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Web Proof Information Pack of
Vision Fame International Holding Limited
允升國際控股有限公司
(incorporated in the Cayman Islands with limited liability)

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SUMMARY

BUSINESS OVERVIEW

Our Group is principally engaged as a main contractor in the provision of (a) building construction services in Hong Kong, Macau and Singapore, (b) property maintenance services in Hong Kong, (c) alterations, renovation, upgrading works and fitting-out works services in Hong Kong, Macau and Singapore. Our Group has expanded its business to Macau in 2006 and further expanded its business to Singapore in 2008 as a fitting-out main contractor in the provision of alteration, renovation, upgrading works and fitting-out works services.

Our Group is currently on both the Contractor List⁽¹⁾ and the Specialist List⁽¹⁾ maintained by WBDB⁽²⁾. Our Group has been a Group C contractors for building works⁽³⁾ since July 1992. Group C contractors are the highest ranking contractors in terms of tender’s limits, and can tender for public works contracts of any value exceeding HK\$75 million.

We are also qualified as one of the Repair and Restoration of Historic Buildings specialist contractors⁽⁴⁾ which are allowed to carry out works related to both Chinese style and Western style and a Group I Turn-Key Interior Design and Fitting-out specialist contractors⁽⁵⁾. During the Track Record Period, our Group had completed one project in its capacity as a Group I Turn-Key Interior Design and Fitting-out specialist contractor but had not completed any project by virtue of our capacity as a Repair and Restoration of Historic Buildings specialist contractor.

Notes:

1. Contractor List refers to the list of contractors who are approved for carrying out public works in one or more of the five major categories of building and civil engineering works, i.e. “Buildings”, “Port Works”, “Road & Drainage”, “Site Formation” and “Waterworks” whereas the Specialist List refers to the list of approved suppliers of materials and specialist contractors for public works comprising suppliers and contractors who are approved for carrying out public works in one or more of the 49 categories of specialist work such as “turn-key interior design and fitting-out works”, “repair and restoration of historic buildings”, “air-conditioning installation” etc.
2. WBDB means the Works Branch Development Bureau (發展局工務科) of the Government. The Development Bureau has maintained the Contractor List and the Specialist List to monitor the eligibility of a contractor to tender for Government contracts.
3. Group C contractor for building works refer to a contractor which is eligible to tender for Government contracts of any values exceeding HK\$75 million in the buildings category.
4. Repair and Restoration of Historic Buildings specialist contractor refers to a contractor which is eligible to tender for Government contracts relating to repair and restoration of historic buildings and structures.
5. Group I Turn-Key Interior Design and Fitting-out specialist contractor refers to a contractor which is eligible to be awarded one contract as a trade test relating to the design and fitting-out works for Government department/bureaux. Upon satisfaction of the trade test (which means completion of at least one Architectural Services Department project under this category within the past 5 years and of value above HK\$10 million) and the continuing satisfaction of most of the requirements for

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Group I Turn-Key Interior Design and Fitting-out specialist contractor, a Group I Turn-Key Interior Design and Fitting-out specialist contractor could be promoted to Group II under which the contractor is eligible to be awarded more than one contract at any time.

Our customers

Our customers in Hong Kong include: (a) the public sector customers (government and institutional bodies): Hong Kong Housing Authority, Architectural Services Department, and Urban Renewal Authority; and (b) the private sector customers: including a major transit railway company, a major public housing management company and one of the electric service providers in Hong Kong. The Government was the largest customer of the Group in each of the three years ended 31 March 2011 and the three months ended 30 June 2011 accounting for approximately 61.4%, 76.1%, 68.9% and 69.2% respectively of our total revenue. For the three years ended 31 March 2011 and the three months ended 30 June 2011, revenue derived from our five largest customers, amounted to approximately 92.6%, 99.6%, 95.3% and 92.9% respectively of our total revenue. The number of years of business relationship with our top 5 customers during the Track Record Period is summarised as below:

Customer	Number of years of business relationship (approximately)
The Government ¹	20
A major public housing management company in Hong Kong ¹	8
Group companies of an international casino gaming resort ¹	6
A major transit railway company in Hong Kong	14
A private property management company in Hong Kong	4
A food production company in Hong Kong	3
A fitness centre in Hong Kong	2
A property development and investments company in Singapore ¹	2
A tertiary institution in Hong Kong	1

Note:

1. As at the Latest Practicable Date, our Group is still undertaking project with this customer.

As part of our corporate strategies for business development in Asia, our Group has been actively expanding our business to Macau and Singapore since 2006 and 2008 respectively and will pursue business development in other potential countries in Asia. For the three years ended 31 March 2011 and the three months ended 30 June 2011, the revenue contributed by the operations in Macau amounted to approximately 5.1%, 0.0%, 0.5% and 1.0% of our total revenue respectively whereas the revenue contributed by the operations in Singapore amounted to approximately 0.1%, 16.4%, 17.0% and 16.1% respectively. Our

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Directors expect that our customer base would be widened in the foreseeable future quantitatively and geographically and thus our Group will place less reliance on our current major customers in the coming years.

We completed over 200 projects in Hong Kong since 1990. We believe that our proven track record and our ability to delivering our jobs on time and to the satisfaction of our customers are the crucial factors to our success in the industry. Our Group has been appraised by its customers of being able to execute works of satisfactory quality under tight budget and time constraint.

We have accumulated vast experience in a variety of building construction work and alteration work, including construction of school, renovation of shopping centres, repair and revitalization of heritage projects and design and fitting-out work. We are also qualified as one of the Repair and Restoration of Historic Buildings specialist contractors which are allowed to carry out works related to both Chinese style and Western style and a Group I Turn-Key Interior Design and Fitting-out specialist contractors. During the Track Record Period, the Group had completed one project in its capacity as a Group I Turn-Key Interior Design and Fitting-out specialist contractor but had not completed any project by virtue of its capacity as a Repair and Restoration of Historic Buildings specialist contractor.

Our Group was engaged in a number of fitting-out works for an international casino gaming resort in Macau. With the experiences gained in projects in Macau, our Group was successfully engaged by an integrated resort in Singapore.

During the Track Record Period, we were engaged by an international casino gaming resort in Singapore for numerous maintenance and fitting-out projects. In 2010, Wan Chung (Singapore) was registered as a Grade A2 contractor for general building works by the Singapore Building and Construction Authority. An A2 grading is the second highest grading for contractors in terms of tender’s limits, and allows the contractor to tender for public sector construction projects of any value up to S\$85 million.

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Major qualifications and licenses

As at the Latest Practicable Date, our Group has the following major licences/qualifications in Hong Kong, Macau and Singapore:

Relevant authority/ organization	Relevant List/Category	Licence	Holder	Total no. of contractors in possession of the relevant licences/ qualifications as at the Latest Practicable Date	Date of first grant/ registration	Authorized contract value
<i>Hong Kong</i>						
WBDB ^{Note 1}	Approved Contractors for Public Works — Buildings Category	Group C (confirmed) <i>Note 2</i>	Wan Chung Construction	58 ^{Note 3}	25/07/1992	contracts of any values exceeding HK\$75 million
WBDB	Approved Suppliers of Materials and Specialist Contractors for Public Works — Turn-key Interior Design and Fitting-out Works Category	Group I ^{Note 4}	Wan Chung Construction	5	27/12/1995	no limit
WBDB	Approved Contractors for Public Works — Site Formation Category	Group B (on probation) <i>Note 5</i>	Wan Chung Construction	46 ^{Note 6}	10/07/1998	contracts of value up to HK\$75 million
WBDB	Approved Suppliers of Materials and Specialist Contractors for Public Works — Repair and Restoration of Historic Buildings Category ^{Note 7}	—	Wan Chung Construction	25 ^{Note 8}	09/02/1999	no limit
Housing Authority	Housing Authority List of Building Contractors — Building (New Works) Category	Group NW 1 (confirmed) <i>Note 9</i>	Wan Chung Construction	21	08/06/1998	new works contracts with a value of up to HK\$270 million
Housing Authority	Housing Authority List of Building Contractors — Maintenance Works Category	Group M2 (confirmed) <i>Note 10</i>	Wan Chung Construction	29	27/05/2010	maintenance and improvement contracts of unlimited value
Buildings Department	General Building Contractor <i>Note 11</i>	—	Wan Chung Construction	646	—	no limit
Electrical and Mechanical Services Department	Registered Electrical Contractor ^{Note 12}	—	Wan Chung Construction	N/A	—	no limit
<i>Singapore</i>						
Building and Construction Authority of Singapore	General Building Category	Grade A2 ^{Note 13}	Wan Chung (Singapore)	34	16/11/2010	contracts of value up to S\$85 million
<i>Macau</i>						
Land, Public Works and Transport Bureau of Macau	Construction licence ^{Note 14}	—	Wan Chung (Macau)	637	—	no limit

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Notes:

1. WBDB refers to the Works Branch Development Bureau (發展局工務科) of the Government. The Development Bureau has maintained the Contractor List and the Specialist List to monitor the eligibility of a contractor to tender for Government contracts.
2. A Group C (confirmed) contractor is eligible to tender for Government contracts of any values exceeding HK\$75 million. This licence is subject to two reviews annually by the WBDB.
3. As at the Latest Practicable Date, out of the 58 contractors on this list, 42 of them are on confirmed status whereas 16 of them are on probationary status.
4. A Turn-key Interior Design and Fitting-out Works Category — Group I contractor is eligible to be awarded one design and fitting-out works contract of Government as a trade test. This licence is subject to two reviews annually by the WBDB.
5. A Group B (probationary) contractor may tender for (i) any number of Group A contracts (i.e. contracts of value up to HK\$30 million) in the same category; and (ii) any number of Group B contracts (i.e. contracts of value up to HK\$75 million) in the same category provided that total value of works in the Group B contracts that he already holds and the Group B contract being procured under the same category does not exceed \$75 million. This licence is subject to two reviews annually by the WBDB. Our Directors confirm that our Group did not breach the authorized contract value limit imposed by this licence during the Track Record Period and up to the Latest Practicable Date.
6. As at the Latest Practicable Date, out of the 46 contractors on this list, 3 of them are on confirmed status whereas 43 of them are on probationary status.
7. A Repair and Restoration of Historic Buildings Category contractor is eligible to tender for Government contracts relating to repair and restoration of historic buildings and structures. This licence is subject to two reviews annually by the WBDB.
8. As at the Latest Practicable Date, out of the 25 contractors on this list, 8 of them can only tender for works related to “Western Style Buildings”, 2 of them can only tender for works related to “Chinese Style Buildings” whereas the remaining 15 contractors (including Wan Chung Construction) can tender for works related to both “Chinese Style Buildings” and “Western Style Buildings”.
9. A Building (New Works) Category — Group NW 1 (confirmed) contractor is eligible to tender for new works contracts of the Housing Authority with a value up to HK\$270 million. This licence is subject to two reviews annually by the Housing Authority.
10. A Maintenance Works Category — Group M2 (confirmed) contractor is eligible to tender for maintenance and improvement contracts of Housing Authority of unlimited value. This licence is subject to two reviews annually by the Housing Authority.
11. The current licence was renewed in September 2011 and will expire on 25 October 2014.
12. The current licence was renewed in September 2011 and will expire on 27 November 2014.
13. A General Building Category — Grade A2 contractor is eligible to tender for public sector construction projects in Singapore up to a maximum amount of S\$85 million. The current licence will expire on 1 October 2012. The Building and Construction Authority of Singapore (the “BCA”) will notify Wan Chung (Singapore), via a reminder letter, to renew its licence before the expiry of the licence. Wan Chung (Singapore) would thereafter submit documents required by the BCA for the purposes of renewing the licence.

