cash and cash equivalents at beginning of the year		1,569,944	(5,044,576)	(3,881,898)
Cash and cash equivalents at end of the year		(5,044,576)	(3,881,898)	(1,176,586)
Cash and cash equivalents at end of the year, represented by				
Bank balances and cash		1,014,112	470,502	313,138
Bank overdrafts		(6,058,688)	(4,352,400)	(1,489,724)
		(5,044,576)	(3,881,898)	(1,176,586)

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
		2016	**2017**	**2018**
	NOTES	*HK$*	*HK$*	*HK$*
Non-current Asset				
Investments in subsidiaries	*28A*	78	78	78
Current Assets				
Amount due from subsidiaries		17,089,612	16,978,058	17,453,531
Prepayments		66,250	112,320	695,794
Bank balance and cash		145,782	7,807	8,265
		17,301,644	17,098,185	18,157,590
Current Liabilities				
Accrued expense		—	—	2,793,450
Convertible Bonds — due within one year	*23*	—	—	14,482,003
		—	—	17,275,453
Net Current Assets		17,301,644	17,098,185	882,137
Non-current Liability				
Convertible Bonds — due after one year	*23*	12,210,410	13,473,214	—
Net Assets		5,091,312	3,625,049	882,215
Capital and Reserves				
Share capital	*26*	1	1	1
Convertible bonds equity reserve	*28B*	864,000	864,000	864,000
Share premium	*28B*	5,499,999	5,499,999	8,499,999
Accumulated losses	*28B*	(1,272,688)	(2,738,951)	(8,481,785)
Total Equity		5,091,312	3,625,049	882,215

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 26 February 2016. The Company's registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of the Company's principal place of business is located at Unit 3403, 34/F, AIA Tower, 183 Electric Road, North Point, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are investment holding, hiring of plant and machinery, trading of machinery, tools and parts, and provision of transportation and other related services.

The Historical Financial Information is presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

(A) Reorganisation

Prior to the Group Reorganisation, World Super were owned by Mr. Sou Peng Kan, Albert ("Mr. Sou"), Mr. Fok Hei Yuen, Paul ("Mr. Fok"), Ms. Chu Wing Yee ("Ms. Chu") (collectively, the "Controlling Parties") and Ms. Sou Lai Kuan ("Ms. Sou") as to 36%, 22%, 18% and 24% respectively.

In preparation for the listing of the Company's shares on the Stock Exchange, the Group Reorganisation involved the following steps:

(1) The Company was incorporated in the Cayman Islands as an exempted company on 26 February 2016. The initial authorised share capital of the Company was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Upon incorporation, one nil-paid subscriber share was allotted and issued to the subscriber, which was transferred to Mr. Sou on 26 February 2016.

(2) New Pilot Global was incorporated in the BVI on 1 February 2016 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On 26 February 2016, ten subscriber shares were allotted and issued to the Company.

(3) On 30 April 2016, a loan of HK$4,000,000 due from World Super to Mr. Sou was capitalised by the allotment and issue of 200,000 new shares by World Super to Mr. Sou.

(4) On 30 May 2016, (i) Mr. Sou acquired 195,500 shares of World Super from Ms. Sou at a consideration of HK$3,519,000; (ii) Ms. Chu acquired 86,500 shares of World Super from Ms. Sou at a consideration of HK$1,557,000; (iii) Mr. Fok acquired 78,000 shares of World Super from Ms. Sou at a consideration of HK$1,404,000.

(5) On 31 May 2016, New Pilot Global acquired (i) 935,500 shares of World Super from Mr. Sou and in consideration of the acquisition, New Pilot Global procured the Company to allot and issue 54 shares, credited as fully paid, to Mr. Sou; (ii) 356,500 shares of World Super from Ms. Chu and in consideration of the acquisition, New Pilot Global procured the Company to allot and issue 21 shares, credited as fully paid, to Ms. Chu; and (iii) 408,000 shares of World Super from Mr. Fok and in consideration of the acquisition, New Pilot Global procured the Company to allot and issue 24 shares, credited as fully paid, to Mr. Fok. Upon completion of the acquisitions, World Super becomes a wholly-owned subsidiary of New Pilot Global.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION *(Continued)*

(A) Reorganisation *(Continued)*

Upon completion of the above steps, the Company was owned by the Controlling Parties and the Company became the holding company of the companies now comprising the Group on 31 May 2016. The Group comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity.

The Historical Financial Information has been prepared under the principles of merger accounting in accordance with AG5 issued by HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period and the combined statements of financial position of the Group as at 31 December 2016, 2017 and 2018 are prepared as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation of the relevant entity, where there is a shorter period.

(B) Going concern

Notwithstanding that the Group had incurred net current liabilities of approximately HK$60,317,000 as at 31 December 2018, the combined financial statements at 31 December 2018 have been prepared on a going concern basis as the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year after taking into consideration of the following matters:

(i) The obligations under finance leases — due within one year (the "Leases") of approximately HK$28,769,000 with the repayment on demand clause which are not repayable within one year from the end of the reporting period according to the repayment schedule were classified as current liabilities in accordance with HK Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause issued by the HKICPA. The Leases were pledged against the plant and machinery of HK$89,019,776 owned by the Group as at 31 December 2018, hence, its repayment is expected to be fully recovered through the realisation of this asset by sale should the repayment on demand clause be exercised.

(ii) The directors of the Company anticipate that the Group will generate a positive cash flow from its operations; and

(iii) As at 31 December 2018, the Group has unutilised banking facilities of approximately HK$6,010,276.

The directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2018. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these financial statements on a going concern basis. The combined financial statements as at 31 December 2018 do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied all HKFRSs which are effective for annual periods beginning on 1 January 2018 throughout the Track Record Period.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The expected credit losses model under HKFRS 9 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. Therefore, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The measurement of the loss allowance generally depends on whether there has been a significant increase in credit risk since initial recognition of the instrument. HKFRS 9 requires an entity to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking.

The application of HKFRS 9 in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these accountants' report.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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.

The application of HKFRS 15 in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these accountants' report.

The HKFRS 9 replaces the HKAS 39 and the HKFRS 15 replaces the HKAS18. There is no material impact on financial position and performance when compared to that of HKAS 39 and HKAS18.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 Leases

The Group has elected to early adopt Hong Kong Financial Reporting Standard 16 "Leases" ("HKFRS 16") as issued by the HKICPA for its Track Record Period. The Group believes the new accounting policies provide more relevant information for users to assess the nature, amounts and timing of assets, liabilities and cash flows arising from leases accounting. The adoption of HKFRS 16 in the Track Record Period resulted in changes in accounting policies and adjustments to the amounts recognised in the financial information.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognize the lease liabilities and right of use assets in the combined statement of financial position at date of initial application in the Track Record Period. The Group elected to apply the practical expedient for completed contracts and did not restate the leases for which the lease term ends within 12 months of the date of initial application.

HKFRS 16 replaces the provisions of HKAS 17 "Leases" ("HKAS 17") that relate to the recognition, classification and measurement of leases accounting. The effects of the adoption of HKFRS 16 are as follows:

Presentation of lessee accounting and lessor accounting

- For lessee accounting, HKFRS 16 introduces a single accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

- For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Accounting for lease liabilities and right of use assets

The Group recognise a lease liability at the date of initial application for leases previously classified as an operating lease applying HKAS 17. The Group measure that lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The incremental borrowing rates are 4.97%, 4.96% and 4.79% for the years ended 31 December 2016, 2017 and 2018 respectively.

The Group recognise a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying HKAS 17. The Group measure a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the combine statement of financial position immediately before the date of initial application.

The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's combined statement of cash flow.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 Leases *(Continued)*

Accounting for costs incurred

The Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets.

The amount by each financial information line items affected in the Track Record Period by the application of HKFRS 16 as compared to HKAS 17 that was previously in effect before the adoption of HKFRS 16 is as follows:

	Year ended 31 December 2018		
	Amounts without early adoption of HKFRS 16	**Effects of the adoption of HKFRS 16**	**Amount as report**
	HK$	*HK$*	*HK$*
Combined statement of profit or loss and other comprehensive income (extract)			
Cost of sales and services	(18,541,629)	29,368	(18,512,261)
Other income	3,737,377	(107,947)	3,629,430
Administrative expenses			
— Rental expenses (Office premises)	(744,349)	630,960	(113,389)
— Rental expenses (Director's accommodation)	(369,600)	369,600	—
— Rental expenses (Warehouses)	(630,000)	456,000	(174,000)
— Depreciation of right of use assets	—	(1,347,308)	(1,347,308)
Finance costs	(3,689,501)	(86,669)	(3,776,170)
Income tax expenses	(2,778,850)	12,966	(2,765,884)

	Year ended 31 December 2018		
	Amounts without early adoption of HKFRS 16	**Effects of the adoption of HKFRS 16**	**Amount as report**
	HK$	*HK$*	*HK$*
Combined statement of financial position (extract)			
Plant and equipment	106,522,536	(277,343)	106,245,193
Right of use assets	—	1,400,478	1,400,478
Deferred income	152,926	(152,926)	—
Borrowing	6,000,000	1,967,610	7,967,610
Obligations under finance lease	46,520,477	(1,967,610)	44,552,867
Lease liabilities	—	1,437,881	1,437,881
Deferred tax liabilities	7,033,529	(20,529)	7,013,000
Retained profits	29,759,699	(141,291)	29,618,408

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION (*Continued)*

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 Leases *(Continued)*

	Year ended 31 December 2018		
	Amounts without early adoption of HKFRS 16	**Effects of the adoption of HKFRS 16**	**Amount as report**
	HK$	*HK$*	*HK$*
Combined statement of cash flow (extract)			
Net cash generated from operations			
— Profit before taxation	10,848,000	(55,996)	10,792,004
— Depreciation on plant and equipment	6,429,710	(29,368)	6,400,342
— Depreciation on right of use assets	—	1,347,308	1,347,308
— Amortization of deferred income	(107,947)	107,947	—
— Finance costs	3,689,501	86,669	3,776,170
Net cash used in financing activities			
— Interest paid	(2,680,712)	(86,669)	(2,767,381)
— Repayment of borrowings	(3,000,000)	(1,303,041)	(4,303,041)
— Repayment of obligations under finance leases	(18,031,738)	1,303,041	(16,728,697)
— Repayment of lease liabilities	—	(1,369,891)	(1,369,891)

	Year ended 31 December 2017		
	Amounts without early adoption of HKFRS 16	**Effects of the adoption of HKFRS 16**	**Amount as report**
	HK$	*HK$*	*HK$*
Combined statement of profit or loss and other comprehensive income (extract)			
Cost of sales and services	(17,710,488)	17,131	(17,693,357)
Other income	1,454,181	(62,969)	1,391,212
Administrative expenses			
— Rental expenses (Office premises)	(855,928)	529,521	(326,407)
— Rental expenses (Director's accommodation)	(369,600)	369,600	—
— Rental expenses (Warehouses)	(623,000)	456,000	(167,000)
— Depreciation of right of use assets	—	(1,311,979)	(1,311,979)
Finance costs	(4,091,137)	(90,168)	(4,181,305)
Income tax expenses	(2,083,713)	7,563	(2,076,150)

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 Leases *(Continued)*

	Year ended 31 December 2017		
	Amounts without early adoption of HKFRS 16	**Effects of the adoption of HKFRS 16**	**Amount as report**
	HK$	*HK$*	*HK$*
Combined statement of financial position (extract)			
Plant and equipment	82,982,117	(306,711)	82,675,406
Right of use assets	—	2,042,320	2,042,320
Deferred income	260,873	(260,873)	—
Borrowing	6,000,000	3,270,651	9,270,651
Obligations under finance lease	36,091,656	(3,270,651)	32,821,005
Lease liabilities	—	2,102,306	2,102,306
Deferred tax liabilities	4,254,679	(7,563)	4,247,116
Retained profits	21,690,549	(98,261)	21,592,288

	Year ended 31 December 2017		
	Amounts without early adoption of HKFRS 16	**Effects of the adoption of HKFRS 16**	**Amount as report**
	HK$	*HK$*	*HK$*
Combined statement of cash flow (extract)			
Net cash generated from operations			
— Profit before taxation	1,489,774	(92,864)	1,396,910
— Depreciation on plant and equipment	6,528,557	(17,131)	6,511,426
— Depreciation on right of use assets	—	1,311,979	1,311,979
— Amortization of deferred income	(62,969)	62,969	—
— Finance costs	4,091,137	90,168	4,181,305
Net cash used in financing activities			
— Interest paid	(2,828,333)	(90,168)	(2,918,501)
— Repayment of borrowings	(5,920,000)	(729,349)	(6,649,349)
— Repayment of obligations under finance leases	(13,141,915)	729,349	(12,412,566)
— Repayment of lease liabilities	—	(1,264,953)	(1,264,953)

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 Leases *(Continued)*

	Year ended 31 December 2016		
	Amounts without early adoption of HKFRS 16	Effects of the adoption of HKFRS 16	Amount as report
	HK$	*HK$*	*HK$*
Combined statement of profit or loss and other comprehensive income (extract)			
Administrative expenses			
— Rental expenses (Office premises)	(904,254)	574,152	(330,102)
— Rental expenses (Director's accommodation)	(381,500)	154,000	(227,500)
— Rental expenses (Warehouses)	(499,500)	114,000	(385,500)
— Depreciation of right of use assets	—	(786,661)	(786,661)
Finance costs	(3,241,357)	(68,451)	(3,309,808)

	Year ended 31 December 2016		
	Amounts without early adoption of HKFRS 16	Effects of the adoption of HKFRS 16	Amount as report
	HK$	*HK$*	*HK$*
Combined statement of financial position (extract)			
Right of use assets	—	2,209,465	2,209,465
Lease liabilities	—	2,222,425	2,222,425
Retained earnings	22,284,488	(12,960)	22,271,528

	Year ended 31 December 2016		
	Amounts without early adoption of HKFRS 16	Effects of the adoption of HKFRS 16	Amount as report
	HK$	*HK$*	*HK$*
Combined statement of cash flow (extract)			
Net cash generated from operations			
— Loss before taxation	(4,737,372)	(12,960)	(4,750,332)
— Depreciation on right of use assets	—	786,661	786,661
— Finance costs	3,241,357	68,451	3,309,808
Net cash used in financing activities			
— Interest paid	(2,166,947)	(68,451)	(2,235,398)
— Repayment of lease liabilities	—	(773,701)	(773,701)

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

At the date of this report, the following new standards and amendments which may be relevant to the Group have been issued but are not yet effective. The Group has not early applied these new standards and amendments.