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14. The holder of this licence is eligible to tender for contracts of Macau government. The current licence will expire on 31 December 2011. Our Directors do not expect any difficulty in obtaining the renewal licence. As confirmed by the legal advisers to the Company as to the laws of Macau, our Group should only apply for renewal of the said licence in January 2012 but no earlier and the said licence would remain valid unless our Group does not apply for renewal by January 2012.

Contractors qualified or licensed by the WBDB are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management, environmental and safety are maintained by contractors which carry out Government works. In particular, under the regime, a qualified or licensed contractor could be prohibited from tendering for public works of the relevant category during the suspension period if the safety performance of the contractor is not up to satisfaction. Further details of the regulatory regime are set out in the paragraph headed “HONG KONG C. Contractor Licensing Regime” of the section titled “Laws and Regulations”.

Our revenue

We derived approximately 19.0%, 28.1%, 36.5% and 37.7% of our revenues from carrying out building construction services for the three years ended 31 March 2011 and the three months ended 30 June 2011 respectively. Approximately 54.8%, 49.7%, 32.2% and 31.6% of our revenues were derived from carrying out property maintenance services for the three years ended 31 March 2011 and the three months ended 30 June 2011 respectively. Approximately 26.2%, 22.2%, 31.3% and 30.7% of our revenues were derived from carrying out alterations, renovation, upgrading and fitting-out works services for the three years ended 31 March 2011 and the three months ended 30 June 2011 respectively.

Our Group’s breakdown of revenue by business segments during the Track Record Period was as follows:

	Year ended 31 March						Three months ended 30 June			
	2009		2010		2011		2010		2011	
	HKS'000	%	HKS'000	%	HKS'000	%	HKS'000	%	HKS'000	%
Building construction	87,530	19.0	179,016	28.1	268,345	36.5	83,409	37.0	45,848	37.7
Property maintenance	251,580	54.8	316,230	49.7	236,374	32.2	72,657	32.3	38,423	31.6
Alterations, renovation, upgrading and fitting-out Works	120,345	26.2	141,405	22.2	230,000	31.3	69,061	30.7	37,435	30.7
Total:	459,455	100.0	636,651	100.0	734,719	100.0	225,127	100.0	121,706	100.0

The main reason for the fluctuation in our revenue mix and our revenue generated from different geographic locations during the Track Record Period was that the Group continuously secured new contracts and completed existing contracts of different business segments and geographic locations. Going forward, we shall continue to concentrate on not only Hong Kong, but also the two other existing markets, namely Macau and Singapore, by closely keeping track of the tender availability in all three locations. In deciding whether or not to bid for any specific tender, we would take into consideration several principal factors including but not limited to profitability of the contract, availability of suitable contract, our capacity during the contract period and the timing of project. Our Directors are of the opinion that no specific geographic location is particularly more profitable than the others.

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As such, our Directors believe that the fluctuation in our results of operations during the Track Record Period does not in any way indicate our intention to change our business model or to shift our focus to any one specific market.

Hong Kong, the place where we started our business, is our major market. For the three years ended 31 March 2011 and the three months ended 30 June 2011, the revenue derived from services provided in Hong Kong accounted for approximately 94.8%, 83.6%, 82.5% and 82.9% of our total revenue respectively.

Our revenue by geographic locations during the Track Record Period was as follows:

	2009		Year ended 31 March				Three months ended 30 June			
	<i>HK\$'000</i>	%	2010		2011		2010		2011	
			<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Hong Kong	435,759	94.8	532,362	83.6	606,105	82.5	171,021	76.0	100,834	82.9
Macau	23,381	5.1	8	0.0	3,698	0.5	—	0.0	1,254	1.0
Singapore	315	0.1	104,281	16.4	124,916	17.0	54,106	24.0	19,618	16.1
Total:	<u>459,455</u>	<u>100.0</u>	<u>636,651</u>	<u>100.0</u>	<u>734,719</u>	<u>100.0</u>	<u>225,127</u>	<u>100.0</u>	<u>121,706</u>	<u>100.0</u>

During the Track Record Period, our gross profit and gross profit margin by business segments were as follows:

	For the year ended 31 March			For the three months ended 30 June	
	2009	2010	2011	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross profit	<u>18,269</u>	<u>85,826</u>	<u>110,458</u>	<u>45,106</u>	<u>30,338</u>

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<i>Gross profit margin</i>	For the year ended 31 March			For the three months ended 30 June	
	2009	2010	2011	2010	2011
	(%)	(%)	(%)	(%)	(%)
	(Unaudited)				
Building construction <i>(Note 1)</i>	0.9	9.6	6.1	9.8	25.7
Property maintenance <i>(Note 2)</i>	3.1	5.1	6.9	16.1	13.9
Alterations, renovation, upgrading and fitting-out works <i>(Note 3)</i>	8.1	37.2	33.9	36.5	35.3
Overall	4.0	13.5	15.0	20.0	24.9

Notes:

- (1) The significant increase in gross profit margin from approximately 0.9% in 2009 to approximately 9.6% in 2010 was mainly due to the exceptionally high construction cost for the school construction project in 2008 when steel prices, reinforcing metal and other construction material prices were at their peak.

For the three months ended 30 June, our gross profit margin in our building construction segment increased from 9.8% in 2010 to 25.7% in 2011. In 2001, our management was unable to agree on the final contract amount for a construction project completed with one of our customers. Such disputes were eventually concluded in 2011 such that our Group was able to recover HK\$10.6 million revenue in relation to works completed for the construction contract. In view of the fact that all expenses in relation to the construction project was fully reflected in the years incurred, the recovery of HK\$10.6 million net income has therefore drove up the overall gross profit margin. If such revenue is excluded, the gross profit margin for the three months ended 30 June 2011 would be reduced to 3.4%. Upon the conclusion of the proceeding, it is therefore expected that the gross profit margin would decrease subsequently.

- (2) Gross profit margin was higher during the three months ended 30 June 2010 and 30 June 2011 when compared with the three years ended 31 March 2011 mainly because more work orders happened to be completed in the first half of 2010 and 2011, which allowed our Group to dilute the fixed cost of sales, including mainly the operation of the management team for each project. As a result, our Group was able to obtain a higher margin for these work orders. Moreover, our Group’s property maintenance income generally comprises projects with a large number of works orders of varying amounts; revenue of each works orders was recognised based on estimation of the management at the end of each reporting period. Upon detailed assessment carried out by the customers, the actual value of completed works orders may be higher or lower than our management’s estimation and such difference will be recognized as revenue (or reversal) in the year of which the completed works orders are assessed. As a result, our Group’s profit margin may be affected accordingly.
- (3) Gross profit margin increased significantly from approximately 8.1% in 2009 to approximately 37.2% in 2010 because our Group was required to complete the contract work under tight project schedule for the high-end fitting-out projects for an international casino gaming resort in Singapore. We were therefore in a better position to bargain for higher margin.

SUMMARY

During the Track Record Period, our revenue derived from the three major business segments has become more evenly distributed with each segment representing around 30% of our total revenue during the year ended 31 March 2011 and the three months ended 30 June 2011 as opposed to 54.8% and 49.7% of total revenue from the sector of property maintenance for the year ended 31 March 2009 and 2010 respectively. The increasing proportion of revenue derived from the fitting-out segment has contributed favourably to our overall profit margin because the fitting-out projects are in general more profitable.

Going forward, we shall draw on our established network and reputation and continue to focus on the three existing markets, namely Hong Kong, Macau and Singapore, by actively participating in the tendering of contracts. Meanwhile, we would strive to pursue any business opportunities in the potential countries in Asia, in particular, the PRC, Cambodia and Doha. Our Group presently intends to establish associate companies in the PRC, Cambodia and Doha in 2012, including but not limited to office setup and business development. As at the Latest Practicable Date, our Directors do not have any concrete plan for such expansion.

Summarised below is the table reconciling the aggregate contract value of the projects backlog at the beginning and end of each year, contract value of new projects and the amounts of revenue recognized during the Track Record Period:

	Accumulated number of projects	Contract value at the beginning of the year/ period <i>HK\$ Million</i>	Accumulated recognized revenue in previous years/periods <i>HK\$ Million</i>	This year/ period revenue recognized <i>HK\$ Million</i>	Remaining contract value at the end of the year/ period <i>HK\$ Million</i>
Newly acquired projects	25	679.6	—	172.9	506.7
Backlog projects	38	1,601.2	907.1	286.6	<u>407.5</u>
As at 31 March 2009					<u><u>914.2</u></u>
Newly acquired projects	19	592.2	—	57.1	535.1
Backlog projects	63	2,280.8	1,366.6	579.5	<u>334.7</u>
As at 31 March 2010					<u><u>869.8</u></u>
Newly acquired projects	29	678.6	—	242.5	436.1
Backlog projects	82	2,873.0	2,003.2	492.2	<u>377.6</u>
As at 31 March 2011					<u><u>813.7</u></u>
Newly acquired projects	2	55.3	—	—	55.3
Backlog projects	111	3,551.6	2,737.9	111.1 ⁽¹⁾	<u>702.6</u>
As at 30 June 2011					<u><u>757.9</u></u>

SUMMARY

Note:

1. The amount excluded the approximately HK\$10.6 million revenue recovered from the conclusion of a proceeding in relation to works completed for a construction contract in 2001.

Out of the 113 accumulated projects as at 30 June 2011, 16 of them were still in progress as at the Latest Practicable Date.

A number of our Group’s projects are expected to be completed by 31 December 2012, constituting approximately 72.8% of the remaining contract value as at 30 June 2011 of approximately HK\$0.8 billion. Major projects to be completed by 2012 include but not limited to reprovisioning of Wo Hop Shek Crematorium, the project relating to erection of a 5-storey apartment in Singapore, the fitting-out project for an international gaming resort in Singapore, the fitting-out project for a shopping mall in Tsim Sha Tsui. Our Group will continuously keep track of the tender availability and actively participate in the tendering of contracts in Hong Kong, Macau and Singapore so as to secure new project works.