Amendments to HKFRS 9	Prepayment features with negative compensation[1]
Amendments to HKFRS 3	Definition of a business[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 19	Plan amendment, curtailment or settlement[1]
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015-2017 Cycle[1]
HKFRS 17	Insurance Contracts[3]
HK (IFRIC) — Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019, earlier application is permitted.
2 Effective for annual periods beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for annual periods beginning on or after a date to be determined.

Except as described below, the management of the Group anticipates that the application of the other new standards and amendments will have no material impact on the Group's financial performance and positions and/or on the disclosures to the Historical Financial Information.

HKFRS 10 and HKAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendment to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investment in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The management of the Company anticipates that the application of HKFRS 10 and HKAS 28 in the future may have a material impact on the amounts reported and disclosures made in the Historical Financial Information. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 10 and HKAS 28 until the Company performs a detailed review.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the accounting policies set out below which conform to HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange of 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 Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The principal accounting policies are set out below.

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 three elements of control listed above.

Basis of combination

Combination of a subsidiary begins when the Company 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 combined 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 in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Merger accounting for business combination involving entities under common control

The 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 excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income 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, regardless of the date of the common control combination.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenues from the sales of goods in the ordinary course of business is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For sales contract for which the control of the goods is transferred at a point in time, revenue is recognised when the customer obtains the physical possession and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

Rental income from machinery leasing under operating lease is recognised on a straight-line basis over the term of the relevant lease.

Operating service income and other services income are recognised when services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as obligations under finance leases.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments, are recognised as lease liability at the date of initial application. The Group measure that lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group recognise a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying HKAS 17. The Group measure a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the combined statement of financial position immediately before the date of initial application.

The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's combined statement of cash flow.

The Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

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. Taxable profit differs from "profit before taxation" as reported in the combined statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the 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 base 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 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.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the 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 the 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.

Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The measurement policies the Group uses for reporting segment results under HKFRS 8 "Operating Segment" are the same as those used in its financial statements prepared under HKFRS 8.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. Investment in subsidiaries is included in the statement of financial position of the Company at cost less any identified impairment loss.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Plant and equipment and right of use assets

Plant and equipment and right of use assets held for use in the production or supply of goods or services, or for administrative purposes are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent 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 value 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of plant and equipment or right of use assets 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.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible asset

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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.

i. Classification of financial assets

Debt instruments

HKFRS 9 has three financial asset classification categories for investments in debt instruments:

— amortised cost;
— fair value through other comprehensive income ("FVTOCI"); and
— fair value through profit or loss ("FVTPL").

Classification is driven by the entity's business model for managing the debt instrument and the debt instrument's contractual cash flow characteristics.

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

— the asset is held within a business model with the objective of collecting the contractual cash flows; and
— the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Group classifies its financial assets as FVTOCI only if both of the following criteria are met:

— the objective of the Group's business model is to hold the asset to collect the contractual cash flows and to sell financial assets; and
— the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL.

Receivables, bank balances and deposits of the Group are classified as at amortised cost.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

i. Classification of financial assets *(Continued)*

Equity investments

Investment in equity instruments are always measured at fair value. Equity instruments that are held for trading are measured at FVTPL.

The Group has made an irrevocable election at initial recognition to designate the investments in equity instruments which are not held for trading to be measured at fair value through other comprehensive income rather than profit or loss.

ii. Measurement of financial assets

Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a financial asset that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in income statement when the asset is derecognised or impaired. Interest income from these financial assets is recognised in profit or loss as other income using the effective interest method.

Equity investments classified as FVTOCI

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Equity investments that are elected by the Group's management to be classified as FVTOCI do not report impairment losses (and reversal of impairment losses) separately from other changes in fair value. Dividends from such investments continue to be recognised in profit or loss as revenue when the Group's right to receive payments is established.

Financial assets at FVTPL

Changes in the fair value of financial assets at FVTPL are recognised in profit or loss as other income as applicable.

iii. Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For financial assets measured at amortised cost that are considered to be of low credit risk, it is assumed that no significant increase in credit risk has occurred. Thus, the impairment provision recognised during the year was limited to 12-month expected losses.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

iii. Impairment of financial assets *(Continued)*

For trade receivables only, the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9. Management considers trade receivables do not contain a significant financing component. Thus, the impairment provision recognised during the year was equal to the lifetime expected losses.

The management of the Company has assessed the ECL allowance of all trade receivable and considered it as insignificant and therefore it did not result in an expected credit loss allowance during the Track Record Period.

When there is information (developed internally or obtained from external sources) indicating that a debtor is unlikely to pay its creditors, including the Group, in full, the Group may consider the related receivables are generally not recoverable and constitute as a default.

A financial asset is regarded as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

— significant financial difficulty of the counterparty;
— it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
— the disappearance of an active market for that financial asset because of financial difficulties.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

iv. Classification and measurement of financial liabilities

Financial liabilities including bank borrowings, other borrowings and payables are measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

v. Derecognition

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In contrast, on derecognition of an equity investment which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings.

The Company derecognises financial liabilities when, and only when, the Company'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.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Convertible bonds

The component parts of the convertible bonds issued by the Company are classified separately as financial liabilities and equity (a conversion option) in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital. When the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group (which mean that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, time deposits with banks and other financial institutions, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within six months of maturity at acquisition. For the purpose of the statement of cash flows, bank overdrafts which are repayable on demand and form an integral part of an enterprise's cash managements are also included as component of cash and cash equivalents.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the management of the Group are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 the assets and liabilities within the next financial year.

Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period. As at 31 December 2016, 2017 and 2018, the carrying amounts of plant and equipment are HK$84,502,839, HK$82,675,406 and HK$106,245,193 respectively.

Estimated impairment of plant and equipment

The Group assesses annually whether plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations if there is indication of impairment. The calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. As at 31 December 2016, 2017 and 2018, the managements of the Group considered that there is no impairment indication and no impairment is recognised for the years.

Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flow. 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 future cash flows are less than expected a further impairment loss may arise. As at 31 December 2016, 2017 and 2018, the carrying amount of trade receivables are HK$13,809,195, HK$8,296,254 and HK$10,304,809 respectively.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	As at 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Financial assets			
Amortised cost:			
Trade and other receivables	14,119,522	8,623,290	10,600,709
Cash and cash equivalents	1,014,112	470,502	313,138
Pledged bank deposits	1,000,034	3,402,452	2,902,912
	16,133,668	12,496,244	13,816,759
Financial liabilities			
Amortised cost:			
Borrowings	4,920,000	9,270,651	7,967,610
Bank overdrafts	6,058,688	4,352,400	1,489,724
Convertible Bonds	12,210,410	13,473,214	14,482,003
Obligations under finance leases	41,421,394	32,821,005	44,552,867
Trade and other payables	8,605,805	6,278,993	7,932,746
Lease liabilities	2,222,425	2,102,306	1,437,881
	75,438,722	68,298,569	77,862,831

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies

The major financial instruments of the Group include trade and other receivables except prepayments, bank balances and cash, trade and other payables, lease liabilities, borrowings, bank overdrafts, Convertible Bonds and obligations under finance leases. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group and the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate obligations under finance leases (see Note 22) and fixed-rate borrowings for the years ended 31 December 2016, 2017 and 2018. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank overdrafts (see Note 19), variable-rate borrowings and variable-rate obligations under finance leases (see Note 22) for the years ended 31 December 2016, 2017 and 2018. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

The sensitivity analysis below, which include interest rate exposure on variable interest-bearing liabilities and deposits, have been determined based on the exposure to interest rates for all non-derivative instrument at the end of the reporting date. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points increase or decrease is used which represents management's assessment of the possible change in interest rates.

If interest rates have been 100 basis points higher/lower and all other variables held constant, the Group's profit for the years ended 31 December 2016, 2017 and 2018 would decrease/increase by HK$508,837, HK$456,783 and HK$529,162 respectively.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 December 2016, 2017 and 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to minimise the credit risk, management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the management of the Group considers that the Group's credit risk is significantly reduced.

As at 31 December 2016, 2017 and 31 December 2018, the Group has concentration of credit risk as 67%, 23% and 22%, and 99%, 70% and 79% of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The major customers of the Group are certain reputable organisation. The management of the Group considers that the credit risk is limited in this regard.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and banking facilities deemed adequate by the management to finance the operations of the Group and mitigate the effect of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. 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. Specifically, financial liabilities to banks with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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 curve at the end of the reporting period.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity risk analysis

	Weighted average interest rate	On demand or less than 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Carrying amounts
	%	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
31 December 2016						
Non-derivative financial liabilities						
Bank overdrafts	5.75%	6,058,688	—	—	6,058,688	6,058,688
Borrowings	6.00%	4,920,000	—	—	4,920,000	4,920,000
Convertible bonds	16.38%	—	—	14,880,000	14,880,000	12,210,410
Obligations under finance leases	4.82%	41,140,653	184,224	134,140	41,459,017	41,421,394
Trade and other payables		8,605,805	—	—	8,605,805	8,605,805
Lease liabilities	4.97%	1,327,983	671,600	342,000	2,341,583	2,222,425
		62,053,129	855,824	15,356,140	78,265,093	75,438,722

	Weighted average interest rate	On demand or less than 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Carrying amounts
	%	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
31 December 2017						
Non-derivative financial liabilities						
Bank overdrafts	6.24%	4,352,400	—	—	4,352,400	4,352,400
Borrowings	5.09%	7,443,997	1,443,997	601,665	9,489,659	9,270,651
Convertible Bonds	8.60%	—	14,880,000	—	14,880,000	13,473,214
Obligations under finance leases	4.80%	32,702,186	84,124	50,016	32,836,326	32,821,005
Trade and other payables		6,278,993	—	—	6,278,993	6,278,993
Lease liabilities	4.96%	1,302,560	894,090	—	2,196,650	2,102,306
		52,080,136	17,302,211	651,681	70,034,028	68,298,569

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity risk analysis

	Weighted average interest rate	On demand or less than 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Carrying amounts
	%	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
31 December 2018						
Non-derivative financial liabilities						
Bank overdrafts	6.54%	1,489,724	—	—	1,489,724	1,489,724
Borrowings	5.19%	7,445,558	602,316	—	8,047,874	7,967,610
Convertible Bonds	7.00%	14,880,000	—	—	14,880,000	14,482,003
Obligations under finance leases	4.75%	44,053,292	255,384	296,434	44,605,110	44,552,867
Trade and other payables		7,932,746	—	—	7,932,746	7,932,746
Lease liabilities	4.79%	1,263,690	215,600	—	1,479,290	1,437,881
		77,065,010	1,073,300	296,434	78,434,744	77,862,831

As at 31 December 2016, 2017 and 2018, certain of the Group's borrowings amounted to HK$4,920,000, HK$6,000,000 and HK$6,000,000 and obligation under finance leases amounted to HK$40,772,982, HK$32,517,962 and HK$43,763,800, respectively, of which the loan and finance lease agreements contain repayment on demand clauses giving the banks the unconditional right to call in the loans and finance leases at any time. Therefore, for the purpose of the above maturity profile, the amounts are classified as "on demand". Taking into account the Group's financial position and past experience, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that these financial liabilities to banks will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

6. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity risk analysis

The following table details the Group's aggregate principal and interest cash outflows for bank borrowings and obligation under finance leases with a repayment on demand clause. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of the reporting period.

	Maturity Analysis - Borrowings and obligation under finance leases subject to a repayment on demand clause based on scheduled repayments					
	Weighted average interest rate	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**Total undiscounted cash outflows**	**Carrying amounts**
	%	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
31 December 2016						
Borrowings	6.00%	4,920,000	—	—	4,920,000	4,920,000
Obligation under finance leases	4.81%	13,083,810	12,973,788	18,546,477	44,604,075	40,772,982
		18,003,810	12,973,788	18,546,477	49,524,075	45,692,982
31 December 2017						
Borrowings	5.00%	6,281,096	—	—	6,281,096	6,000,000
Obligation under finance leases	4.80%	14,022,148	10,577,696	10,287,105	34,886,949	32,517,962
		20,303,244	10,577,696	10,287,105	41,168,045	38,517,962
31 December 2018						
Borrowings	5.13%	1,281,805	5,044,229	—	6,326,034	6,000,000
Obligation under finance leases	4.74%	16,718,361	12,960,570	17,700,373	47,379,304	43,763,800
		18,000,166	18,004,799	17,700,373	53,705,338	49,763,800

c. Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities measured at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow methodology.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recognised in the Historical Financial Information approximate their fair values.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

7. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the net amounts received or receivable for machinery leased, goods sold and services provided in the normal course of business, net of discounts and returns.