Profit margin in Hong Kong and Singapore

During the Track Record Period, the overall profit margin for our Group’s operation in Singapore was higher than that in Hong Kong or elsewhere.

The reason for the higher profit margin for operations in Singapore during the Track Record Period was that we had been engaged in several luxurious and high-end maintenance and fitting-out projects for an international casino gaming resort and such contracts in general required us to complete the contract work under tight project schedule. We were therefore in a better position to bargain for higher prices, which in turn enhanced our profitability for such contracts.

Considering that the international casino gaming resort in Singapore was officially open during the Track Record Period, future demands for luxurious and high-end fitting-out works in the resort would decrease correspondingly. The completion of the resort would open up opportunities for our maintenance works, it is expected that our Group will undertake a higher portion of property maintenance projects for such resort in Singapore, which in general allow greater flexibility in terms of project schedule and thus in general yield relatively lower profit margin, as compared to fitting-out projects. The reason behind a greater flexibility in terms of project schedule for property maintenance contracts is that a contractor in general does not take full control and occupation of the project site and customers may from time to time, request for a temporary suspension of the relevant project to accommodate their own needs and thus are less likely to press for a tight schedule in a property maintenance project.

On the other hand, fitting-out projects generally require more detailed planning and coordination because of the many procedures involved such as demolition, installation of ductwork, electrical and plumbing, flooring, interior painting and furnishing. Given the higher level of complexity, fitting-out markets are less competitive in Hong Kong. Our expertise and vast experience in the industry not only enable us to engage in more luxurious and high-end fitting-out projects, but also to negotiate for a higher profit margin. As such,

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we intend to draw on our experience and proven track record to increase our market share in the fitting-out segment in Hong Kong by pursuing more business opportunities in relation to high-end fitting-out projects.

Since our Directors expect that there will be a lower proportion of fitting-out projects to be undertaken in Singapore and a comparatively higher proportion of fitting-out projects to be undertaken in Hong Kong, our Directors are of the view that the differences in profitability of operations in Singapore and Hong Kong will be getting narrower.

The performance of our Group subsequent to 30 June 2011

The unaudited revenue of our Group for the four months ended 31 October 2011 is at a similar level to that for the four months ended 31 October 2010. As several of our projects were completed in late 2010 to early 2011, our management continues to keep an eye on the development and opportunities in different business and geographical segments. During the year of 2011, we managed to secure a number of new sizable projects which would generate revenue for our Group in the second half of the year. For details of the contracts awarded to us from 1 July 2011 to the Latest Practicable Date, please refer to the section headed “Business — Contracts awarded to our Group from 1 July 2011 up to the Latest Practicable Date”.

There is slight improvement in our Group’s unaudited gross profit and gross profit margin when comparing the four months results ended 31 October 2011 with that in the same period in 2010. Such increment is mainly contributed by the higher proportion of fitting-out projects.

Taking into the combined effect of (i) a number of new sizable projects which would generate revenue for our Group in the second half of the year as mentioned above; (ii) the accounts of a number of projects were finalized with favourable revenue contribution in the four months ended 31 October 2011; and (iii) the decrease in administrative expense due to better cost control, the profit for the four months ended 31 October 2011 is slightly higher than that for the four months ended 31 October 2010.

After 31 October 2011 and up to the Latest Practicable Date, our Directors expect that there was no significant change in the number of orders/contracts or cancellation of orders/contracts from our customers to an extent that our Group’s revenue, gross profit and gross profit margin would be materially and adversely affected.

In 2011 and up to the Latest Practicable Date, our Directors noted that (i) we did not experience any default by our customer or any difficulties in obtaining bank facilities or maintaining the existing ones nor was charged an exceptionally high interest rate on the bank loan; and (ii) the recent European sovereign debt crisis did not have any significant adverse impact on the operations and financial position of our Group.

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OUR COMPETITIVE STRENGTHS

Our Directors believe that our Group possesses the following competitive strengths:

- Established operating history and proven track record
- Diversified experience and capabilities
- Penetration into potential overseas construction market
- Good relationships with customers, consulting companies, subcontractors and construction materials suppliers
- Experienced management team

OUR CORPORATE STRATEGIES

Our corporate objectives are to achieve sustainable growth in our current business and to create long-term shareholder’s value. We intend to achieve this by implementing the following corporate strategies:

- Strengthen our position in the Hong Kong market
- Further expand our business into Macau, Singapore and other potential markets
- Further expand the fitting-out business of the Group
- Enhance our brand name recognition
- Explore new construction techniques and methodologies
- Adhere to prudent financial management to ensure sustainable growth and capital sufficiency

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FINANCIAL INFORMATION

The following is a summary of our Group’s combined results for the three years ended 31 March 2011 and the three months ended 30 June 2011 extracted from the Accountants’ Report set out in Appendix I to this document. You should read the Accountants’ Report, included in Appendix I to this document, for further details.

Combined statements of comprehensive income

	Year ended 31 March			Three months ended 30 June	
	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
				(Unaudited)	
Turnover	459,455	636,651	734,719	225,127	121,706
Cost of sales	<u>(441,186)</u>	<u>(550,825)</u>	<u>(624,261)</u>	<u>180,021</u>	<u>(91,368)</u>
Gross profit	18,269	85,826	110,458	45,106	30,338
Other income	3,679	3,754	7,715	1,026	10,441
Administrative expenses	(16,205)	(33,956)	(44,375)	(8,341)	(11,102)
Fair value (decrease) increase in investment properties	(340)	1,500	(1,294)	(1,200)	—
Impairment loss recognised in respect of available-for-sale investments	—	—	(3,303)	—	—
Impairment loss recognised in respect of trade receivables	—	(3,837)	—	—	—
Finance costs	(2,804)	(2,254)	(1,290)	(305)	(351)
Gain on disposal of a subsidiary	—	—	—	—	459
Share of loss of an associate	<u>—</u>	<u>—</u>	<u>(761)</u>	<u>(140)</u>	<u>(117)</u>
Profit before taxation	2,599	51,033	67,150	36,146	29,668
Taxation	<u>(409)</u>	<u>(8,159)</u>	<u>(12,404)</u>	<u>6,067</u>	<u>(4,614)</u>
Profit for the year/period attributable to owners of the Company	<u>2,190</u>	<u>42,874</u>	<u>54,746</u>	<u>30,079</u>	<u>25,054</u>
Other comprehensive income:					
Exchange differences arising on translation of foreign operations	6	802	8,018	627	719
Reclassification adjustment for the cumulative exchange difference included in profit or loss upon disposal of foreign operation	—	—	—	—	39
Fair value gain on available-for-sale investments	<u>—</u>	<u>—</u>	<u>12</u>	<u>—</u>	<u>1,885</u>
Other comprehensive income for the year/period	<u>6</u>	<u>802</u>	<u>8,030</u>	<u>627</u>	<u>2,643</u>
Total comprehensive income for the year/period attributable to owners of the Company	<u>2,196</u>	<u>43,676</u>	<u>62,776</u>	<u>30,706</u>	<u>27,697</u>
Earnings per share					
— Basic and diluted (HK cents)	<u>0.9</u>	<u>17.2</u>	<u>22.0</u>	<u>12.1</u>	<u>10.1</u>

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Combined statements of financial position

	The Group			At 30 June 2011 HK\$'000	The Company
	2009 HK\$'000	At 31 March 2010 HK\$'000	2011 HK\$'000		At 30 June 2011 HK\$'000
Non-current assets					
Property, plant and equipment	13,054	13,361	13,455	11,017	—
Investment properties	7,500	9,000	26,714	—	—
Interest in an associate	—	1,110	426	317	—
Available-for-sale investments	—	—	9,516	11,593	—
	<u>20,554</u>	<u>23,471</u>	<u>50,111</u>	<u>22,927</u>	<u>—</u>
Current assets					
Amounts due from customers for contract work	3,915	356	12,227	12,584	—
Trade and other receivables	189,430	246,899	219,642	207,694	—
Amount due from a director	17,919	42,625	—	1,591	—
Amounts due from fellow subsidiaries	1	3	4	34	—
Amount due from an associate	—	5,881	8,146	8,310	—
Amount due from a related company	—	832	—	—	—
Pledged bank deposits	49,386	49,439	39,852	39,878	—
Bank balances and cash	39,673	51,683	64,849	36,832	—
	<u>300,324</u>	<u>397,718</u>	<u>344,720</u>	<u>306,923</u>	<u>—</u>
Investment property classified as held for sale	—	—	—	8,200	—
	<u>300,324</u>	<u>397,718</u>	<u>344,720</u>	<u>315,123</u>	<u>—</u>
Current liabilities					
Amounts due to customers for contract work	3,405	50,419	20,621	12,472	—
Trade and other payables	140,994	180,463	149,231	133,926	—
Amount due to a director	—	—	40,658	—	—
Amounts due to fellow subsidiaries	474	526	513	456	—
Amount due to a related company	973	969	963	958	—
Secured bank borrowings	85,799	50,114	79,459	54,227	—
Tax payable	488	6,449	14,391	19,224	—
Obligations under finance leases	373	89	—	—	—
Secured bank overdrafts	—	591	—	—	—
	<u>232,506</u>	<u>289,620</u>	<u>305,836</u>	<u>221,263</u>	<u>—</u>
Net current assets	<u>67,818</u>	<u>108,098</u>	<u>38,884</u>	<u>93,860</u>	<u>—</u>
Total assets less current liabilities	<u>88,372</u>	<u>131,569</u>	<u>88,995</u>	<u>116,787</u>	<u>—</u>
Non-current liabilities					
Obligations under finance leases	89	—	—	—	—
Provision for long service payments	1,408	1,010	813	906	—
Deferred tax liabilities	391	399	406	408	—
	<u>1,888</u>	<u>1,409</u>	<u>1,219</u>	<u>1,314</u>	<u>—</u>
Net assets	<u>86,484</u>	<u>130,160</u>	<u>87,776</u>	<u>115,473</u>	<u>—</u>
Capital and reserves					
Share capital	22,000	22,000	22,000	22,000	—
Reserves	64,484	108,160	65,776	93,473	—
Total equity	<u>86,484</u>	<u>130,160</u>	<u>87,776</u>	<u>115,473</u>	<u>—</u>

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AVAILABLE-FOR-SALE INVESTMENTS

During the Track Record Period, our Group had available-for-sale investments of approximately HK\$9.5 million for the year ended 31 March 2011 and HK\$11.6 million for the three months ended 30 June 2011, which comprise primarily investment in the listed shares of a listed company in Singapore, HLH Group Limited. Our Directors understand that HLH Group Limited and its subsidiaries are principally engaged in investment and development of commercial, residential and industrial properties and building construction in various countries including the Southeast Asia region. Our Directors considered that acquiring shares in HLH Group Limited and investing in Castilia (a property development company in Singapore as to 20% owned by the Group and 80% owned by HLH Group Limited) would help the Group’s expansion in Southeast Asia by leveraging the experience of HLH Group Limited in the construction business. The Group intends to hold such shares for long term investment purpose.

As at the Latest Practicable Date, the available-for-sale investments had a fair value of approximately HK\$5.3 million, representing a HK\$6.3 million decline in fair value when compared with that as at 30 June 2011. If such decline persists until the end of the reporting period ending 31 March 2012, management would recognise an impairment loss in respect of such available-for-sale investments in the end of the reporting period ending 31 March 2012.

CONTINGENT LIABILITIES

Guarantee issued

At the end of each reporting period, our Group had provided the following guarantees:

	As at 31 March			As at
	2009	2010	2011	30 June
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Guarantees in respect of performance bonds in favour of its clients	15,080	17,740	18,315	19,987
Guarantees given to banks in respect of banking facilities granted to an associate in proportion to our Group’s shareholding in the associate	—	—	14,218	14,505
	<u>15,080</u>	<u>17,740</u>	<u>32,533</u>	<u>34,492</u>

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Performance bonds were given in favour of the customers as security for the due performance and observance of our obligations under the contracts entered into between us and our customers.

Our Directors advised that, our Group would only provide guarantee(s) for any loans or banking facilities granted to Castilia, an associate of our Group, if the transaction(s) would comply with all applicable laws, rules and regulations. Our Group will continue to provide guarantees in respect of banking facilities granted to Castilia in proportion to the Group’s shareholding in such associate.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to the business of our Group; (ii) risks relating to the industry in which we operate; (iii) risks relating to Hong Kong. For more details, please refer to the section headed “Risk Factors” in this document.

Risks relating to the business of our Group

- Our cash flows may fluctuate due to the payment practice applied to our projects
- We rely on a limited number of major customers
- We are exposed to construction dispute or litigation
- Our Group’s business is project-based. Fee collection and profit margin depend on the terms of the work contract and may not be regular
- Our revenue is mainly derived from projects which are not recurring in nature
- Failure to implement safety measures on construction sites may lead to occurrence of personal injuries, property damages or fatal accidents
- Our Group’s operations are subject to due compliance with the Minimum Wage Ordinance
- We have contingent liabilities involving uncertainty as to possible loss to our Group
- We may suffer significant impairment loss for our available-for-sale investments

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- Failure to meet schedule requirements of contracts may result in liquidated damages imposed on our Group
- Our Group’s success significantly depends on the key management and its ability to attract and retain additional technical and management staff
- Our Group determines the tender price based on the estimated time and costs involved in a project which may deviate from the actual time and costs involved
- Our Group’s projects with the private sectors in Hong Kong is subject to higher inflation risk
- The works of our projects are labour intensive and we rely on a stable supply of labour to carry out our projects
- Our Group’s operations could be affected by adverse weather conditions and are subject to other construction risks
- Our labour may launch industrial action or strikes to demand higher wages and shorter working hours
- The trend of our historical financial information may not necessarily reflect our financial performance in future
- Our Group is relying on certain principal subcontractors to implement the contracts
- We may not be able to operate successfully in overseas markets
- There is no assurance that we are able to maintain our eligibility to tender public works of the Government
- There is no guarantee that progress payment is paid to us on time and in full, or that retention money is fully released to us after the expiry of the defect liability period
- We depend on our subcontractors to complete our projects
- Lack of mortgagees’ consent

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Risks relating to the industry in which we operate

- We face keen competition
- Our Group’s operations are subject to due compliance with a number of environmental protection laws, regulations and requirements
- Our Group’s business could be adversely affected by the Government’s level of spending on public works
- Our Group’s business is subject to a number of licences, approvals and qualifications
- The global financial crisis had negative repercussions on the global economy

Risks relating to Hong Kong

- The state of economy in Hong Kong
- The state of political environment in Hong Kong

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LITIGATION, ARBITRATION AND POTENTIAL CLAIMS

During the Track Record Period and as at the Latest Practicable Date, our Group had been or is involved in a number of claims, litigations, arbitrations and potential claims against our Group which can be categorised into (i) wage claims by employees of subcontractors; (ii) employees’ compensation claims and personal injuries claims against our Group by the subcontractors’ employees and our Group was joined as a defendant in the capacity as a main contractor; (iii) subcontractors’ claims against our Group; (iv) miscellaneous claims against our Group and (v) criminal convictions. Set out below are the details of the outstanding and potential claims, litigations, arbitration claims against our Group as at the Latest Practicable Date (the “Claims”) and the material claims and litigations against our Group settled (whether by way of court judgment or settlement) during the Track Record Period and up to the Latest Practicable Date:

I. Outstanding claims, litigations, arbitration claims against our Group as at the Latest Practicable Date

Please see the table below summarising the outstanding claims against our Group as at the Latest Practicable Date:

Category of claims	No. of claims	Total amount involved for the outstanding claims (approximately HK\$)	Covered by insurance or recovered from subcontractors
Employees’ compensation claims & personal injuries claims by the subcontractors’ employees and our Group was joined as a defendant in the capacity as a main contractor	4	Not available (Note)	All the claims are covered by insurance
Subcontractors’ claims	3	22,299,000	None of the claims is covered by insurance or recoverable from subcontractors
Miscellaneous claim	1	940,000	Not covered by insurance

Note: The employees’ compensation claims and personal injuries claims under this category were covered by insurance. The claims are dealt with and handled by the insurers and our Group does not have the amount involved under the claims.

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During the Track Record Period, the outstanding claims have made us to expend legal costs of approximately HK\$112,800, HK\$3,600,000, HK\$1,093,850 and HK\$nil for the three years ended 31 March 2011 and the three months ended 30 June 2011, respectively. The amount expensed during each reported accounting period over the Track Record Period represented approximately 4.3%, 7.1%, 1.6% and nil% respectively, of our audited profit before taxation for the respective periods.

(1) Employees' compensation claims and personal injuries claims by the subcontractors' employees and our Group was joined as a defendant in the capacity as a main contractor

As at the Latest Practicable Date, there were four outstanding personal injuries cases made against our Group. All claims were related to bodily injuries made by the employees of our subcontractors who alleged to have suffered from injuries on the ground that our Group (the deemed employer of those employees of our subcontractors by operation of law) failed to provide a safe working condition or environment or to provide suitable tools or equipment to them during their course of employment in our construction sites. Our Directors confirm that these injuries generally arose from two major causes, (1) accidents; and (2) failure by subcontractors to take adequate steps to ensure safety of employees. For the safety guidance issued by our Group, please refer to the paragraph headed “Control Over Subcontractors — Safety guidelines issued by our Group to employees of subcontractors of all tiers” of the section headed “Business” of this document.

(2) Subcontractors' claims

These claims comprised of three outstanding claims. In these claims, our Group counterclaimed a total sum of approximately HK\$6,689,000. None of these claims is covered by insurance or recoverable from the subcontractors, the Controlling Shareholders will indemnify our Group against any settlement of those claims, if any.

These three claims against our Group were related to works done and delivered by our subcontractors and arisen from the fact that parties had different views and interpretation of certain documents exchanged e.g. work orders, invoices etc. or agreements entered between the parties.

Two of the said three subcontractors' claims are inactive. The aggregate amount claimed (excluding interest and cost) is approximately HK\$19.99 million and our Group counterclaimed approximately HK\$5.65 million in total.

One of the claim has been inactive since 2001 (which the plaintiff is in liquidation), the legal advisers to our Company as to litigation in Hong Kong have written to the official receiver appointed for the liquidation of the plaintiff to seek its consent to dismissal or discontinuation of the claim and the official receiver required certain information and documents of the action to facilitate its consideration as at the Latest Practicable Date. The legal advisers to our Company as to litigation in Hong Kong advised that, in view of the excessive delay on the proceedings of the claim, there

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was reasonable chance that, on our application, the Court would dismiss the claim for want of prosecution (i.e. the plaintiff had unreasonably neglected to proceed in the action or otherwise delayed the prosecution of an action) or undue delay.

The other claim has been inactive since 2002 (which the plaintiff was struck off the register of companies), the legal advisers to our Company as to litigation in Hong Kong advised that, since the plaintiff was already struck off the register of companies, to proceed to apply for dismissal, the plaintiff has first to be restored to the register. However, pursuant to s.291(7) of the Companies Ordinance, the application of restoration of struck-off companies have to be made to the court by the company itself or its creditors or members feeling aggrieved by the company being struck off. As such, the application for dismissal cannot be made.

In relation to the remaining subcontractor’s claim, the subcontractor claimed for costs of construction work done for the Group in the sum of approximately HK\$2.31 million (excluding interest and cost). The Group filed a defence and counterclaim for approximately HK\$1.04 million being costs of materials and subcontractors supplied to the plaintiff and for rectifying the defective works of the plaintiff. The parties tried to resolve the dispute through mediation on 5 August 2011 but with no success. The parties will then exchange provisional without-prejudice reports. The legal advisers to our Company as to litigation in Hong Kong advised that we have a good chance to contest the plaintiff’s claim and succeed in our counterclaim and recover our cost in the claim.

(3) Miscellaneous Claims

In respect of the outstanding miscellaneous claim against the Group, it relates to a claim brought by the plaintiff as employer and the Group as contractor for wrongful occupation of the site. The plaintiff claimed approximately HK\$0.94 million as damages for trespass and damages for delay caused to the development and costs. As at the Latest Practicable Date, the plaintiff has not proceeded further since 1997. Furthermore, the plaintiff was dissolved in 2007. Wan Chung Construction has instructed the legal advisers to our Company as to litigation in Hong Kong to proceed with dismissal. The legal advisers to our Company as to litigation in Hong Kong advised that, since the plaintiff was already dissolved and the liquidator had already ceased to act for it, the court documents cannot be served on the plaintiff and thus the dismissal cannot be made. This claim is not covered by insurance, the Controlling Shareholders will indemnify the Group against any settlement of this claim, if any.

The Directors advised that the dispute arose because of the parties’ different interpretation of the terms of a termination agreement in relation to deadline for evacuation of the Group’s subcontractor’s equipments on the construction site.