An analysis of the Group's revenue for the Track Record Period, are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
General sales from trading of machinery, tools and parts	14,741,518	8,325,014	10,598,263
Plant hire income	15,790,162	28,229,707	31,274,550
Transportation and other services income	4,039,082	1,809,108	1,908,202
	34,570,762	38,363,829	43,781,015

For management purpose, the Group is organised based on its business activities. The Group determines its operating segments based on these business activities, that are regularly reviewed by the chief operating decision maker, i.e. the executive directors of the Company, for the purpose of resources allocation and performance assessment.

Segment information about these reportable and operating segments is presented below.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results

For the year ended 31 December 2016:

	General sales from trading of machinery, tools and parts	Plant hire income	Transportation and other services income	Total
	HK$	*HK$*	*HK$*	*HK$*
Revenue				
Segment revenue from external customers	14,741,518	15,790,162	4,039,082	34,570,762
Timing of revenue recognition				
At a point in time	14,741,518	—	2,284,163	17,025,681
Over time	—	15,790,162	1,754,919	17,545,081
	14,741,518	15,790,162	4,039,082	34,570,762
Results				
Segment results	4,245,875	3,033,369	2,811,455	10,090,699
Unallocated income				1,586,024
Unallocated expenses				(16,427,055)
Loss before taxation				(4,750,332)

For the year ended 31 December 2017:

	General sales from trading of machinery, tools and parts	Plant hire income	Transportation and other services income	Total
	HK$	*HK$*	*HK$*	*HK$*
Revenue				
Segment revenue from external customers	8,325,014	28,229,707	1,809,108	38,363,829
Timing of revenue recognition				
At a point in time	8,325,014	—	849,355	9,174,369
Over time	—	28,229,707	959,753	29,189,460
	8,325,014	28,229,707	1,809,108	38,363,829
Results				
Segment results	2,412,851	13,933,239	1,329,151	17,675,241
Unallocated income				1,391,212
Unallocated expenses				(17,669,543)
Profit before taxation				1,396,910

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2018:

	General sales from trading of machinery, tools and parts *HK$*	Plant hire income *HK$*	Transportation and other services income *HK$*	Total *HK$*
Revenue				
Segment revenue from external customers	10,598,263	31,274,550	1,908,202	43,781,015
Timing of revenue recognition				
At a point in time	10,598,263	—	1,654,352	12,252,615
Over time	—	31,274,550	253,850	31,528,400
	10,598,263	31,274,550	1,908,202	43,781,015
Results				
Segment results	4,207,210	18,924,298	619,713	23,751,221
Unallocated income				3,629,430
Unallocated expenses				(16,588,647)
Profit before taxation				10,792,004

The unallocated expenses including administration staff costs, selling and distributions expenses, finance cost and other expenses as it cannot be allocated to each segment.

No segment assets and liabilities are presented as the information is not regularly reported to the chief operating decision maker for the purpose of resource allocation and assessment of performance.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2016:

	General sales from trading of machinery, tools and parts *HK$*	Plant hire income *HK$*	Transportation and other services income *HK$*	Unallocated *HK$*	Total *HK$*
Amounts included in the measure of segment results:					
Depreciation on plant and equipment	—	5,628,656	—	398,465	6,027,121
Depreciation on right of use assets	—	—	—	786,661	786,661
Gain on disposal of plant and equipment	—	—	—	1,400,667	1,400,667
Impairment on intangible assets	—	—	—	301,887	301,887
Impairment on trade receivables	3,503	5,360	5,925	—	14,788

For the year ended 31 December 2017:

	General sales from trading of machinery, tools and parts *HK$*	Plant hire income *HK$*	Transportation and other services income *HK$*	Unallocated *HK$*	Total *HK$*
Amounts included in the measure of segment results:					
Depreciation on plant and equipment	—	6,157,950	—	353,476	6,511,426
Depreciation on right of use assets	—	—	—	1,311,979	1,311,979
Gain on disposal of plant and equipment	—	—	—	1,328,749	1,328,749

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2018:

	General sales from trading of machinery, tools and parts	Plant hire income	Transportation and other services income	Unallocated	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Amounts included in the measure of segment results:					
Depreciation on plant and equipment	—	6,059,699	—	340,643	6,400,342
Depreciation on right of use assets	—	—	—	1,347,308	1,347,308
Gain on disposal of plant and equipment	—	—	—	3,622,789	3,622,789

As at 31 December 2016, 2017 and 2018, there is no transaction price allocated contract with customers, therefore in accordance with HKFRS15.120, there is no unsatisfied or partially satisfied remaining performance obligations.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in both Hong Kong and Macau.

The Group's revenue from continuing operations from customers by location of operation and information about its non-current assets by location of assets are detailed below:

	Revenue Year ended 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Hong Kong	29,445,326	17,914,073	22,521,699
Macau	5,125,436	18,708,344	20,707,322
Philippines	—	1,741,412	551,994
	34,570,762	38,363,829	43,781,015

	Non-current assets As at 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Hong Kong	86,712,304	84,717,726	107,645,671
Macau	—	—	—
	86,712,304	84,717,726	107,645,671

Information about major customers

Revenue from customers during the Track Record Period contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Customer A	5,362,387	6,783,648	1,127,855*
Customer B	9,200,309	2,468,160*	200,300*
Customer C	—	4,650,000	1,848,048*
Customer D	800,000*	3,043,781*	5,688,469
Customer E	1,621,690*	6,607,596	10,874,951
Customer F	10,300,000	430,800*	—

* Revenue did not contribute over 10% of the total revenue of the Group for the Track Record Period but was shown for comparison purpose.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

8. OTHER INCOME

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Interest income	58	7,591	6,110
Gain on disposal of plant and equipment	1,400,667	1,328,749	3,622,789
Net exchange gain	28,859	36,172	531
Others	156,440	18,700	—
	1,586,024	1,391,212	3,629,430

9. FINANCE COSTS

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Interest on bank borrowings wholly repayable within five years	224,567	421,989	504,663
Interest on bank overdrafts wholly repayable within five years	160,654	540,743	349,503
Interest on other borrowings wholly repayable within five years	123,647	—	—
Interest on finance leases	1,658,079	1,865,601	1,826,546
Interest on lease liabilities	68,451	90,168	86,669
Effective interest expense on Convertible Bonds	1,074,410	1,262,804	1,008,789
	3,309,808	4,181,305	3,776,170

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

10. INCOME TAX (CREDIT) EXPENSE

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Current tax			
Hong Kong Profits Tax	—	—	—
Deferred taxation *(Note 25)*	(517,561)	2,076,150	2,765,884
	(517,561)	2,076,150	2,765,884

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Track Record Period.

The income tax expense for the year can be reconciled from the (loss) profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
(Loss) profit before taxation	(4,750,332)	1,396,910	10,792,004
Tax at applicable tax rate of 16.5%	(783,805)	230,490	1,780,680
Tax effect of income not taxable for tax purpose	(4,762)	(5,968)	(3,815)
Tax effect of expenses not deductible for tax purpose	272,879	1,134,947	990,892
Tax effect of temporary difference not recognised	(1,873)	(1,873)	(1,873)
Underprovision in prior year	—	718,554	—
Income tax expense (credit) for the year	(517,561)	2,076,150	2,765,884

There is no Macau Tax implication during the Track Record Period. Macau segment result is included in Hong Kong tax implication during the Track Record Period.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

11. (LOSS) PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
(Loss) profit for the year has been arrived at after charging (crediting):			
Directors' emoluments and allowance *(Note 12)*	1,825,543	1,650,000	1,570,210
Other staff costs:			
— Salaries, allowances and other benefits	3,788,394	3,739,461	4,085,887
— Bonus	—	—	—
— Retirement benefits scheme contributions	158,510	155,150	158,357
	3,946,904	3,894,611	4,244,244
Total staff costs	5,772,447	5,544,611	5,814,454
Auditor's remuneration	60,000	60,000	63,000
Cost of general sales	10,492,140	5,912,163	6,391,053
Depreciation of plant and equipment			
— owned assets	3,050,542	2,063,142	1,012,253
— assets held under finance leases	2,976,579	4,448,284	5,388,089
Depreciation on right of use assets	786,661	1,311,979	1,347,308
Impairment on trade receivables	14,788	—	—
Impairment on intangible assets	301,887	—	—
Gain on disposal of plant and equipment	(1,400,667)	(1,328,749)	(3,622,789)
Short term operating lease rentals in respect of rented premises	1,585,300	693,100	174,000

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the directors/employees of subsidiaries, who were appointed as the director of the Company, during the Track Record Period are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Directors' fees	—	—	—
Other emoluments:			
Basic salaries, allowances	1,798,543	1,632,000	1,564,867
Discretionary bonus	—	—	—
Retirement benefits scheme contributions	27,000	18,000	5,343
	1,825,543	1,650,000	1,570,210
Benefit in kind *(Note i)*	154,000	369,600	369,600
	1,979,543	2,019,600	1,939,810

Notes:

(i) It represented the payment for settlement of lease liabilities of directors' quarter.

(ii) No directors waived any emoluments for the Track Record Period.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

For the year ended 31 December 2016:

	Fee	Basic salaries and allowance	Discretionary bonus	Retirement benefit scheme contributions	Allowance and Benefits in kind	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors						
Sou Peng Kan, Albert *(Note i)*	—	1,307,500	—	9,000	154,000	1,470,500
So Pui Yin *(Note ii)*	—	491,043	—	18,000	—	509,043
Fok Hei Yuen, Paul *(Note ii)*	—	—	—	—	—	—
Total	—	1,798,543	—	27,000	154,000	1,979,543
Non-executive director						
Leung Man Chiu, Lawrence *(Note iii)*	—	—	—	—	—	—

For the year ended 31 December 2017:

	Fee	Basic salaries and allowance	Discretionary bonus	Retirement benefit scheme contributions	Allowance and Benefits in kind	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors						
Sou Peng Kan, Albert *(Note i)*	—	1,080,000	—	—	369,600	1,449,600
So Pui Yin *(Note ii)*	—	552,000	—	18,000	—	570,000
Fok Hei Yuen, Paul *(Note ii)*	—	—	—	—	—	—
Total	—	1,632,000	—	18,000	369,600	2,019,600
Non-executive director						
Leung Man Chiu, Lawrence *(Note iii)*	—	—	—	—	—	—

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

For the year ended 31 December 2018:

	Fee	Basic salaries and allowance	Discretionary bonus	Retirement benefit scheme contributions	Allowance and Benefits in kind	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors						
Sou Peng Kan, Albert *(Note i)*	—	1,410,000	—	—	369,600	1,779,600
So Pui Yin *(Note ii)*	—	154,867	—	5,343	—	160,210
Fok Hei Yuen, Paul *(Note ii)*	—	—	—	—	—	—
Total	—	1,564,867	—	5,343	369,600	1,939,810
Non-executive director						
Leung Man Chiu, Lawrence *(Note iii)*	—	—	—	—	—	—

Notes:

(i) The emoluments of Sou Peng Kan, Albert disclosed above include those services rendered by him to the companies now comprising the Group during the Track Record Period. Sou Peng Kan, Albert was appointed as executive director of the Company on 26 February 2016.

(ii) The emoluments of So Pui Yin and Fok Hei Yuen, Paul disclosed above include those services rendered by her/him to the companies now comprising the Group during the Track Record Period. So Pui Yin and Fok Hei Yuen, Paul were appointed as executive director of the Company on 26 April 2017. So Pui Yin was resigned from executive director of the Company on 6 April 2018.

(iii) Leung Man Chiu, Lawrence was appointed as non-executive director of the Company on 26 April 2017.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

The five highest paid individuals with the highest emoluments in the Group include two, two and one directors for the years ended 31 December 2016, 2017 and 2018, respectively. Details of their emoluments are set out above. The remunerations for the remaining three, three and four individuals for the years ended 31 December 2016, 2017 and 2018, respectively are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Basic salaries, allowances and other benefits	1,241,200	1,269,200	1,822,800
Discretionary bonus	—	—	—
Retirement benefits scheme contributions	53,790	54,000	72,000
	1,294,990	1,323,200	1,894,800

The emoluments of these employees were individually less than HK$1,000,000 for each of the years ended 31 December 2016, 2017 and 2018.

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 during the Track Record Period.

13. DIVIDEND

No dividend has been paid or declared by the Company since the date of incorporation.

During the year ended 31 December 2016, dividend of HK$450,000 was declared and paid/payable by World Super to its then shareholders.

The rates of dividends and the number of shares ranking for dividends are not presented as the inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the Track Record Period on a combined basis as disclosed in Note 2 above.

14. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the presentation of the combined statements of profit or loss and other comprehensive income for the Track Record Period on a combined basis as disclosed in Note 2 above.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

15. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment	Motor vehicles		Plant and machinery			
	Owned	Owned	Leased	Owned	Leased	Jointly owned	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
COST							
At 1 January 2016	1,029,432	502,070	1,268,438	42,774,674	31,383,591	16,501,729	93,459,934
Addition	48,105	—	319,098	8,400,000	17,772,625	—	26,539,828
Disposal	(15,300)	—	—	(3,950,000)	—	—	(3,965,300)
Transfer	—	—	—	(8,400,000)	24,901,729	(16,501,729)	—
At 31 December 2016 and 1 January 2017	1,062,237	502,070	1,587,536	38,824,674	74,057,945	—	116,034,462
Addition	8,016	—	—	—	4,877,228	—	4,885,244
Disposal	(47,384)	—	—	(7,100,000)	—	—	(7,147,384)
Transfer	—	724,000	(724,000)	(12,791,562)	12,791,562	—	—
At 31 December 2017 and 1 January 2018	1,022,869	1,226,070	863,536	18,933,112	91,726,735	—	113,772,322
Addition	57,960	—	826,080	417,000	31,328,000	—	32,629,040
Disposal	(6,599)	(996,270)	—	(8,230,000)	(2,560,000)	—	(11,792,869)
Transfer	—	—	—	5,660,690	(5,660,690)	—	—
At 31 December 2018	1,074,230	229,800	1,689,616	16,780,802	114,834,045	—	134,608,493

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

15. PLANT AND EQUIPMENT *(Continued)*

	Furniture, fixtures and equipment	Motor vehicles		Plant and machinery			
	Owned	Owned	Leased	Owned	Leased	Jointly owned	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
ACCUMULATED DEPRECIATION, AND IMPAIRMENT							
At 1 January 2016	569,179	447,616	507,376	24,564,170	1,385,236	1,567,892	29,041,469
Charge for the year	96,312	54,454	306,871	2,899,776	2,440,675	229,033	6,027,121
Eliminated on disposal	(15,300)	—	—	(3,521,667)	—	—	(3,536,967)
Transfer	—	—	—	(220,887)	2,017,812	(1,796,925)	—
At 31 December 2016 and 1 January 2017	650,191	502,070	814,247	23,721,392	5,843,723	—	31,531,623
Charge for the year	95,150	12,067	305,439	1,955,925	4,142,845	—	6,511,426
Eliminated on disposal	(42,133)	—	—	(6,904,000)	—	—	(6,946,133)
Transfer	—	567,133	(567,133)	(5,990,404)	5,990,404	—	—
At 31 December 2017 and 1 January 2018	703,208	1,081,270	552,553	12,782,913	15,976,972	—	31,096,916
Charge for the year	81,621	24,132	285,420	906,500	5,102,669	—	6,400,342
Eliminated on disposal	(2,971)	(875,602)	—	(8,071,142)	(184,243)	—	(9,133,958)
Transfer	—	—	—	905,711	(905,711)	—	—
At 31 December 2018	781,858	229,800	837,973	6,523,982	19,989,687	—	28,363,300
CARRYING AMOUNTS							
At 31 December 2018	292,372	—	851,643	10,256,820	94,844,358	—	106,245,193
At 31 December 2017	319,661	144,800	310,983	6,150,199	75,749,763	—	82,675,406
At 31 December 2016	412,046	—	773,289	15,103,282	68,214,222	—	84,502,839

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

15. PLANT AND EQUIPMENT *(Continued)*

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture, fixtures and equipment	20%
Motor vehicles	20%
Plant and machinery	Over the relevant useful live, or 25 years whichever is the shorter

Analysis of carrying amounts of plant and equipment held under finance leases is:

	As at 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Motor vehicles	773,289	310,983	851,643
Plant and machinery	68,214,222	75,749,763	94,844,358
	68,987,511	76,060,746	95,696,001

For the years ended 31 December 2016, 2017 and 2018, the Group acquired plant and equipment with an aggregate cost of approximately HK$26.5 million, HK$4.9 million and HK$32.6 million of which approximately HK$11.6 million, HK$3.8 million and HK$28.5 million was acquired by means of financial lease. Cash payment of approximately HK$14.9 million, approximately HK$1.1 million and approximately HK$4.1 million were made to purchase plant and equipment.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

16. RIGHT OF USE ASSETS

	Land and Building *HK$*
COST	
At 1 January 2016	—
Addition	2,996,126
At 31 December 2016 and 1 January 2017	2,996,126
Addition	1,144,834
Written off	(1,024,558)
At 31 December 2017 and 1 January 2018	3,116,402
Addition	705,466
Written off	(702,496)
At 31 December 2018	3,119,372
ACCUMULATED DEPRECIATION	
At 1 January 2016	—
Charge for the year	786,661
At 31 December 2016 and 1 January 2017	786,661
Charge for the year	1,311,979
Written off	(1,024,558)
At 31 December 2017 and 1 January 2018	1,074,082
Charge for the year	1,347,308
Written off	(702,496)
At 31 December 2018	1,718,894
CARRYING AMOUNTS	
At 31 December 2018	1,400,478
At 31 December 2017	2,042,320
At 31 December 2016	2,209,465

For all leases with a term of more than 12 months, unless the underlying asset is of low value, the Group as a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The above item of right of use assets is depreciated on a straight-line over the relevant lease terms.

For all short term leases (with a lease term of not more than 12 months) or leases for which the underlying asset is of low value, the Group as a lessee recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term, for detail please refer to note 30 and note 11.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

17. INVENTORIES

	As at 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Spare parts, at cost	1,690,865	987,905	1,404,505

18. TRADE AND OTHER RECEIVABLES

The following is an analysis of trade and other receivables at the end of Track Record Period:

	As at 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Trade receivables	13,809,195	8,296,254	10,304,809
Deposits paid	310,327	296,236	906,981
Prepayments	1,708,379	2,300,098	2,311,608
Other receivables	—	30,800	3,114
	15,827,901	10,923,388	13,526,512

The Group allows a credit period of 0-60 days to its customers. Before accepting any new customer, the Group makes enquiries to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually. Trade receivables that are neither past due nor impaired are due from creditworthy customers.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

18. TRADE AND OTHER RECEIVABLES *(Continued)*

The following is an aged analysis of trade receivable presented based on the invoice date at the end of each reporting period:

	As at 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Within 30 days	6,089,964	1,453,054	1,989,189
31 to 60 days	5,878,055	3,179,228	3,732,078
61 to 90 days	640,000	1,479,472	3,220,400
91 to 120 days	580,000	960,960	722,531
121 to 365 days	563,769	1,223,540	640,611
Over 1 year	57,407	—	—
	13,809,195	8,296,254	10,304,809

The management of the Group has individually assessed all receivables by taking into account the length of business relationship, reputation and repayment history of each of customers. Impairment loss of HK$14,788, HK$Nil and HK$Nil were recognised during the years ended 31 December 2016, 2017 and 2018.

As at 31 December 2016, 2017 and 2018, included in the Group's trade receivable balances were debtors with aggregate carrying amount of HK$7,752,231, HK$6,673,200 and HK$8,319,299, respectively, which were past due at the end of each reporting period for which the Group has not provided for impairment loss. The Group did not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

	As at 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Overdue:			
Within 30 days	5,448,000	3,179,228	2,760,757
31 to 60 days	1,103,055	1,309,472	3,545,015
61 to 90 days	580,000	960,960	1,372,916
91 to 120 days	250,000	102,000	375,000
121 to 365 days	371,176	1,121,540	265,611
Over 1 year	—	—	—
	7,752,231	6,673,200	8,319,299

The management of the Group considers that there has not been a significant change in credit quality of the trade receivables from the date credit with initially granted up to the reporting date. In view of the good settlement history form those receivables of the Group which are past due but not impaired for the years ended 31 December 2016, 2017 and 2018, the management of the Group considers that no provision for impairment is necessary in respect of these balances.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

19. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS/BANK OVERDRAFTS

Bank balances carry interest at market rates at 0.01% per annum as at 31 December 2016, 2017 and 2018.

Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits as at 31 December 2016, 2017 and 2018 amounting to HK$1,000,034, HK$3,402,452 and HK$2,902,912, respectively, have been pledged to secure banking facilities and are classified as current assets. The pledged bank deposits carry interest at as 31 December 2016, 2017 and 2018 at 0.01%, 0.01% and 0.2% to 0.25% per annum.

Bank overdrafts carry interest at 0.5% or 1.5% above prime rate of relevant banks at 5.75% to 6.5%, 5.75% to 6.5% per annum and 5.75% to 6.625% per annum as at 31 December 2016, 2017 and 2018 respectively.

The unutilised bank overdrafts and trade facilities as at 31 December 2016, 2017 and 2018 amounted to HK$7,241,312, HK$4,447,600 and HK$6,010,276.

20. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables at the end of Track Record Period:

	As at 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Trade payables	4,934,748	1,603,278	1,625,592
Other payable	—	5,769	—
Accrued expenses	461,057	1,459,946	3,176,032
Deposits and temporary received	3,210,000	3,210,000	5,065,621
	8,605,805	6,278,993	9,867,245

Payment terms granted by suppliers are 0-30 days from the invoice date of the relevant purchases. The Group has liquidity risk management in place to ensure that all payables are settled within the credit timeframe.

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Within 30 days	4,502,931	1,238,000	493,710
31 to 60 days	126,907	28,649	290,825
61 to 90 days	—	308,064	219,531
Over 90 days	304,910	28,565	621,526
	4,934,748	1,603,278	1,625,592

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

21. BORROWINGS

	As at 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Secured bank borrowings	—	3,270,651	1,967,610
Unsecured bank borrowings	4,920,000	6,000,000	6,000,000
Bank borrowings	4,920,000	9,270,651	7,967,610

	As at 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Borrowings that do not contain a repayable on demand clause:			
Within one year	—	1,303,353	1,373,304
More than one year, but not more than five years	—	1,967,298	594,306
Borrowings that contain a repayable on demand clause (shown under current liabilities):			
Within one year	4,920,000	6,000,000	6,000,000
More than one year, but not more than five years	—	—	—
	4,920,000	9,270,651	7,967,610
Less: Amounts due within one year shown under current liabilities	(4,920,000)	(7,303,353)	(7,373,304)
Amounts shown under non-current liabilities	—	1,967,298	594,306

The variable-rate and fixed-rate borrowings at 31 December 2016, 2017 and 2018 carry interest ranged from 6% per annum, 5% to 5.25% per annum, and 5.125% to 5.375% per annum respectively.

The unutilised bank borrowings facilities as at 31 December 2016, 2017 and 2018 amounted to HK$80,000, HK$NIL and HK$NIL, respectively.

As at 31 December 2017 and 2018, the Group's borrowings are secured by the equipment with carrying amounts of HK$6,441,369 and HK$5,824,584 respectively.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

22. OBLIGATIONS UNDER FINANCE LEASES

	As at 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Analysed for reporting purposes as:			
Current liabilities	41,118,351	32,691,689	44,026,065
Non-current liabilities	303,043	129,316	526,802
	41,421,394	32,821,005	44,552,867

According to HK-Int 5 which requires the classification of the whole term loans containing a repayment on demand clause as current liabilities, the aggregate carrying amounts of HK$29,401,286, HK$19,772,154 and HK$28,768,571 have been reclassified from non-current liabilities to current liabilities as at 31 December 2016, 2017 and 2018 respectively.

	Minimum lease payments As at 31 December			Present value of minimum lease payments As at 31 December		
	2016	**2017**	**2018**	**2016**	**2017**	**2018**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Within one year or contain a repayable on demand clause	44,971,746	35,071,173	47,668,797	41,118,351	32,691,689	44,026,065
In the second to fifth year inclusive	318,364	134,140	551,818	303,043	129,316	526,802
	45,290,110	35,205,313	48,220,615	41,421,394	32,821,005	44,552,867
Less: Future finance charges	(3,868,716)	(2,384,308)	(3,667,748)	—	—	—
Present value of finance lease obligations	41,421,394	32,821,005	44,552,867	41,421,394	32,821,005	44,552,867
Less: carrying amounts that due for settlement within twelve months or contain repayable on demand clause (shown under current liabilities)				(41,118,351)	(32,691,689)	(44,026,065)
Amount due shown under non-current liabilities				303,043	129,316	526,802

The Group acquires certain of its plant and machinery, and motor vehicles under finance leases. The average lease term entered by the Group for the leases outstanding as at 31 December 2016, 2017 and 2018 ranged from 4 to 5 years, 4 to 5 years and 4 to 5 years respectively. Interest rates underlying all obligations under finance leases as at 31 December 2016, 2017 and 2018 ranged from 4.75% to 6.06% per annum, 4.75% to 6.00% per annum and 4.625% to 5.23% per annum, respectively.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

22. OBLIGATIONS UNDER FINANCE LEASES *(Continued)*

As at 31 December 2016 and 2017, the Group's borrowings, bank overdrafts and obligations under finance leases are secured and guaranteed by:

- the leased assets;
- personal guarantees given by the Group's directors and/or shareholders, Mr. Sou, Mr. Fok and Ms. Chu;
- pledged deposits of related parties including Centralink International Limited, Mr. Sou and Ms. Chu of not less than HK$3.4 million and the Group of approximately HK$1 million; and
- a guarantee offered by The Hong Kong Mortgage Corporation Limited under the SME Financing Guarantee Scheme.

As at 31 December 2018, the Group's borrowings, bank overdrafts and obligations under finance leases are secured and guaranteed by:

- the leased assets;
- personal guarantees given by the Group's directors and/or shareholders, Mr. Sou and Mr. Fok; and
- pledged deposits of the Group of approximately HK$2.9 million.