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II. Potential claims, litigations, arbitration claims against our Group as at the Latest Practicable Date

(1) *Employees’ compensation claims and personal injuries claims by the subcontractors’ employees and the Group was joined as a defendant in the capacity as a main contractor*

As confirmed by our Directors, as at the Latest Practicable Date, there are currently eleven potential claims which the injured employees of the sub-contractor are still on sick leave for their injuries and one potential claim which a third party was injured on premises that our Group was the contractor which might attract liabilities under common law and/or occupiers’ liability (as our Group is in charge of the project going on at the premises). These twelve injured have not yet commenced their claims for employee’s compensation or personal injuries claims under common law against our Group as at the Latest Practicable Date, which cases are within the limitation period of 3 years from the date of the relevant incidents. As such injured person have not yet filed claims with particulars and the claims, when filed will be handled by solicitors appointed by the insurers, we are not in a position to assess the likely quantum of such potential claims. In any event, our Group has insurance cover for its liabilities of all these incidents and as at the Latest Practicable Date, notices of the accidents have been given to the insurers. For the eleven cases which the injured were deemed employees of our Group, they would be fully covered by the mandatory insurance. For the other case involving a third party, it would be covered by the insurance subject to a policy excess.

Our Directors confirm that these injuries generally arose from two major causes, (1) accidents; and (2) failure by subcontractors to take adequate steps to ensure safety of employees. For the safety guidance issued by our Group, please refer to the paragraph headed “Control Over Subcontractors — Safety guidelines issued by our Group to employees of subcontractors of all tiers” of the section headed “Business” of this document.

(2) *Miscellaneous Claims*

As confirmed by our Directors, as at the Latest Practicable Date, there are three potential miscellaneous claims against our Group, which are covered by insurance subject to a policy excess.

In one potential claim, which Wan Chung Construction is the main contractor for the re-provision work for the Government. Water was flooded into the construction site and properties/works in the construction site due to a rainstorm in 2011 which was completed by a re-provision sub-contractor and was part of the permanent works under the contract were damaged (the “Damage”). Our Directors confirm that the Damage is under the coverage of an insurance policy, subject to a policy excess of HK\$300,000.

In relation to the other two potential miscellaneous claims against our Group, they relate to loss of cables due to theft and damage of the wall by using hand-held electric breaker. Our Group has insurance cover for its liabilities of such incidents and as at the Latest Practicable Date, notices of incidents have been given to the insurers.

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Our Directors confirm that these incidents arose either because of acts of god or accidents.

For details of the outstanding and potential claims against our Group as at the Latest Practicable Date, please refer to the paragraph headed “2. Litigation” under the sub-section headed “E. Other Information” of Appendix V in this document.

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

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, all claims, payments, suits, damages, settlements payments and any associated costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature against any member of our Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of our Group on or before the [●]. As at the Latest Practicable Date, assuming all the outstanding claims against the Group as referred to in this document (excluding the employees’ compensation/personal injuries claims against the Group which are covered by insurance and the amounts claimed are not available as the claims are dealt with by the insurers) are successfully made against the Group at the amount so claimed, which mainly consist of three claims inactive with a total amount involved of approximately HK\$20.9 million since 1997, 2001 and 2002 respectively, the Directors estimate that the maximum liabilities in respect of such outstanding claims against the Group is approximately HK\$23.2 million.

In view of: (1) for employees’ compensation claims & personal injuries claims by the subcontractors’ employees and the Group was joined as a defendant in the capacity as a main contractor, all the claims are covered by insurance; (2) for the subcontractor claims, the cases are either (i) in view of the excessive delay on the proceedings of the claims there was reasonable chance that, on our application, the Court would dismiss the claims for want of prosecution (i.e. the plaintiff had unreasonably neglected to proceed in the action or otherwise delayed the prosecution of an action) or undue delay; or (ii) dismissal cannot be made; or (iii) the Group having a good chance to contest the plaintiff’s claim and succeed in our counterclaim and recover our cost in the claim; (3) for miscellaneous claims, the cases are either dismissal cannot be made or covered by insurance; and (4) the Controlling Shareholders will indemnify the Group against any settlement of those claims as set out in the table above which are neither covered by insurance nor recoverable from subcontractors, the Directors are of the view that the Claims have no material financial and operational impact on our Group. No provisions were made during the Track Record Period for the Claims.

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III. Material claims and litigations against our Group settled (whether by way of court judgment or settlement) during the Track Record Period and up to the Latest Practicable Date

Please see the table below summarising the settled claims against our Group during the Track Record Period and up to the Latest Practicable Date:

Category of claims	No. of claims	Nature/reason of claims	Total amount settled <i>(approximately HK\$)</i>	Covered by insurance or recovered from subcontractors
Wage claims by employees of subcontractors	3	These claims were claims by employees for outstanding wages	441,000	None of the claims was covered by insurance or recovered from subcontractors
Employees' compensation claims & personal injuries claims	20	Sixteen claims were common law claims/employees' compensation claims by the subcontractors' employees for personal injuries and four claims for personal injuries which were settled before commencement of the legal proceedings	7,644,000	Among the total amount of approximately HK\$7,644,000 settled approximately HK\$33,000 was recovered from the subcontractors and approximately HK\$7,611,000 was fully covered by insurance
Subcontractors' claim	1	One claim for costs of construction work done by the subcontractor	Nil	Not applicable as the claim was dismissed by court
Miscellaneous claims	3	One claim for compensation for repainting costs, the other claim for damages due to water leakage and the remaining claim for damages to a private car respectively	71,000	All the claimed amounts were recovered from subcontractors
Criminal convictions	15	Thirteen convictions were made against the Group pursuant to the Construction Sites (Safety) Regulations, one conviction was made against the Group pursuant to the Fixed Penalty (Traffic Contravention) Ordinance and one conviction was made against the Group pursuant to the Noise Control Ordinance	124,000	Except for a conviction under the Fixed Penalty (Traffic Contravention) Ordinance which was not related to subcontractor, all fines were recovered from the subcontractors

SUMMARY

During the Track Record Period, we have paid approximately HK\$442,120, HK\$nil, HK\$48,000 and HK\$nil respectively in respect of the litigations and arbitrations of our Group for settlement and these claims have made us to expend legal costs of approximately HK\$126,000, HK\$4,492,000, HK\$1,522,000 and HK\$nil for the three years ended 31 March 2011 and the three months ended 30 June 2011, respectively.

(1) Wage claims by employees of subcontractors

During the Track Record Period and up to the Latest Practicable Date, there were three wage claims which were settled by our Group at an aggregate sum of approximately HK\$441,000. As advised by our Directors, the settlement sums were not recovered from the subcontractors because of the financial difficulties of the relevant subcontractors.

Our Directors confirm that these wage claims arose due to outstanding wages of workers by the subcontractors of our Group and our Group were sued because of its capacity as the main contractor. These wage claims generally arose from two major causes, (1) financial liquidity issue of the relevant subcontractors; and (2) disagreements as to the amount of wages between the workers and the subcontractors of our Group.

(2) Employees' compensation claims and personal injuries claims by the subcontractors' employees and the Group was joined as a defendant in the capacity as a main contractor

During the Track Record Period and up to the Latest Practicable Date, there was one worker's personal injuries claim and one personal injuries claim by a third party settled by our Group at the aggregate sum of approximately HK\$33,000, which was recovered by our Group from the sub-contractors.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, there were 18 employees' compensation/personal injuries claims settled (whether by way of court order or settlement) which were fully covered by insurance and insurer's confirmations have been obtained that the relevant cases have been fully settled without any claim against our Group.

Our Directors confirm that these injuries generally arose from two major causes, (1) accidents; and (2) failure by subcontractors to take adequate steps to ensure safety of employees. For the safety guidance issued by our Group, please refer to the paragraph headed “Control Over Subcontractors — Safety guidelines issued by our Group to employees of subcontractors of all tiers” of the section headed “Business” in this document.

SUMMARY

(3) Subcontractors' claim

During the Track Record Period and up to the Latest Practicable Date, there was one subcontractors' claim which had been inactive since 1997. The claim was dismissed by the court upon our Company's application for want of prosecution (i.e. the plaintiff had unreasonably neglected to proceed in the action or otherwise delayed the prosecution of an action) and/or abuse of process of the court on 23 November 2011.

Our Directors confirm that the claim was related to work done and delivered by our subcontractor and arisen from the fact that parties had different views and interpretation of certain documents exchange e.g. work orders, invoices etc.

(4) Miscellaneous claims

During the Track Record Period and up to the Latest Practicable Date, there were three miscellaneous claims which were settled by our Group at the total sum of approximately HK\$71,000. The said sum was later recovered by our Group from the subcontractors. The three cases were related to (i) compensation for repainting costs due to dropped off paints from the ceiling; (ii) leakage of water into claimant's shop; and (iii) damage to the claimant's car due to dropped off paints.

Our Directors confirm that these cases generally arose because of accidents.

(5) Criminal convictions

During the Track Record Period and up to the Latest Practicable Date, Wan Chung Construction were convicted for fifteen criminal litigations, which include, inter alia, failure to take adequate steps to prevent a person on the site from falling and failure to ensure workmen to wear suitable safety helmets. The criminal convictions were all monetary penalty and such convictions were made against the Group but not against the Directors nor the senior management of the Group personally. Our Group was fined approximately HK\$124,000 in total, among which, except for a conviction under the Fixed Penalty (Traffic Contravention) Ordinance which was not related to our Group's subcontractors, all fines had been recovered by our Group from the subcontractors. Our Directors confirm that all these convictions, except for the conviction under the Fixed Penalty (Traffic Contravention) Ordinance were made against our Group in its capacity as a main contractor. It is the Group's policy that our Group will claim the relevant subcontractor for the settled amount in case of non-compliance of the relevant safety, health and environmental standards by workers of subcontractor.

Our Directors confirm that these convictions generally arose because of the relevant workers not following the safety guidance issued by our Group. For the safety guidance issued by our Group, please refer to the paragraph headed “Control Over Subcontractors — Safety guidelines issued by our Group to employees of subcontractors of all tiers” of the section headed “Business” in this document.

SUMMARY

IV. Precautionary and rectification measures taken by our Group in respect of each category of claims

With an aim to continuously reduce the number of claims against our Group, our Group has taken the following precautionary and rectification measures in respect of each category of claims.

(1) Wage claims by employees of subcontractors

Our Group formally adopted a wages monitoring plan in 2006 which sets out the following major measures:

An electronic recording system is in general installed at the entrance/exit gate of construction sites to record the attendance of each worker at construction sites (including employees of subcontractors of all tiers) in order to avoid dispute between our subcontractors and us in respect of amount of wages paid to employees of subcontractors. If such electronic device is not installed at construction sites, a logbook will be used for recording the attendance of each worker.

We take a pro-active approach in identifying potential wage claim at early stage. Enquires/complaint hotline is in general displayed at the construction sites in prominent places such that wages dispute could be resolved without resort to court procedures. Our project team members in general conduct surprise visit monthly to construction sites to interview employees of subcontractors to check if there is any incident of outstanding wages accrued by the relevant subcontractors. If complaints are frequently made against a particular subcontractor, we may consider removing such subcontractors from our approved list of subcontractors.

We also require our subcontractors to submit the proofs of actual wages payment at the time of their submitting the application for payment of works done to make sure that they pay their employees punctually.

(2) Employees' compensation claims & personal injuries claims by the subcontractors' employees and our Group was joined as a defendant in the capacity as a main contractor

At operation level, there is a SHE Department which consists of 17 staff as at the Latest Practicable Date. Most of them are either registered safety officers approved by the Labour Department of the Government or attained diploma in discipline of the occupational health and safety discipline.

We also display safety guidelines in prominent places of construction sites and communicate such guidelines to the employees of our subcontractors of all tiers via training sessions which are generally held every two weeks.

Our project safety officer from the SHE Department will in general carry out weekly safety inspection. Also, the project manager will in general carry out monthly safety inspection at the construction sites. Once deficiency is found, the relevant subcontractors are required to rectify them within our specified time and we will record

SUMMARY

it accordingly. Such record will be taken into account when determining whether such subcontractor could be retained on our approved list of subcontractors. Depending on the seriousness of the deficiency, a warning notice or work suspension notice may be issued to relevant subcontractors.

If a work suspension notice is issued to a subcontractor, the project safety officer will notify the incident to Mr. So Kwok Lam, our executive Director and Mr. Tang Wai Hung, the assistant director of Wan Chung Construction immediately. Works to be performed by such subcontractor will be suspended until the deficiency is rectified to the satisfaction of the SHE Department.

If an accident occurs at construction sites, our project safety officer will in general carry out investigation and prepare an incident investigation report setting out the direct causes of the accident, the underlying causes of the accident, the corrective action plan and the status of the follow-up actions. The record of accident will be taken into account when determining whether such subcontractors could be retained of our approved list of subcontractors.

At the policy formulation level, a safety, health and environmental management committee has been set up in 2008 to oversee our Group’s safety management system and to ensure our Group’s compliance of the relevant safety, health and environmental requirements and standards. Such committee in general holds meeting quarterly.

(3) Subcontractors’ claims

Our Group has put in place a subcontractor management plan since 2006 pursuant to which we select subcontractors following a number of objective criteria including but without limitation the subcontractor’s reputation in the construction industry, its past performance in projects with us, its financial status based on its latest audited financial report, bank statement or documents registered with the Registrar of Companies in Hong Kong, its management capability and technical resources background. Our Directors believe that engaging subcontractors with good reputation in the construction industry and satisfactory performance in projects with our Group is one of the means to avoid subcontractors’ claims against our Group.

Most of the subcontractors’ claims are related to costs of subcontracting works done by subcontractors. Our Directors believe that the best precautionary measure is to enter into subcontracting agreements which set out clearly, among other things, the subcontracting rates/price and rights and obligations of the parties. We strive to avoid uncertainty or ambiguity in contract terms to avoid arguments or disputes. When necessary, we seek legal advice in the preparation of the subcontracting agreement.

If we are aware of any potentials dispute with subcontractors, our senior project team members will in general have meetings with the senior members of the relevant subcontractors with an aim to resolve the potential disputes at early stage. Given the aforesaid approach in handling potential disputes with subcontractors, our Group has been able to avoid subcontractors’ claims in recent years. As confirmed by our Directors, there is no subcontractors’ claims taken against our Group during the Track Record Period.

SUMMARY

(4) Criminal convictions

The criminal convictions against our Group generally arose because of the relevant workers of subcontractors not following the safety guidelines issued by our Group. The criminal convictions were all monetary penalty and such convictions were made against our Group but not against our Directors nor the senior management of our Group personally. Our Directors believe that the most effective way to ensure their compliance of the safety guidelines issued by our Group is to change their working attitude and behaviour.

In such connection, a behaviour observation approach has been adopted in a property maintenance project as pilot scheme since late 2009 with an aim to identify and correct the misbehaviour of construction workers. Training courses on behaviour observation had been provided to managerial and supervisory staff for adopting such approach.

Under such approach, once misbehaviour of a construction worker such as failure to wear safety helmets, taking unsafe access, etc is found, individual coaching by our project team members who have received training on the behaviour observation approach will be arranged to correct such misbehaviour.

(5) Miscellaneous claims

As confirmed by our Directors, the cause of miscellaneous claims in general arose because of accidents or acts of god, which are beyond the control of our Group.

As such, our Group does not put in place any specific precautionary measures against unforeseeable or individual incidents.

Our Group has put in place measures/systems for the its work safety, quality control, environmental protection and internal control. Our Directors are of the view that, the measures and systems of our Group in place for its work are adequate and effective because of the following reasons:

- (i) that it is not uncommon for a main contractor in the construction industry in Hong Kong to face a relatively large number of litigation cases;
- (ii) that there is in general a decreasing trend regarding the number of litigation search records of Wan Chung Construction in recent three years;
- (iii) the internal control measures over subcontractors taken by Wan Chung Construction;
- (iv) that our Group has taken out insurance policies in line with the industry practice;
- (v) the successful renewal of licences by Wan Chung Construction;
- (vi) that Wan Chung Construction has never been subject to any regulatory action by WBDB and the Housing Authority for the past ten years, i.e. since 2001;

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SUMMARY

- (vii) that the accident rate and fatality rate of Wan Chung Construction are lower than that of the Hong Kong construction industry average, and in particular that the Group has not encountered any fatal construction accidents during the Track Record Period and up to the Latest Practicable Date;
- (viii) the work safety control, quality control, environmental management system and internal control of the Group which are currently in place, and
- (ix) the management’s dedication to work safety.

For details, please refer to the sub-paragraph headed “Litigation, Arbitration and Potential Claims — V. Overview of litigations against us and our measures in place” of the section titled “Business” in this document.

DEFINITIONS

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

“affiliate”	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
“Articles” or “Articles of Association”	the articles of association of our Company (as amended from time to time), a summary of which is set forth in Appendix IV to this document
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“BVI Company 1”	Prosper Ace Investments Limited, a company incorporated in the BVI with limited liability on 28 April 2011 and a direct wholly-owned subsidiary of our Company
“BVI Company 2”	Magic Choice Holdings Limited, a company incorporated in the BVI with limited liability on 28 April 2011 and an indirect wholly-owned subsidiary of our Company
“BVI Company 3”	Vigor Yield Limited, a company incorporated in the BVI with limited liability on 28 April 2011 and an indirect wholly-owned subsidiary of our Company
“BVI Company 4”	Virtue Dynamic Limited, a company incorporated in the BVI with limited liability on 28 April 2011 and an indirect wholly-owned subsidiary of our Company
“BVI Company 5”	Wonder Success International Limited, a company incorporated in the BVI with limited liability on 28 April 2011 and an indirect wholly-owned subsidiary of our Company
“BVI Company 6”	Samba Sky Investments Limited, a company incorporated in the BVI with limited liability on 6 April 2011 and an indirect wholly-owned subsidiary of our Company
“BVI Holding Company”	Smart Tactics Group Limited, a company incorporated in the BVI on 28 April 2011 with limited liability, our Controlling Shareholder and is wholly-owned by Mr. Wong
“Castilia”	Castilia Development Pte. Ltd., a company incorporated in Singapore with limited liability on 12 December 2007 and an associate of our Company

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DEFINITIONS

“Companies Law” or “Cayman Companies Law”	the Companies Law (2011 Revision) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”	Vision Fame International Holding Limited (允升國際控股有限公司) (formerly known as Vision Fame International Holding Ltd.), an exempted company incorporated in the Cayman Islands with limited liability on 31 May 2011
“Controlling Shareholders”	in the case of our Company, means Mr. Wong and BVI Holding Company
“Deed of Indemnity”	the deed of indemnity dated 19 December 2011 and executed by our Controlling Shareholders in favour of our Company, particulars of which are set out in the section headed “Other information — Tax and other indemnities” in Appendix V to this document
“Deeds of Non-competition”	the deeds of non-competition dated 19 December 2011 and executed by Mr. Wong and BVI Holding Company, respectively in favour of our Company, particulars of which are set out in the section headed “Relationship with Controlling Shareholders — Non-competition undertaking” in this document
“Director(s)” or “our Directors”	the director(s) of our Company
“Gazette”	The official publication of the Government for, among other things, statutory notices for public tenders
“Government”	the government of Hong Kong
“Group”, “we”, “our” or “us”	our Company and its subsidiaries at the relevant time or, where the context refers to any time prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries and the businesses carried on by such subsidiaries or (as the case may be) our predecessors, and “we”, “our” or “us” shall be construed accordingly
“HK\$” and “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards

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DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected with any Directors, chief executive or substantial shareholders, of our Company, its subsidiaries or any of their respective associates
“Latest Practicable Date”	23 December 2011, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document prior to its publication
“Macau”	the Macau Special Administrative Region of the PRC
“Memorandum of Association”	the memorandum of association of our Company adopted on 19 December 2011
“MOP” or “Pataca”	Macau Pataca, the lawful currency of Macau
“Mr. Wong”	Mr. Wong Law Fai (黃羅輝), a Hong Kong resident, an executive Director and our Controlling Shareholder
“PRC” or “China”	中華人民共和國 (The People’s Republic of China). Except where the context requires otherwise, and for the purpose of this document only geographical references in this document to the PRC or China exclude Hong Kong, Macau and Taiwan
“Regent Pacific”	Regent Pacific Investments Limited, a company incorporated in the BVI with limited liability on 18 August 1995 and a private company wholly-owned by Mr. Wong throughout the Track Record Period and up to the Latest Practicable Date
“Reorganisation”	the corporate reorganisation of our Group prior to the issue of this document, details of which are set out in the paragraph headed “Corporate Reorganisation” in Appendix V to this document
“S\$” or “SGD”	Singapore dollar(s), the lawful currency of Singapore
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 19 December 2011
“SHE Department”	the safety, health and environmental department of our Group

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DEFINITIONS

“Singapore”	The Republic of Singapore
“Subsidiary(ies)”	has the meaning ascribed thereto under the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto under the [●]
“Track Record Period”	the period comprising the three years ended 31 March 2011 and the three months ended 30 June 2011
“US” or “United States”	the United States of America
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the US
“Wan Chung Construction”	Wan Chung Construction Company Limited (宏宗建築有限公司), a company incorporated in Hong Kong with limited liability on 14 May 1982 and an indirect wholly-owned subsidiary of our Company
“Wan Chung (Macau)”	Wan Chung Engineering (Macau) Company Limited (宏宗工程(澳門)有限公司) (Wan Chung Engenharia (Macau) Limitada), a company incorporated in Macau with limited liability on 7 September 2005 and an indirect wholly-owned subsidiary of our Company
“Wan Chung (Singapore)”	Wan Chung Construction (Singapore) Pte. Ltd., a company incorporated in Singapore on 20 November 2008 and an indirect wholly-owned subsidiary of our Company
“Wan Chung Interior Design”	Wan Chung Interior Design Co., Limited (宏宗室內設計有限公司), a company incorporated in Hong Kong with limited liability on 2 January 1998 and an indirect wholly-owned subsidiary of our Company
“Wan Chung Investments”	Wan Chung Investments Pte. Ltd., a company incorporated in Singapore on 22 December 2010 and a private company wholly-owned by Wan Chung (Singapore) prior to the Reorganization

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DEFINITIONS

“Wan Chung Property”	Wan Chung Property Company Limited (宏宗置業有限公司) (formerly known as Clever Wisdom Investment Limited (方傑投資有限公司)), a company incorporated in Hong Kong with limited liability on 28 February 1991 and an indirect wholly-owned subsidiary of our Company
“sq. m.” or “m ² ”	square metres
“%”	per cent.