23. CONVERTIBLE BONDS

The Company issued 8% Convertible Bonds in the principal amount of HK$12,000,000 on 30 May 2016. The Convertible Bonds are denominated in Hong Kong dollars. The bonds entitle the holders to convert them in full at five business days (the "Conversion Date") before the latest practicable date prior to the issue of the prospectus in relation to the listing of shares of the Company on the Stock Exchange. The number of conversion shares represents 25% of the entire issued share capital of the Company immediately before listing of shares and 18.75% of the entire issued share capital of the Company upon listing of shares. No interest shall be payable by the Company if the entire conversion rights attaching to the Convertible Bonds are exercised before the maturity date, which is on the first anniversary of the date of issue of convertible bonds. The Convertible Bonds shall bear interest at a coupon rate of eight per cent per annum on the outstanding principal amount of the Convertible Bonds calculated from the date of issue of the Convertible Bonds to and including the maturity date. The Company shall not be permitted to redeem the entire of or part of the outstanding amount under the Convertible Bonds before the maturity date.

The Convertible Bonds contain two components, liability and equity elements. The equity element is presented in equity heading "convertible bonds equity reserve". The effective interest rate of the liability component is 16.38% per annum.

By the Supplemental Instrument and agreement dated 28 March 2017. 4 May 2018 and 24 May 2019, the maturity date of the Convertible Bonds was extended to 30 May 2018, 30 May 2019 and 31 August 2019 (new maturity date) and the conversion period will accordingly be extended.

On 18 December 2018, Trade Mass disposed of all its Convertible Bonds in the principal amount of HK$6,000,000 to two purchasers namely, Integrated Asset Management and Mr. Yang, at the consideration of HK$4,000,000 and HK$2,000,000, respectively. Completion of the aforesaid transfers took place on the same date.

Save as amended for the maturity date and the use of proceeds by the Supplemental Instrument, all terms of the Convertible Bonds remain unchanged.

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

23. CONVERTIBLE BONDS *(Continued)*

The movement of the liability component of the Convertible Bonds for the year/period is set out below:

	As at 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Carrying amount at the beginning of the year	—	12,210,410	13,473,214
At the date of issuance	11,136,000	—	—
Interest charge	1,074,410	1,262,804	1,008,789
Interest paid	—	—	—
Carrying amount at the end of the year	12,210,410	13,473,214	14,482,003
Analysed for reporting purpose as			
Current liabilities	—	—	14,482,003
Non-current liabilities	12,210,410	13,473,214	—
	12,210,410	13,473,214	14,482,003

24. LEASE LIABILITIES

	As at 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Analysed for reporting purposes as:			
Current liabilities	1,247,341	1,228,128	1,225,497
Non-current liabilities	975,084	874,178	212,384
	2,222,425	2,102,306	1,437,881

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

24. LEASE LIABILITIES *(Continued)*

The average lease terms ranged from 2 to 3 years. During the year ended 31 December 2018, the obligations under obligating leases carried effective interest rates ranged from 4.53% to 4.94% per annum.

	Minimum lease payments As at 31 December			Present value of minimum lease payments As at 31 December		
	2016	**2017**	**2018**	**2016**	**2017**	**2018**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Amounts payable under obligating leases						
Within one year	1,327,983	1,302,560	1,263,690	1,247,341	1,228,128	1,225,497
More than one year but less than five years	1,013,600	894,090	215,600	975,084	874,178	212,384
	2,341,583	2,196,650	1,479,290	2,222,425	2,102,306	1,437,881
Less: future finance charges	(119,158)	(94,344)	(19,912)	—	—	—
Present value of obligation under obligating leases	2,222,425	2,102,306	1,459,378	2,222,425	2,102,306	1,437,881
Less: carrying amounts that due for settlement within twelve months				(1,247,341)	(1,228,128)	(1,225,497)
Amount due for settlement after twelve months				975,084	874,178	212,384

25. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the Track Record Period:

	Accelerated tax depreciation	**Tax losses**	**Total**
	HK$	*HK$*	*HK$*
At 1 January 2016	7,078,568	(4,390,041)	2,688,527
Charge (credit) to profit or loss *(Note 10)*	2,548,539	(3,066,100)	(517,561)
At 31 December 2016	9,627,107	(7,456,141)	2,170,966
Charge to profit or loss *(Note 10)*	1,856,873	219,277	2,076,150
At 31 December 2017	11,483,980	(7,236,864)	4,247,116
Charge to profit or loss *(Note 10)*	2,067,629	698,255	2,765,884
At 31 December 2018	13,551,609	(6,538,609)	7,013,000

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

26. ISSUED CAPITAL

The Company was incorporated in the Cayman Islands as an exempted company on 26 February 2016. The initial authorised share capital of the Company was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Upon incorporation, one nil-paid subscriber share was allotted and issued to the subscriber, which was transferred to Mr. Sou on 26 February 2016. On 31 May 2016, the Company allotted and issued 99 shares in aggregate to Mr. Sou, Ms. Chu and Mr. Fok which were credited as fully paid as consideration for the transfer of their shareholding interest in World Super to the Company.

On 30 November 2018, the Company allotted and issued 8 shares to Mr. Sou at a consideration of HK$3,000,000.

Issued capital of the Group as at 31 December 2016, 2017 and 2018 represents the paid up capital of the Company.

27. RETIREMENT BENEFITS PLANS

The Group operates MPF Scheme for all qualifying employees in Hong Kong. The assets of the above scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK$1,500 per month or 5% of relevant payroll costs to the MPF Scheme.

During the years ended 31 December 2016, 2017 and 2018, the total expense recognised in the combined statement of profit or loss and other comprehensive income is HK$185,510, HK$173,150 and HK$163,700, respectively, which represent contributions payable to the scheme by the Group at rates specified in the rules of the schemes.

28A. PARTICULARS OF SUBSIDIARIES/ INVESTMENT IN SUBSIDIARIES

	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Unlisted shares, at cost	78	78	78

At 31 December 2016, 2017 and 2018, the Company has direct and indirect equity interests in the following subsidiaries:

Name	**Place/ Country of incorporation**	**Nominal value of issued capital**	**Equity Interest attributable to the Group**	**Principal activities**
Directly held New Pilot Global Limited	BVI	US$10	100%	Investment holding
Indirectly held World Super Limited	HK	HK$5,500,000	100%	Hire and trading of machinery and transportation and provision of service

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

28B. COMPANY'S STATEMENTS OF CHANGES IN EQUITY

The followings are the movements of the Company's equity for the Track Record Period:

	Share capital	Share premium	Convertible bonds equity reserve	Accumulated losses	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
At 26 February 2016 (date of incorporation)	1	—	—	—	1
Loss for the period	—	—	—	(1,272,688)	(1,272,688)
Arising from reorganisation	—	5,499,999	—	—	5,499,999
Recognition of equity component of convertible bonds	—	—	864,000	—	864,000
At 31 December 2016 and 1 January 2017	1	5,499,999	864,000	(1,272,688)	5,091,312
Loss for the year	—	—	—	(1,466,263)	(1,466,263)
At 31 December 2017 and 1 January 2018	1	5,499,999	864,000	(2,738,951)	3,625,049
Issue of new shares	—	3,000,000	—	—	3,000,000
Loss for the year	—	—	—	(5,742,834)	(5,742,834)
At 31 December 2018	1	8,499,999	864,000	(8,481,785)	882,215

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

29. 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 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 debt, which includes borrowings, bank overdrafts and obligations under finance leases, as disclosed in Note 21, 19 and 22, respectively, net of bank balances and cash, and equity.

The management of the Group reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and the issue of new shares, new debts or the redemption of existing debts.

30. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group had contracted for the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Within one year	—	65,000	92,137
In the second to fifth years inclusive	—	—	—
	—	65,000	92,137

Operating lease payments represent rentals payable by the Group for certain of its machines.

Following the Group's adoption of HKFRS 16 (Note 3), the resulting impact on the combined statement of profit or loss and other comprehensive income and combined statements of cash flows is as follows:

	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Deprecation charge on right-of use assets *(note 11)*	786,661	1,311,979	1,347,308
Interest on lease liabilities *(note 9)*	68,451	90,168	86,669
Expense relating to short term leases *(note 11)*	1,585,300	693,100	174,000
Additions to right of right-of use assets *(note 16)*	2,996,126	1,144,834	705,466
Cash outflows in respect of leases (note 3)	773,701	1,264,953	1,369,891
Carrying amount of right-of use assets *(note 16)*	2,209,465	2,042,320	1,400,478

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

31. 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 combined statement of cash flows as cash flows from financing activities.

	Bank overdraft interest payable	Borrowings	Obligation under financial leases	Lease liabilities	Convertible Bonds	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1 January 2017	**—**	**4,920,000**	**41,421,394**	**2,222,425**	**12,210,410**	**60,774,229**
Interest paid	(540,743)	(421,989)	(1,865,601)	(90,168)	—	(2,918,501)
New borrowings raised	—	11,000,000	—	—	—	11,000,000
Repayment of borrowings	—	(6,649,349)	—	—	—	(6,649,349)
Repayment of obligations under finance leases	—	—	(12,412,566)	—	—	(12,412,566)
Repayment of lease liabilities	—	—	—	(1,264,953)	—	(1,264,953)
	(540,743)	3,928,662	(14,278,167)	(1,355,121)	—	(12,245,369)
Interest expenses	540,743	421,989	1,865,601	90,168	1,262,804	4,181,305
Purchase of plant and equipment	—	—	3,812,177	—	—	3,812,177
Addition of lease liabilities	—	—	—	1,144,834	—	1,144,834
	540,743	421,989	5,677,778	1,235,002	1,262,804	9,138,316
At 31 December 2017	**—**	**9,270,651**	**32,821,005**	**2,102,306**	**13,473,214**	**57,667,176**

	Bank overdraft interest payable	Borrowings	Obligation under financial leases	Lease liabilities	Convertible Bonds	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1 January 2018	**—**	**9,270,651**	**32,821,005**	**2,102,306**	**13,473,214**	**57,667,176**
Interest paid	(349,503)	(504,663)	(1,826,546)	(86,669)	—	(2,767,381)
New borrowings raised	—	3,000,000	—	—	—	3,000,000
Repayment of borrowings	—	(4,303,041)	—	—	—	(4,303,041)
Repayment of obligations under finance leases	—	—	(16,728,697)	—	—	(16,728,697)
Repayment of lease liabilities	—	—	—	(1,369,891)	—	(1,369,891)
	(349,503)	(1,807,704)	(18,555,243)	(1,456,560)	—	(22,169,010)
Interest expenses	349,503	504,663	1,826,546	86,669	1,008,789	3,776,170
Purchase of plant and equipment	—	—	28,460,559	—	—	28,460,559
Addition of lease liabilities	—	—	—	705,466	—	705,466
	349,503	504,663	30,287,105	792,135	1,008,789	32,942,195
At 31 December 2018	**—**	**7,967,610**	**44,552,867**	**1,437,881**	**14,482,003**	**68,440,361**

A. HISTORICAL FINANCIAL INFORMATION *(Continued)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

32. RELATED PARTY DISCLOSURES

(a) Apart from those transactions and balances as disclosed elsewhere in these Historical Financial Information. During the Track Record Period, the Group entered into the following transactions with related parties in which some directors have beneficial interests:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$	*HK$*	*HK$*
Proceeds received from:			
So Pui Yin *(Note)*	—	—	3,700

The proceeds were received for the disposal of plant and equipment. The management of the Group considers that the above transactions are conducted in the ordinary and usual course of the Company's businesses.

Note: Director of the Company resigned in April 2018.

(b) During the Track Record Period, certain banking facilities were secured by personal guarantee from related parties of the Group.

Balance with related parties is disclosed in the combined statements of financial position and related notes.

The Company's key management personnel are the directors and their remunerations are included in the commission paid above and disclosed in Note 12.

33. CAPITAL COMMITMENTS

	As at 31 December		
	2016	**2017**	**2018**
			HK$
Capital expenditure in respect of the acquisition of plant and equipment:			
Contracted but not provided for	—	—	8,749,479
Authorized but not contracted for	—	—	—
	—	—	8,749,479

B. EVENTS AFTER THE REPORTING PERIOD

By the Supplemental Instrument and agreement dated 24 May 2019 the maturity date of the Convertible Bonds was extended to 31 August 2019 and the conversion period will accordingly be extended.

On 24 June 2019, the board of Company pass the resolution for conversion of the Convertible Bonds.

The Company adopted a share option scheme on 21 June 2019, a summary of the terms and conditions of which are set out in the paragraph headed "Share Option Scheme" in Appendix IV "Statutory and General Information" to the Prospectus.

On 21 June 2019 the authorized share capital of the Company was increased from HK$380,000 to HK$80,000,000 by the creation of an additional 7,962,000,000 shares of HK$0.01 each.

No other significant events took place subsequent to 31 December 2018.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for any of the companies comprising the Group subsequent to 31 December 2018.

The information set forth in this appendix does not form part of the Accountant's Report on the financial information of the Group for the three years ended 31 December 2016, 2017 and 2018 prepared by HLM CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the accountants' report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP

The following is an illustrative unaudited pro forma statement of adjusted combined net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purpose only, and is set out herein to provide prospective investors with further illustrative financial information about how the Share Offer might have affected the combined net tangible assets of the Group attributable to the owners of the Company after the completion of the Share Offer as if the Share Offer had taken place on 31 December 2018.

The unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Share Offer been completed on 31 December 2018 or at any future dates.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2018	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company	Unaudited pro forma adjusted combined net tangible assets per Share
	HK$	*HK$*	*HK$*	*HK$*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 3,4)*
Based on the Offer Price of HK$0.40 per Offer Share	38,982,408	47,807,462	86,789,870	0.178
Based on the Offer Price of HK$0.55 per Offer Share	38,982,408	69,407,462	108,389,870	0.222

Notes:

(1) The audited combined net tangible assets attributable to the owners of the Company as at 31 December 2018 is extracted from the accountant's report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Share Offer of 150,000,000 new Shares are based on the Offer Price of lower limit and upper limit of HK$0.40 and HK$0.55 per Offer Share, respectively, after deduction of the underwriting fees and related expenses payable and borne by the Company, excluding Listing expenses of HK$14,891,353 which had been recognised in profit or loss on or prior to 31 December 2018.

(3) The Company issued 8% Convertible Bonds in the principal amount of HK$12,000,000 on 30 May 2016. The Convertible Bonds are denominated in Hong Kong dollars. The bonds entitle the holders to convert them in full at five business days (the "Conversion Date") before the latest practicable date prior to the issue of the prospectus in relation to the listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited. The number of conversion shares represents 25% of the entire issued share capital of the Company immediately before listing of shares and 18.75% of the entire issued share capital of the Company upon listing of shares. If the 8% Convertible Bonds were assumed to be converted on 31 December 2018, the unaudited pro forma statement of adjusted combined net tangible assets of the Company will increase by HK$14,482,003, being the carrying amounts of the 8% Convertible Bonds as at 31 December 2018. Accordingly, the unaudited pro forma statement of adjusted combined net tangible assets attributable to owners of the Company would be HK$101,271,873 (based on the Offer Price of HK$0.40 per share) and HK$122,871,873 (based on the Offer Price of HK$0.55 per share) respectively. On the basis that 112,500,000 Shares are in issue after the conversion of 8% Convertible Bonds, the unaudited pro forma statement of adjusted combined net tangible assets per share would be HK$0.169 (based on the Offer Price of HK$0.40 per share) and HK$0.205 (based on the Offer Price of HK$0.55 per share) respectively.

(4) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 487,500,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue, without taking into account of 112,500,000 Shares from the conversion of 8% Convertible Bonds and any Share which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the section headed "general mandate to issue shares" or the section headed "general mandate to repurchase shares" to this prospectus.

(5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2018.

(B) INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the reporting accountant of the Company, HLM Certified Public Accountants Limited, Hong Kong, in respect of the Group's unaudited pro forma financial information.

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF WORLD SUPER HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of World Super Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets of the Group as at 31 December 2018 and the related notes as set out on pages II-1 to II-2 of Appendix II of the Company's prospectus dated 27 June 2019 (the "Prospectus") in connection with the proposed Share Offer of the shares of the Company (the "Proposed Offering"). 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-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Proposed Offering on the Group's combined financial position as at 31 December 2018 as if the Proposed Offering had taken place at 31 December 2018. As part of this process, information about the Group's combined financial position has been extracted by the Directors from the Group's financial information for the each of the three years ended 31 December 2016, 2017 and 2018, on which an accountant's report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guidance 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circular" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on 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 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 Accountant's Responsibilities

Our responsibility is to express an opinion, as required by Rule 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 accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information, in accordance with Rule 7.31 of the GEM Listing Rules and with reference to AG7 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 Proposed Offering at 31 December 2018 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 unaudited 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 accountant's judgment, having regard to the reporting accountant's understanding of the nature of the entity, 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 by the Directors 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 Rule 7.31(1) of the GEM Listing Rules.

HLM CPA Limited
Certified Public Accountants
Ng Fai Fiona
Practising Certificate Number P04986

Hong Kong, 27 June 2019

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 February, 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 21 June 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re election or appointment but as between persons who became or were last re elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules the of Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 22 March, 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("**ES Law**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands laws, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 26 February 2016. Our Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. We have established a principal place of business in Hong Kong at Unit 3403, 34/F., AIA Tower, 183 Electric Road, North Point, Hong Kong and was registered with the Companies Registry of Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 6 June 2016, with Mr. Sou appointed as the authorised representative of our Company for acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law, the Memorandum and Articles. A summary of certain provisions of our Memorandum and Articles and relevant aspects of the Companies Law is set forth in Appendix III to this prospectus.

2. Change in share capital of our Company

(a) Our Company was incorporated in the Cayman Islands on 26 February 2016 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each.

(b) On 26 February 2016, one nil-paid Share was allotted and issued to the initial subscriber, which was transferred to Mr. Sou on the same date at nil consideration.

(c) On 31 May 2016, our Company, through New Pilot Global, acquired 935,500 shares, 356,500 shares and 408,000 shares of World Super from Mr. Sou, Ms. Chu and Mr. Fok respectively, and in consideration of which our Company credited as fully paid the one nil-paid subscriber Share held by Mr. Sou and allotted and issued 54, 21 and 24 fully paid up Shares to Mr. Sou, Ms. Chu and Mr. Fok respectively.

(d) On 28 May 2018, Mr. Sou acquired 10 Shares (representing 10% of our Company's entire issued share capital) from Ms. Chu at a consideration of HK$3,400,000.

(e) On 30 November 2018, our Company allotted and issued eight fully paid up Shares to Mr. Sou at a consideration of HK$3,000,000.

(f) On 24 June 2019, upon conversion of the Convertible Bonds, our Company allotted and issued 12, 6 and 18 fully paid up Shares to each of Integrated Asset Management, Mr. Yang and Rosy Dragon Global, respectively (representing approximately 8.33%, 4.17% and 12.50% of the entire issued share capital of our Company, respectively).

(g) Pursuant to the written resolutions of our Shareholders passed on 21 June 2019, the authorised share capital of our Company was increased from HK$380,000 to HK$80,000,000 by the creation of an additional 7,962,000,000 Shares.

(h) A total of 150,000,000 new Shares, representing 25% of the total issued share capital of our Company immediately after the Reorganisation and completion of the Capitalisation Issue (without taking into account any Share which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) will be initially offered to the public by way of Share Offer.

(i) Conditional on the share premium account of our Company being credited with the proceeds from the Share Offer, HK$4,499,998.56 will be capitalised from the share premium account of our Company and applied in paying up in full 449,999,856 Shares which will be allotted and issued to the existing Shareholders, being Mr. Sou as to 228,124,927 Shares, Ms. Chu as to 34,374,989 Shares, Mr. Fok as to 74,999,976 Shares, Integrated Asset Management as to 37,499,988 Shares, Mr. Yang as to 18,749,994 Shares and Rosy Dragon Global as to 56,249,982 Shares, on or prior to Listing.

(j) Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK$6,000,000 divided into 600,000,000 Shares, all fully paid or credited as fully paid and 7,400,000,000 Shares will remain unissued. Other than pursuant to the exercise of any option which may be granted under the Share Option Scheme, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as aforesaid and as mentioned in the paragraph headed "Statutory and General Information — 3. Written resolutions of our Shareholders passed on 21 June 2019" in this appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of our Shareholders passed on 21 June 2019

Pursuant to the written resolutions of our Shareholders passed on 21 June 2019, among other things:

(a) the authorised share capital of our Company was increased from HK$380,000 to HK$80,000,000 by the creation of an additional 7,962,000,000 Shares;

(b) the amended and restated Memorandum and Articles were conditionally approved and adopted to take effect on the Listing Date;

(c) conditional on the conditions as set out in the paragraph headed "Structure and Conditions of the Share Offer — Conditions of the Share Offer" in this prospectus:

(i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares;

(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$4,499,998.56 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 449,999,856 Shares for allotment and issue to the following Shareholders:

Shareholder	Number of Shares to be allotted and issued
Mr. Sou	228,124,927
Ms. Chu	34,374,989
Mr. Fok	74,999,976
Integrated Asset Management	37,499,988
Mr. Yang	18,749,994
Rosy Dragon Global	56,249,982

(iii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised to implement the same, grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme;

(iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to, or in consequence of a rights issue or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of any option which may be granted under the Share Option Scheme or under any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of our subsidiaries of shares or rights to acquire shares or any scrip dividend scheme or similar arrangements providing for the allotment and issue of Shares of our Company in lieu of the whole or part of a dividend on Shares in accordance with the Articles or other similar arrangement or pursuant to a specific authority granted by the Shareholders at general meeting, Shares with a total number (1) not exceeding 20% of the aggregate of the total number of our Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted or issued pursuant to the exercise of any option which may be granted under the Share Option Scheme); and (2) the aggregate number of Shares repurchased under the Repurchase Mandate as defined in paragraph (v) below, such mandate shall remain in effect until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of our Company;

(2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any other applicable laws of the Cayman Islands; and

(3) the passing of an ordinary resolution of the shareholders of our Company in a general meeting revoking, varying or renewing such mandate.

(v) a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the number of our Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted or issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), such mandate shall remain in effect until the earliest of:

(1) the conclusion of the next annual general meeting of our Company;

(2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any other applicable laws of the Cayman Islands; and

(3) the passing of an ordinary resolution of the shareholders of our Company at a general meeting revoking, varying or renewing such mandate; and

(vi) the general unconditional mandate to issue Shares mentioned in paragraph (iv) above be extended by the addition of an amount representing the aggregate number of Shares repurchased by the Company pursuant to the mandate to repurchase Shares mentioned in paragraph (v) above provided such extended amount shall not exceed 10% of the total number of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted or issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

4. Corporate reorganisation

The companies comprising our Group underwent a reorganisation in preparation for the Listing. Following the Reorganisation, our Company became the holding company of our Group.

A diagram showing our Group structure after the Reorganisation and immediately upon completion of the Capitalisation Issue and the Share Offer (assuming that no Share has been allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) is set out in the paragraph headed "History, Reorganisation and Corporate Structure — Shareholding structure immediately after completion of the Share Offer" in this prospectus.

5. Changes in share capital of subsidiaries of our Group

Our subsidiaries are referred to in the Accountants' Report, the text of which is set forth in Appendix I to this prospectus. Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

Save as disclosed in the paragraph headed "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus, no alteration in the share capital of our subsidiaries has taken place within two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of our own securities

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing on GEM to repurchase their own securities on GEM subject to certain restrictions, details of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on GEM must be approved in advance by an ordinary resolution of the shareholders at a general meeting, either by way of general mandate or by specific approval of a particular transaction.

(ii) Sources of funds

Any repurchase must be financed out of funds legally available for such purpose in accordance with the Articles and any applicable laws of the Cayman Islands.

(iii) Core connected persons

Under the GEM Listing Rules, a company shall not knowingly repurchase shares on the Stock Exchange from a core connected person (as defined in the GEM Listing Rules), which includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries and a core connected person shall not knowingly sell his/her shares to the company on GEM.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to execute repurchases of the Shares in the market. Repurchases of the Shares will only be made when our Directors believe that such a repurchase will benefit our Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share.

(c) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws and regulations of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under Cayman Islands laws, any repurchase by our Company may be made out of the profits of our Company or out of the proceeds of a fresh issue of share made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium accounts of our Company, or if authorised by the Articles and subject to the Companies Law, out of capital.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules), have any present intention, if the Repurchase Mandate is exercised, to sell any Share to our Company or our subsidiaries.

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 laws of the Cayman Islands.

No core connected person (as defined in the GEM Listing Rules) of our Company has notified our Company of intention to sell Shares to our Company, or such persons have undertaken not to do so, in the event that the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase in the Shareholders' interest, could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code due to any repurchase of Shares made pursuant to the Repurchase Mandate immediately after the Listing.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) an instrument (the "**Trade Mass Instrument**") executed by our Company on 30 May 2016 constituting the 8 per cent. coupon convertible bonds in the aggregate principal amount of HK$6,000,000;

(b) an instrument (the "**Rosy Dragon Global Instrument**") executed by our Company on 30 May 2016 constituting the 8 per cent. coupon convertible bonds in the aggregate principal amount of HK$6,000,000;

(c) a supplemental instrument to the Trade Mass Instrument executed by our Company on 28 March 2017 extending the original maturity date as stipulated under the Trade Mass Instrument from 30 May 2017 to 30 May 2018;

(d) a supplemental instrument to the Rosy Dragon Global Instrument executed by our Company on 28 March 2017 extending the original maturity date as stipulated under the Rosy Dragon Global Instrument from 30 May 2017 to 30 May 2018;

(e) a supplemental agreement dated 4 May 2018 made between our Company and Trade Mass confirming the parties' agreement to extend the maturity date for one further year from 30 May 2018 to 30 May 2019 as stipulated under the Trade Mass Instrument (as supplemented by a supplemental instrument dated 28 March 2017);

(f) a supplemental agreement dated 4 May 2018 made between our Company and Rosy Dragon Global confirming the parties' agreement to extend the maturity date for one further year from 30 May 2018 to 30 May 2019 as stipulated under the Rosy Dragon Global Instrument (as supplemented by a supplemental instrument dated 28 March 2017);

(g) a deed of adherence dated 18 December 2018 made between our Company and Integrated Asset Management in relation to, among others, Integrated Asset Management's undertaking to adhere to and be bound by the terms and conditions of a subscription agreement made between our Company as issuer and Trade Mass as subscriber on 30 May 2016 regarding the 8 per cent. coupon convertible bonds in the aggregate principal amount of HK$4,000,000 to be issued by our Company which had been acquired by Integrated Asset Management from Trade Mass at a consideration of HK$4,000,000 on 18 December 2018;

(h) a deed of adherence dated 18 December 2018 made between our Company and Mr. Yang in relation to, among others, Mr. Yang's undertaking to adhere to and be bound by the terms and conditions of a subscription agreement made between our Company as issuer and Trade Mass as subscriber on 30 May 2016 regarding the 8 per cent. coupon convertible bonds in the aggregate principal amount of HK$2,000,000 to be issued by our Company which had been acquired by Mr. Yang from Trade Mass at a consideration of HK$2,000,000 on 18 December 2018;

(i) a supplemental agreement dated 24 May 2019 made between our Company and Integrated Asset Management confirming the parties' agreement to extend the maturity date of the 8 per cent. coupon convertible bonds in the aggregate principal amount of HK$4,000,000 for three further months from 30 May 2019 to 31 August 2019;

(j) a supplemental agreement dated 24 May 2019 made between our Company and Mr. Yang confirming the parties' agreement to extend the maturity date of the 8 per cent. coupon convertible bonds in the aggregate principal amount of HK$2,000,000 for three further months from 30 May 2019 to 31 August 2019;

(k) a supplemental agreement dated 24 May 2019 made between our Company and Rosy Dragon Global confirming the parties' agreement to extend the maturity date of the 8 per cent. coupon convertible bonds in the aggregate principal amount of HK$6,000,000 for three further months from 30 May 2019 to 31 August 2019;

(l) the Deed of Indemnity;

(m) the Deed of Non-competition; and

(n) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademark

As at the Latest Practicable Date, we had registered the following trademark which we believe is material to our business:

Trademark	Place of Registration	Class	Registered owner	Registration number	Registration date	Expiry date
WS	Hong Kong	7 *(Note)*	World Super	303613680	1 December 2015	30 November 2025

Note:

Class and specification under class 7: compressors (machines), drilling machines, electric hammers, generators of electricity, machines and machine tools, motors and engines (except for land vehicles).