Unless the context requires otherwise, translation of US\$, MOP and S\$ is made in this document, for illustration purpose only, at the rates of US\$1.00 = HK\$7.80, MOP1.00 = HK\$0.95 and S\$1.00 = HK\$6.01 respectively.

No representation is made that any amount in US\$, MOP and S\$ could have been or could be converted at the above rates or at any other rates or at all.

For ease of reference, the English translation of a Chinese company name, or vice versa, has been provided for identification purpose only.

GLOSSARY OF TECHNICAL TERMS

“Air Pollution Control Ordinance”	Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Architectural Services Department”	the Architectural Services Department of the Government
“building construction”	building construction mainly involves engineering construction of substructure and superstructure of building structural frames and external building envelopes constructed either by reinforced concrete facades, curtain walling, metal cladding and/or marble facades with external architectural features, fins and sun-breakers. It also provides the buildings with internal fitting-out works, interior decoration works and accommodation facilities such as provisions of building services, electrical and mechanical installation, plumbing and drainage discharge systems, external landscaping hard and soft works, underground utilities services and community services
“Buildings Department”	Buildings Department of the Government
“Buildings Ordinance”	Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“CAGR”	Compound annual growth rate
“Census and Statistics Department”	Census and Statistics Department of the Government
“Contractor List”	the List of Approved Contractors for Public Works which comprise contractors who are approved for carrying out public works in one or more of the five major categories of building and civil engineering works, i.e. “Buildings”, “Port Works”, “Roads & Drainage”, “Site Formation” and “Waterworks” (認可公共工程承建商名冊). It is administered by the Professional Services Section, Development Bureau. The Development Bureau makes additions, deletions, alterations or amendments as appropriate to the Contractor List from time to time
“Dumping at Sea Ordinance”	Dumping at Sea Ordinance (Chapter 466 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Electrical and Mechanical Services Department”	Electrical and Mechanical Services Department of the Government

GLOSSARY OF TECHNICAL TERMS

“Electrical Contractor Licence”	the certificate of registration issued by the Director of Electrical and Mechanical Services pursuant to regulation 11 of the Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong)
“Employees’ Compensation Ordinance”	Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Employment Ordinance”	Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Environmental Impact Assessment Ordinance”	Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Environmental Protection Department”	Environmental Protection Department of the Government
“ETWB”	Environment, Transport and Works Bureau of the Government (環境運輸及工務局), formerly a policy bureau of the Government, certain duties of which are now taken over by Environment Bureau, Transport and Housing Bureau and Development Bureau following the reorganization of the Policy Bureaux and Government Secretariat
“ETWB Handbook”	Contractor Management Handbook (Revision B) July 2005 (承建商管理手冊 — 修訂版B) issued by ETWB
“Factories and Industrial Undertakings Ordinance”	Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“GDP”	gross domestic product
“General Building Contractor Licence”	the inclusion in the register of general building contractors allowed by the Director of Buildings pursuant to the Buildings Ordinance
“Group A”	Group A of the relevant works category in the Contractor List with tender limit for contracts of value up to HK\$30 million. A Group A contractor means an approved contractor satisfying Group A’s qualification. Please refer to the section headed “Laws and Regulations — Contractor Licensing Regime” for details

GLOSSARY OF TECHNICAL TERMS

“Group B”	Group B of the relevant works category in the Contractor List with tender limit for contracts of value up to HK\$75 million. A Group B contractor means an approved contractor satisfying Group B’s qualification. Please refer to the section headed “Laws and Regulations — Contractor Licensing Regime” for details
“Group C”	Group C of the relevant works category in the Contractor List with tender limit for contracts of any values exceeding HK\$75 million. A Group C contractor means an approved contractor satisfying Group C’s qualification. Please refer to the section headed “Laws and Regulations — Contractor Licensing Regime” for details
“HKQAA”	Hong Kong Quality Assurance Agency
“Hong Kong Construction Association”	The Hong Kong Construction Association, Limited, a voluntary association of construction companies in Hong Kong and was incorporated in 1930 with the goal of improving the operation of the construction industry in Hong Kong
“Housing Authority”	The Hong Kong Housing Authority
“Immigration Ordinance”	Immigration Ordinance (Chapter 115 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“institutional bodies”	Quasi-governmental bodies or government-funded organizations
“ISO”	short form of the International Organization for Standardization, a non-government organization based in Geneva, Switzerland, who develop and publish International Standards such as management system standards
“ISO 14000”	a family of environmental management standards set by ISO enabling a company to continually improve its environmental performance and to identify and control its environmental impacts. ISO 14001 is a member of that family and ISO 14001:2004 specifies the requirements for such environmental management system
“ISO 9000”	a family of standards set by ISO for quality management system where an organization needs to demonstrate its ability to provide products that fulfill customers and applicable regulatory requirements and aim to enhance customer satisfaction. ISO 9001 is a member of that family and ISO 9001:2008 provides a set of standardized requirements for a quality management system

GLOSSARY OF TECHNICAL TERMS

“main contractor” or “principal contractor”	a contractor who enters into a contract directly with the employer of a project, and assumes full responsibility for the satisfactory completion of the construction work. A main contractor or a principal contractor operating at construction sites must be registered under the Building Ordinance (Chapter 123 of the Laws of Hong Kong) for the capability and responsibility of undertaking new construction work, and in case of Government works, approved by the WBDB
“Minimum Wage Ordinance”	Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Noise Control Ordinance”	Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Occupational Safety and Health Ordinance”	Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Occupiers Liability Ordinance”	Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“OHSAS 18001”	the requirements for occupational health and safety management system developed for managing the occupational health and safety risks associated with a business
“Specialist List”	the List of Approved Suppliers of Materials and Specialist Contractors which comprise suppliers and contractors who are approved for carrying out works in one or more of the 49 categories of specialist work (認可公共工程物料供應商及專門承造商名冊). It is administered by the Professional Services Section, Development Bureau. The Development Bureau makes additions, deletions, alterations or amendments as appropriate to the Specialist List from time to time
“Waste Disposal Ordinance”	Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Water Pollution Control Ordinance”	Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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GLOSSARY OF TECHNICAL TERMS

“WBDB” Works Branch Development Bureau (發展局工務科) of the Government, or where the context refers to any time prior to its establishment, the relevant predecessor government secretaries or department which undertook such public function

FORWARD-LOOKING STATEMENTS

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

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

- our Group’s business and operating strategies and the Group’s ability to implement such strategies;
- our Group’s capital expenditure and expansion plans;
- our Group’s ability to further develop and manage our Group’s expansion projects as planned;
- our Group’s operations and business prospects;
- various business opportunities that our Group may pursue;
- our Group’s financial position;
- the availability and costs of bank loans and other forms of financing;
- our Group’s dividend policy;
- the regulatory environment of our Group’s industry in general;
- the performance and future developments of the consumer electronics industry;
- the general outlook of the consumer electronics market in the world;
- changes in political, economic, legal and social conditions in the regions where our Group operates including but without limitation Hong Kong, Macau and Singapore
- changes in competitive conditions and our Group’s ability to compete under these conditions;
- changes in currency exchange rates; and

FORWARD-LOOKING STATEMENTS

- other factors beyond our Group’s control.

One or more of these risks or uncertainties may materialize, or the underlying assumptions may prove to be incorrect. Our Directors confirm that these forward-looking statements are made after due and careful consideration. Although our Directors believe that our Group’s current views as reflected in those forward-looking statements based on currently available information are reasonable, our Group can give no assurance that those views will prove to be correct, and the investors are cautioned not to place undue reliance on such statements.

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

RISK FACTORS

RISKS RELATING TO THE BUSINESS OF OUR GROUP

Our cash flows may fluctuate due to the payment practice applied to our projects

As far as a single project is concerned in which our Group is a main contractor, we normally incur net cash outflows at the early stage of carrying out our works when we are required to pay the setting up expenditures and our sub-contractors in advance of payments from our customers. Our customers will pay progress payments after our works commence and such works and payments are certified by our customers. Accordingly the cash flows of a particular project will turn from net outflows at the early stage into accumulative net inflows gradually as the works progress.

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

We rely on a limited number of major customers

The Government was the largest customer of our Group in each of the three years ended 31 March 2011 and the three months ended 30 June 2011 during the Track Record Period accounting for approximately 61.4%, 76.1%, 68.9% and 69.2% respectively of our total revenue. During the Track Record Period, revenue derived from our five largest customers, amounted to approximately 92.6%, 99.6%, 95.3% and 92.9%, respectively, of our total revenue.

Though our Group has started to extend its operation in Macau since 2006 and Singapore since 2008, we expect that the Government will continue to be our largest customer until considerable business development has been achieved in these two new markets. Therefore, any decrease or delay in the Government spending in the construction industry could have an adverse effect on our operations and profits. In addition, there is no assurance that we can continue to diversify the composition of our customer base and include more private sector customers.

We are exposed to construction dispute or litigation

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

As at the Latest Practicable Date, there are four outstanding employees' compensation claims & personal injuries claims, three subcontractors' claims and one miscellaneous claim. If these outstanding claims were successfully made against the Group at the amount so claimed, the maximum liabilities would be approximately HK\$23.2 million.

RISK FACTORS

As at the Latest Practicable Date, the Directors are aware of eleven potential claims which the injured employees of the sub-contractor are still on sick leave for their injuries and one potential claim which a third party was injured on premises that the Group was the contractor which might attract liabilities under common law and/or occupiers’ liability (as the Group is in charge of the project going on at the premises). Furthermore, as at the Latest Practicable Date, the Directors are also aware of three potential miscellaneous claims against the Group. As confirmed by the Directors, all of the above fifteen potential claims are covered by insurance, some subject to a policy excess.