(b) Domain name

As at the Latest Practicable Date, we had registered the following domain name which we believe is material to our business:

Domain name	Name of registrant	Registration date	Expiry Date
www.worldsuperhk.com	World Super	20 July 2015	20 July 2019

Save as aforesaid, there are no other trade or service mark, patent, copyright, other intellectual or industrial property right which we believe are material to our Group's business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of interests

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), the interests or short positions of our Directors or chief executive of our Company in the Shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register, or which will be required to be notified to our Company and Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, once the Shares are listed are as follows:

Long position

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding in our Company
Mr. Sou	Beneficial interest and interest of spouse	262,500,000 *(Note)*	43.75%
Mr. Fok	Beneficial interest	75,000,000	12.50%

Note: Out of the 262,500,000 Shares, 228,125,000 Shares are registered in the name of Mr. Sou and the remaining 34,375,000 Shares are registered in the name of Ms. Chu. As Ms. Chu is the spouse of Mr. Sou, Mr. Sou is deemed to be interested in all the Shares which Ms. Chu is regarded to be interested in under the SFO.

(b) Particulars of service contracts and letters of appointment

Executive Directors

Each of our executive Directors had entered into a service contract with our Company on 21 June 2019 for an initial fixed term of three years commencing from the Listing Date, renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of appointment, unless terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or any time thereafter. In addition, our executive Directors are subject to retirement at annual general meetings of our Company at least once every three years pursuant to the Articles and the GEM Listing Rules.

Commencing from the Listing Date, each of our executive Directors is entitled to an initial annual salary as set out below, and such salary is to be reviewed annually by our Board and our Remuneration Committee. In addition, each of our executive Directors is entitled to such discretionary bonus as our Board and our Remuneration Committee may approve, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, management bonus and other benefits payable to him. The annual emoluments of Mr. Sou and Mr. Fok are HK$1,380,000 and HK$192,000, respectively.

Non-executive Director and independent non-executive Directors

Each of our non-executive Director and independent non-executive Directors had entered into a letter of appointment with our Company on 21 June 2019. Each letter of appointment is for an initial term commencing from the date of the letter of appointment and shall continue thereafter until 30 June 2020, provided that either party can at any time terminate the appointment by serving the other party not less than one month's notice in writing. The appointment may be extended for such period as each non-executive Director or independent non-executive Director and our Company may agree in writing provided that under the Articles and the GEM Listing Rules, every Director (including non-executive Director and independent non-executive Director) shall be subject to retirement at an annual general meeting at least once every three years. Commencing from the Listing Date, our non-executive Director is entitled to an annual director's fee of HK$144,000, and each of our independent non-executive Directors is entitled to an annual director's fee of HK$120,000.

Save for directors' fees, none of our non-executive Director or independent non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director or an independent non-executive Director of our Company.

Save as aforesaid, none of our Directors has or is proposed to have a service contract or letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by the Group within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' emolument

During the Track Record Period, the aggregate of the emoluments (including salaries and allowance) paid and benefits in kind granted by our Group to our Directors for the three years ended 31 December 2018 were approximately HK$2.0 million, HK$2.0 million and HK$1.9 million, respectively. Details are set out in Note 12 in Appendix I to this prospectus.

Under the arrangements currently in force, the aggregate amount of emoluments (excluding any discretionary bonus, if any, payable to our Directors) payable by our Group to our Directors for the year ending 31 December 2019 is estimated to be approximately HK$1.8 million.

None of our Directors or any past director of any member of our Group has been paid any sum of money during the Track Record Period (i) as an inducement to join or upon joining our Company or (ii) for 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. There has been no arrangement under which a Director has waived or agreed to waive any emolument during the Track Record Period.

Save as disclosed above, no other payments has been made or are payable by any member of our Group to any of our Directors during the Track Record Period.

(d) Directors' competing interests

None of our Directors are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

2. Substantial Shareholders

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), the following persons will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and to the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or will be directly or indirectly, interested in 10% or more of the number of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, and are therefore regarded as substantial Shareholders under the GEM Listing Rules:

Long position

Name of Shareholder	Nature of interest	Number of Shares held/ interested	Approximate percentage of Shareholding
Mr. Sou	Beneficial interest and interest of spouse	262,500,000 *(Note 1)*	43.75%
Ms. Chu	Beneficial interest and interest of spouse	262,500,000 *(Note 2)*	43.75%
Mr. Fok	Beneficial interest	75,000,000	12.50%
Ms. Yang Mei Lan	Interest of spouse	75,000,000 *(Note 3)*	12.50%
Integrated Asset Management	Beneficial interest	37,500,000	6.25%
Mr. Yam Tak Cheung	Interest in a controlled corporation	37,500,000 *(Note 4)*	6.25%
Rosy Dragon Global	Beneficial interest	56,250,000	9.375%
Mr. Sze Chun Lee	Interest in a controlled corporation	56,250,000 *(Note 5)*	9.375%

Notes:

(1) Out of the 262,500,000 Shares, 228,125,000 Shares are registered in the name of Mr. Sou and the remaining 34,375,000 Shares are registered in the name of Ms. Chu. As Ms. Chu is the spouse of Mr. Sou, Mr. Sou is deemed to be interested in all the Shares which Ms. Chu is regarded to be interested in under the SFO.

(2) Out of the 262,500,000 Shares, 34,375,000 Shares are registered in the name of Ms. Chu and the remaining 228,125,000 Shares are registered in the name of Mr. Sou. As Mr. Sou is the spouse of Ms. Chu, Ms. Chu is deemed to be interested in all the Shares which Mr. Sou is regarded to be interested in under the SFO.

(3) The 75,000,000 Shares are registered in the name of Mr. Fok. As Ms. Yang Mei Lan is the spouse of Mr. Fok, Ms. Yang Mei Lan is deemed to be interested in all the Shares which Mr. Fok is regarded to be interested in under the SFO.

(4) The 37,500,000 Shares are registered in the name of Integrated Asset Management, the entire issued share capital of which is legally and beneficially owned by Mr. Yam Tak Cheung. Under the SFO, Mr. Yam Tak Cheung is deemed to be interested in all the Shares held by Integrated Asset Management.

(5) The 56,250,000 Shares are registered in the name of Rosy Dragon Global, the entire issued share capital of which is legally and beneficially owned by Mr. Sze Chun Lee. Under the SFO, Mr. Sze Chun Lee is deemed to be interested in all the Shares held by Rosy Dragon Global.

3. Agency fees or commissions received

Information on the agency fees or commissions payable to the Underwriters is set out in the section headed "Underwriting" in this prospectus.

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

4. Related party transactions

Details of our related party transactions are set out under Note 32 to the Accountants' Report of our Company set out in Appendix I to this prospectus.

5. Disclaimers

Save as disclosed herein, as at the Latest Practicable Date:

(a) taking no account of any Share which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, our Directors are not aware of any person who, immediately following completion of the Capitalisation Issue and the Share Offer, will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are deemed to have under such provisions of the SFO) or who will, either directly or indirectly, be expected to be interested in 10% or more of the number of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group;

(b) none of our Directors and chief executives of our Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the Shares, underlying Shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on GEM;

(c) none of our Directors or experts named in the paragraph headed "Statutory and General Information — E. Other information — 9. Consents of experts" in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the 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 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 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));

(f) none of the experts referred to under the paragraph headed "Statutory and General Information — E. Other information — 9. Consents 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; and

(g) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company had any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by our Shareholders on 21 June 2019.

For the purpose of this section, unless the context otherwise requires:

"Board"	means our board of Directors from time to time or a duly authorised committee thereof;
"Eligible Person"	means any full-time or part-time employee of our Company or any member of our Group, including any executive director, non-executive director and independent non-executive director, advisor and consultant of our Group;
"Further Grant"	has the meaning ascribed to it in sub-paragraph (d) below;
"Offer Date"	means the date on which an Option is offered to an Eligible Person;
"Option"	means an option to subscribe for Shares granted pursuant to the Share Option Scheme;

"Option Period"	means in respect of any particular Option, the period to be determined and notified by our Board to each Participant;
"Other Schemes"	means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;
"Participant"	means any Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant;
"Scheme Mandate Limit"	has the meaning scribed to it in sub-paragraph (f) below;
"Shareholders"	means shareholders of our Company from time to time;
"Subsidiary"	means a company which is for the time being and from time to time a subsidiary (within the meaning of section 15 of the Companies Ordinance) of our Company, whether incorporated in Hong Kong or elsewhere; and
"Trading Day"	means a day on which trading of Shares take place on the Stock Exchange.

(a) Purpose of the Share Option Scheme

The Share Option Scheme enables our Company to grant Options to the Eligible Persons as incentives or rewards for their contributions to our Group.

(b) Who may join

Our Board may, at its absolute discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (e) below. Upon acceptance of the Option, the Eligible Person shall pay HK$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted.

(c) Grant of Option

Our Company may not grant any Option after inside information has come to our knowledge until we have announced the information in accordance with the requirements of the GEM Listing Rules. In particular, our Company may not grant any option during the period commencing one month immediately before the earlier of:

(a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year or quarterly or any other interim period (whether or not required under the GEM Listing Rules), and

(b) the deadline for our Company to publish an announcement of its results for any year, half-year or quarterly under the GEM Listing Rules, or any interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of results announcement. Our Directors may not grant any Option to an Eligible Person who is our Director during the periods or times in which directors of the listed issuer are prohibited from dealing in shares pursuant to the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(d) Maximum number of options to any one individual

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time. Where any further grant of Options to such Participant (the "**Further Grant**") would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time, the Further Grant must be separately approved by the Shareholders in general meeting with such Participant and his close associates (as defined in the GEM Listing Rules) (or his associates (as defined in the GEM Listing Rules) if the Participant is a connected person) abstaining from voting.

In relation to the Further Grant, our Company must send a circular to the Shareholders and the circular must disclose the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the GEM Listing Rules. The number and terms (including the exercise price) of Options to be granted to such Participant must be fixed before Shareholders' approval and the date of meeting of our Board for proposing the Further Grant should be taken as the Offer Date for the purpose of calculating the exercise price.

(e) Price of Shares

The exercise price for the Shares subject to Options will be a price determined by our Board and notified to each Participant and must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a Trading Day; and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options.

(f) Maximum number of Shares

(i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 600,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 60,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.

(ii) Subject to the approval of Shareholders in general meeting, our Company may "refresh" the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as "refreshed" must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval. Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof or exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as "refreshed". In relation to the Shareholders' approval referred to in this paragraph (ii), our Company shall send a circular to the Shareholders containing the information required by the GEM Listing Rules.

(iii) Subject to the approval of Shareholders in general meeting, our Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specifically identified by our Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this sub-paragraph (iii), our Company must send a circular to its Shareholders containing a generic description of the specified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the specified Eligible Persons with an explanation as to how the terms of the Options serve such purpose and such other information required by the GEM Listing Rules.

(iv) Notwithstanding the foregoing, our Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and Other Schemes exceeds 30% of the Shares in issue from time to time.

(g) Time of exercise of Option and performance target

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Board to each Participant provided that the period within which the Option must be exercised shall not be more than ten years from the date of the grant of Option. The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by our Board to each Participant, which our Board may in its absolute discretion determine.

(h) Rights are personal to grantee

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Participant shall entitle our Company to cancel any Option or any part thereof granted to such Participant (to the extent not already exercised) without incurring any liability on our Company.

(i) Rights on death, retirement and cessation of employment

If a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options in full (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death, failing which such Options will lapse.

In the event that a Participant retires in accordance with his or her contract of employment or upon expiration of his or her contract of employment or terms of directorship before exercising his or her Options in full, such Options will lapse on the date he or she retires or the date of expiration of his or her contract of employment or term of directorship.

(j) Changes in capital structure

In the event of any alteration in the capital structure of our Company while an Option remains exercisable, and such event arises from capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of the share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to the Options so far as unexercised, and/or the exercise price, and/or the method of the Options, and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must give a Participant the same proportion of the equity capital as that to which that Participant was previously entitled and shall be made on the basis that the aggregate exercise price payable by a Participant on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, unless with the prior approval of the Shareholders in general meeting, no such adjustments may be made to the advantage of the Participant. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, the independent financial adviser of our Company or the auditors of our Company must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules and the supplementary guidance set out in the letter issued by the Stock Exchange dated 5 September 2005 and any further guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

(k) Rights on take-over

If a general offer has been made to all the Shareholders (other than the offeror and/or any persons acting in concert with the offeror), to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Option in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, "acting in concert" shall have the meaning ascribed to it under the Takeovers Code in Hong Kong as amended from time to time.

(l) Rights on a compromise or arrangement

If an application is made to the court (otherwise than where our Company is being voluntarily wound up) in connection with a proposed compromise or arrangement between our Company and our creditors (or any class of them) or between our Company and our Shareholders (or any class of them), a Participant may by notice in writing to our Company, within a period of 21 days after the date of such application, exercise his or her outstanding Option in full extent or any part thereof specified in such note. Upon the compromise or arrangement becoming effective, all Options shall lapse except insofar as exercised. Notice of the application referred to herein and the effect thereof shall be given by our Company to all Participants as soon as practicable.

(m) Rights on winding-up

In the event of a notice being given by our Company to our Shareholders to convene a general meeting for the purpose of approving a resolution to voluntarily wind up our Company when our Company is solvent, our Company shall on the day of such notice to each Shareholder or as soon as practicable, give notice thereof to all Participants. Thereupon each Participant shall be entitled to exercise all or any of his or her outstanding Options at any time no later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Participant credited as fully paid.

(n) Lapse of Option

An Option shall lapse forthwith and not exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the Option as may be determined by the Board;

(ii) subject to paragraphs (f) and (p), the expiry of the Option Period;

(iii) the first anniversary of the death of the Participant;

(iv) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;

(v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date of the Participant ceasing to be an employee or director of such member of our Group by reason of:

(1) his or her retirement on or after attaining normal retirement age or, with the express consent of the Board in writing for the purpose of this sub-paragraph, at a younger age;

(2) ill health or disability recognised as such expressly by our Board in writing for the purpose of this sub-paragraph;

(3) the company by which he or she is employed and/or of which he or she is a director (if not our Company) ceasing to be a subsidiary of our Company;

(4) expiry of his or her employment contract or vacation of his or her office with such member of our Group and such contract or office is not immediately extended or renewed; or

(5) at the discretion of our Board, any reason other than death or the reasons described in sub-paragraph (iv) or (v) (1) to (4);

(vi) the expiry of any period referred to in paragraphs (k) and (l) above, provided that in the case of paragraph (k), all Options granted shall lapse upon the proposed compromise or arrangement becoming effective; and

(vii) the date the Participant commits any breach of the provisions of paragraph (h).

(o) Ranking of Shares

Shares allotted and issued upon the exercise of an Option will be subject to our Company's Articles as amended from time to time and will rank pari passu in all respects with the fully paid or credited as fully paid Shares in issue on the date of such allotment or issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date, of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment or issue.

(p) Cancellation of Options granted

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the grantee concerned in writing. In the event that our Board elects to cancel any Options and issue new ones to the same grantee, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

(q) Period of Share Option Scheme

The Share Option Scheme will be valid and effective for a period of ten years commencing on the Listing Date, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(r) Alteration to and termination of Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board except that, (i) any alteration to the advantage of the Participants or the Eligible Persons (as the case may be) relating to matters contained in Chapter 23 of the GEM Listing Rules; (ii) any alteration to the terms and conditions of the Share Option Scheme which is of material nature or any change to the terms of Options granted, except where the alterations take effect automatically under the existing terms of the Share Option Scheme; and (iii) any change to the authority of the directors or scheme administrators in relation to any alteration to the terms of the Share Option Scheme, must first be approved by the Shareholders in general meeting (with the Eligible Persons, the Participants and their associates abstaining from voting) provided that the amended terms of the Share Option Scheme or Options granted must still comply with the requirements of Chapter 23 of the GEM Listing Rules.

Any alterations to the terms and conditions of Share Option Scheme, which are of a material nature shall first approved by the Stock Exchange, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Our Company may, by ordinary resolution in general meeting, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to the Shareholders seeking approval for the new scheme to be established after such termination.

(s) Granting of Options to a Director, chief executive or substantial Shareholder of our Company or any of their associates

Where Options are proposed to be granted to a Director, chief executive or substantial Shareholder of our Company or any of their respective associates, the proposed grant must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to a substantial Shareholder or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Share Option Scheme or Other Schemes in any 12-month period up to and including the date of the grant: (i) representing in aggregate 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue from time to time; and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK$5 million, then the proposed grant of Options must be approved by the Shareholders. Our Company must send a circular to the Shareholders which must contain the information required under the GEM Listing Rules. The grantee, his associates and all core connected persons (as defined in the GEM Listing Rules) of our Company must abstain from voting in favour at such general meeting.

In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to an Eligible Person who is a substantial Shareholder, an independent non-executive Director or any of their respective associates.

The circular must contain the following:

(i) details of the number and terms (including the exercise price) of the Options to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the exercise price;

(ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Options in question) to independent Shareholders, as to voting;

(iii) the information required under Rules 23.02(2)(c) and (d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and

(iv) all other information as required by the GEM Listing Rules (including Rule 2.28 of the GEM Listing Rules).

For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the GEM Listing Rules) set out in this paragraph (r) do not apply where the Eligible Person is only a proposed Director or proposed chief executive.

(t) Conditions of Share Option Scheme

The Share Option Scheme is conditional on (i) the passing of a resolution to adopt the Share Option Scheme by our Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of Options.

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options granted under the Share Option Scheme.

(u) Administration of the Share Option Scheme

The Share Option Scheme will be administered by our Board whose decision (save as otherwise provided therein) shall be final and binding on all parties.

(v) Present status of the Share Option Scheme

As at the Latest Practicable Date, no Options have been granted or agreed to be granted under the Share Option Scheme.

(w) Disclosure in annual, half-year and quarterly reports

Our Company will disclose all information in relation to the Share Option Scheme in its annual, half-year and quarterly reports in accordance with the GEM Listing Rules.

E. OTHER INFORMATION

1. Tax and other indemnities

Each of our Controlling Shareholders (collectively, the "**Indemnifiers**") has entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of our present subsidiaries) (being one of the material contracts referred to in sub-paragraph (i) of the paragraph headed "Statutory and General Information — B. Further information about the business of our Group — 1. Summary of material contracts" in this appendix) to provide indemnities on a joint and several basis in respect of, among other matters:

(a) any claim and the amount of any and all taxation falling on any member of our Group resulting from or by reference to any income, profits or gains granted, earned, accrued or received or made (or deemed to be so granted, earned, accrued, received or made) on or before the date on which the Share Offer becomes unconditional (the "**Effective Date**") or any event, act or omission occurring or deemed to occur on or before such date, whether alone or in conjunction with any other event, act, omission or circumstance whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company; and

(b) all costs (including all legal costs), expenses, interests, penalties, fines, charges or other liabilities which any member of our Group may properly incur in connection with:

(i) the investigation, assessment, or the contesting of any claim under paragraph (a) above;

(ii) the settlement of any claim under paragraph (a) above;

(iii) any legal proceeding in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgment is given for any member of our Group; or

(iv) the enforcement of any such settlement or judgment.

The Indemnifiers have also, under the Deed of Indemnity, agreed and undertaken to each of the members of our Group and at all times keep the same indemnified on demand from and against any losses, damages, claims or penalties that our Group may suffer or incur, as a result of our Group's outstanding litigation and non-compliance matters, as more particularly set out in the paragraph headed "Business — Legal proceedings and compliance" in this prospectus, which subsist prior to the Effective Date.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation or legal proceeding, among others:

(a) to the extent that provision has been made for such taxation in the combined or consolidated audited accounts of our Group (as the case may be) or the audited accounts of any member of our Group for any period up to 31 December 2018 (the "**Accounts**");

(b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after the Effective Date and ending on the Listing Date, unless such taxation or liability would not have arisen but for some act or omission of, or transaction entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) with the prior written consent or agreement of the Indemnifiers, other than carried out or effected in the ordinary course of business or carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date; or

(c) to the extent that any provision or reserve made for taxation in the Accounts which is established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied pursuant to the Deed of Indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or

(d) to the extent that such taxation liability or claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the laws, rules or regulations or the interpretation or practice thereof by the Inland Revenue Department in Hong Kong or any other relevant authority coming into force after the Listing Date or to the extent that such taxation claim arises or is increased by an increase in rates of taxation after the Listing Date with retrospective effect.

Pursuant to The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006 in Hong Kong, estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after 11 February 2006.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands or BVI, being jurisdictions in which one or more of the companies comprising our Group were incorporated. There are currently no taxes in the form of estate duties under the Cayman Islands law, and no estate tax is currently payable by persons who are not resident in BVI with respect of any shares, debt obligations or other securities of a BVI company.

2. Registers of members and taxation concerning the Shareholders

The principal register of members of our Company in the Cayman Islands will be maintained by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company in Hong Kong will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and others 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.

3. Litigation

Save as disclosed in the paragraph headed "Business — Legal proceedings and compliance" in this prospectus, as at the Latest Practicable Date, neither our Company nor any of our subsidiaries was engaged in any litigation, or claims or arbitration of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK$43,000 and were paid by our Company.

5. Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to the Capitalisation Issue and pursuant to exercise of any option which may be granted under the Share Option Scheme.

Our Company agreed to pay the Sole Sponsor a fee of HK$2.7 million as the sponsor to our Company for the Share Offer. Such sponsor's fee relates solely to services provided by the Sole Sponsor in the capacity of a sponsor, and not other services which it may provide, such as, but without limitation, book building, pricing and underwriting.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

6. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Grand Moore Capital as its 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 its financial results for the first full year commencing after the Listing Date or until the agreement is terminated, whichever is earlier.

7. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

8. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Grand Moore Capital Limited	A licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activity
HLM CPA Limited	Certified public accountants
MdME Lawyers	Legal advisers to our Company as to the laws of Macau
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Mr. Poon, Billy C.K.	Barrister-at-law in Hong Kong
Mr. Chan Chung	Barrister-at-law in Hong Kong

9. Consents of experts

Each of the experts named in the paragraph headed "Statutory and General Information — E. Other information — 8. Qualifications of experts" in this appendix has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or summaries of pinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. No material adverse change

Save for the recent development as disclosed in the section headed "Summary" in this prospectus and the professional fees of approximately HK$27.5 million estimated to be incurred in connection with the Listing, of which approximately HK$5.4 million will be recorded in our combined statements of profit or loss and other comprehensive income for the year ending 31 December 2019, our Directors confirmed that there has been no material adverse change in the operation, financial or trading position or prospects of our Group since the end of the Track Record Period and up to the date of this prospectus.

12. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) 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

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any Shares in our Company or any of our subsidiaries.

(b) No founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries have been issued or agreed to be issued;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(d) none of the persons named in the paragraph headed "Statutory and General Information — E. Other information — 9. Consents of experts" in this appendix is interested beneficially or non-beneficially in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;

(e) no member of our Group is presently listed on any stock exchange or traded on any trading system;

(f) our Group has no outstanding convertible debt security or debenture;

(g) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2018 (being the date to which the latest audited combined financial statements of our Group were made up and up to the Latest Practicable Date);

(h) our Directors have been advised that, under the laws of Cayman Islands, the use of a Chinese name in conjunction with the English name does not contravene the laws of Cayman Islands; and

(i) there is no arrangement under which future dividends are waived or agreed to be waived.

13. Bilingual prospectus

Pursuant to the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately. In case of any discrepancies between the English language version and Chinese language version, the English language version shall prevail.

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:

(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 — E. Other information — 9. Consents of experts" in Appendix IV 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 the business of our Group — 1. Summary of material contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Stevenson, Wong & Co., 39/F Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles;

(b) the Accountants' Report of our Group prepared by HLM CPA Limited, the text of which is set out in Appendix I to this prospectus;

(c) the report from HLM CPA Limited in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(d) the letter of advice prepared by Conyers Dill & Pearman, our Cayman Islands legal advisers, summarising certain aspects of Cayman Islands company law referred to in the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to this prospectus;

(e) the F&S Report;

(f) the legal opinion prepared by the Legal Counsel;

(g) the legal opinion prepared by the Property Legal Counsel;

(h) the legal opinion prepared by the MdME Lawyers;

(i) the Companies Law;

(j) the material contracts referred to in the paragraph headed "Statutory and General Information — B. Further information about the business of our Group — 1. Summary of material contracts" in Appendix IV to this prospectus;

(k) the service contracts and letters of appointment 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 and substantial Shareholders — 1. Directors — (b) Particulars of service contracts and letters of appointment" in Appendix IV to this prospectus;

(l) the written consents referred to in the paragraph headed "Statutory and General Information — E. Other information — 9. Consents of experts" in Appendix IV to this prospectus; and

(m) the rules of the Share Option Scheme.

WORLD SUPER HOLDINGS LIMITED
維亮控股有限公司