Although we have taken out insurance policies to cover these potential claims, the outcome of any claim is subject to the relevant parties’ negotiation or the decision of the court or the relevant arbitrating authorities, and the result of any of the outstanding claims may be unfavourable to us. Such claims may fall outside the scope and/or limit of our insurance coverage. There is also no assurance that the insurance company will not counter-claim us for breach of the terms and conditions of the relevant policy. In either event, our financial position may be adversely affected.

For details of the outstanding and potential claims against the Group, please refer to the paragraph headed “Litigation, Arbitration and Potential Claims” of the section headed “Business” in this document.

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

Our Group’s business is project-based. Fee collection and profit margin depend on the terms of the work contract and may not be regular

Our Group’s business is project-based. Fee collection and profit margin significantly depend on various factors, such as the proposed expenditure of the customers, the terms of the work contracts, the length of the contract period, the efficiency of implementation of the contract works and the general market conditions. As a result, the income flow of the business of our Group is irregular and is subject to various factors beyond the control of our Group. As such, there can be no assurance that the profitability of a project can be maintained or estimated at any particular level. Furthermore, the fee collection by the Group, and the profit margin and time for profit recognition depend on the terms of the work contracts and may also not be regular.

In relation to the revenue of a construction contract, it is recognized according to our management’s estimation of the total outcome of the project as well as the percentage of completion of construction works. The actual outcome of the contract in terms of its total revenue and costs may be higher or lower than our management’s estimation.

RISK FACTORS

In relation to the revenue of a property maintenance contract, it is recognized based on management’s estimation of the value of each works order. Thereafter, customers would undertake detailed assessment of all completed works orders and such actual value of completed works orders assessed by the customers may be higher or lower than our management’s estimation.

Our property maintenance income comprises projects with a large number of works orders of varying amounts. In general, project team members together with consulting quantity surveyors visit the site and inspect the works progress from time to time. When works order value reach certain level, the project team would consider applying for progress payment. As advised by the Directors, normally, a consensus on the work progress would be reached between the customers and our project team before applying for progress payment. In the estimation of the value of works orders, our project team members and our consulting quantity surveyors would make reference to (i) the value stated on the original works orders first issued to the Group, (ii) the actual quantity of works performed for each type of work; and (iii) the corresponding reference rates specified on a master schedule of rates for the relevant term contracts issued by the customers. Details of works completed would be listed in the application, which would be reviewed and signed off by our contract manager. The details (including the stated value and the work progress) of each works order would be recorded in a database to ensure no duplicated work orders.

At the end of each accounting period, our finance department reviews the status of each works order and recognises revenue based on (i) the value stated on the original works orders first issued to the Group when such works orders are completed; or (ii) the amount submitted to customers for application of progress payment. Finally, after finalisation of works orders by the customers, our finance department would compare the certified amount against the amount of revenue recognised in earlier stage, and make necessary adjustment accordingly, if any.

As such, we face a risk of having a material adjustment to the carrying amounts of assets and liabilities within the next financial year, our revenue, cost of sales, profit margin, results of operation and cash flows will be affected accordingly.

Our revenue is mainly derived from projects which are not recurring in nature

The projects undertaken by our Group are mostly on a case by case basis. As such, our revenue derived from such projects is not recurring in nature and we cannot guarantee that our customers will provide us with new business after the completion of the current projects. Our Group has to go through the competitive tendering process to secure new project works. In the event we are unable to maintain business relationship with existing customers or unable to price our tender competitively, our business and hence our revenue will be adversely affected.

RISK FACTORS

Failure to implement safety measures on construction sites may lead to occurrence of personal injuries, property damages or fatal accidents

In the course of our operations, we require our subcontractors to adhere to and implement all the safety measures and procedures as stipulated in our safety manual. The Group’s safety and health management and audit system were accredited by HKQAA with OHSAS 18001 certification in 2009. Although we have closely monitored and supervised our subcontractors in implementation of all such safety measure and procedures during executions of works, we cannot guarantee that there will not be any violations of rules, law or regulations by the subcontractors. In the event that our subcontractors fail to implement safety measures on our construction sites, there may be higher number of occurrence and more seriousness of personal injuries, property damage or fatal accidents, which may adversely effect on the financial position of our Group to the extent not covered by our insurance policy and may cause our relevant licences being suspended or not renewed.

In addition, there is no assurance that the Government will not introduce new ordinances and regulations in the future and that our Group will be able to comply with such new ordinances and regulations. Any failure to comply with such new laws or regulations may have an adverse effect on the operations of our Group.

Our Group’s operations are subject to due compliance with the Minimum Wage Ordinance

The Minimum Wage Ordinance came into effect on 1 May 2011 and the current statutory wage level is fixed at HK\$28 per hour. According to the 2010 Report on Annual Earnings and Hours Survey by the Census and Statistics Department of the Government, the median hourly rate of employees in the construction industry is HK\$62.7. Furthermore, as confirmed by our Directors, the prevailing market rate for workers in the construction industry are well above the current minimum statutory wage level.

Nevertheless, there is no assurance that the minimum wage requirement would not be raised to a much higher level. In the event that the Government decides to substantially increase the minimum statutory wage level, our Group may have to incur substantially extra costs for the labour costs. If our Group fails to pass on the increased cost burden to the customers, the profitability of our Group could be adversely affected.

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

As at 30 June 2011, the Group had provided guarantees in the total sum of approximately HK\$34.5 million, which comprise guarantees in respect of performance bonds in favour of clients and guarantees in respect of banking facilities granted to Castilia, an associate of our Group, in proportion to the Group’s shareholding in such associate.

As at 30 June 2011, approximately HK\$20.0 million of performance bonds were given by surety bank or insurance company in favour of some of our customers as security for the due performance and observance of our obligations under the contracts entered into between us and such customers. If we fail to provide satisfactory performance to our customers to whom performance bonds have been given, such customers may demand the

RISK FACTORS

surety bank or insurance company to pay to them the sum or sums stipulated in such demand. We will then become liable to compensate such surety bank or insurance company accordingly.

As at 30 June 2011, approximately HK\$14.5 million of guarantees in respect of banking facilities granted to Castilia in proportion to the Group’s shareholding in such associate were given by our Group. If Castilia defaults in the repayment of loans drawn under the relevant banking facilities, our Group will become liable to compensate the relevant bank accordingly.

In either event, our business, financial condition and results of operations will be adversely affected.

We may suffer significant impairment loss for our available-for-sale investments

As at 30 June 2011, our Group had available-for-sale investments of approximately HK\$11.3 million, which comprise primarily investment in the listed shares of HLH Group Limited, a listed company in Singapore. Due to the recent volatility of the global economy, there has been a significant decline in the fair value of such available-for-sale investments between 30 June 2011 and the Latest Practicable Date. As at the Latest Practicable Date, the fair value of such available-for-sale investments is approximately HK\$5.3 million.

Should the aforesaid decline persists, further impairment loss will be recognized in our combined statements of comprehensive income for the year ending 31 March 2012. In such event, our financial position and results of operations will be adversely affected.

Failure to meet schedule requirements of contracts may result in liquidated damages imposed on our Group

Substantially all of our Group’s contracts are subject to specific completion schedule requirements with liquidated damages charged to our Group if our Group does not meet the schedules. Liquidated damages are typically levied at a rate provided in the relevant contract for each day of delay. Any failure to meet the schedule requirements of the work contracts could cause the Group to pay significant liquidated damages, which would adversely affect our liquidity and cash flows and have a material adverse effect on our business, financial condition, results of operations, reputation and prospect.

Our Group’s success significantly depends on the key management and its ability to attract and retain additional technical and management staff

Our Group’s success and growth depends on its ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our Directors and members of senior management, in particular, our executive Directors, are important to us. Mr. Wong, who is an executive Director, the chairman of the Board and the chief executive officer, has over 21 years of experience in the building construction industry of Hong Kong; Mr. Yip Chi Chong, who is an executive Director, has over 46 years of experience in the building construction industry which involved projects in Hong Kong, Macau and China; and Mr. So Kwok Lam, who is

RISK FACTORS

an executive Director, has over 26 years of experience in the building construction industry in Hong Kong. Further information about their experiences is set out in the section headed “Directors, Senior Management and Staff” of this document. If any of these executive Directors cease to be involved in the management of the Group in the future and our Group is unable to find suitable replacements in a timely manner, there could be an adverse impact on the business, results of operation and profitability of our Group.

Our Group determines the tender price based on the estimated time and costs involved in a project which may deviate from the actual time and costs involved

Construction and other works contracts are normally awarded through competitive tendering process. We need to estimate the time and costs of construction and other works in order to determine the tender price. There is no assurance that the actual time and costs of construction and other works would not exceed our estimation.

The time taken and the cost actually involved in completing construction or other work projects undertaken by us may be adversely affected by many factors, including shortage and cost escalation of materials and labour, adverse weather conditions, additional variations to the construction plans requested by the customers or because of technical construction needs, disputes with subcontractors, accidents, changes in the Government’s priorities and unforeseen problems and circumstances. Any one of the above factors may give rise to delays in completion of construction or other works or cost overruns.

Delays in the process of obtaining specific licences, permits or approvals from Government agencies or authorities in carrying out any particular construction or other work project can also increase the cost or delay the progress of a project. Failure to complete construction according to specifications and quality standards on a timely basis may result in dispute, contract termination, liabilities and/or lower returns than anticipated on the project concerned. Such delays or failures to complete may cause our turnover or profitability to be lower than what we have expected.

Our Group’s projects with the private sectors in Hong Kong is subject to higher inflation risk

Our projects are in general secured through competitive tendering. For each tendering, we have to submit a tender proposal, which includes, among other things, a fixed tender price.

Unlike the Government contracts, which usually contain a contract price fluctuation clause allowing adjustment of the contract price as a result of change in costs, private sector projects in general do not have such contract price adjustment mechanism. As such, once the tender price is fixed, the contractor shall be obliged to complete the private sector contract at such fixed price. The contractor has to bear any possible cost increase due to inflation. The Directors consider that the inflation risk associated with private sector projects is higher than that with the Government.

RISK FACTORS

The works of our projects are labour intensive and we rely on a stable supply of labour to carry out our projects

The works of our projects are basically labour intensive works. For any given project, a large number of works from different trades with different skills are generally required. In Hong Kong, given that it has a total population of over 7 million, the shortage of labour has never been severe in recent years. However, in Macau, given that it only has a total population of slightly above half a million and there have been a large number of construction projects in recent years, the labour market in Macau has been tight and average labour costs in Macau have increased significantly. In Singapore, which has a population of approximately 5.1 million with most of the work force engaged in the service sector, the local market does not provide sufficient labour for the construction industry. Nevertheless, the problem of shortage of labour for the construction industry in both of Macau and Singapore can be eased by the import of labour from other countries.

During the Track Record Period, we have not encountered any difficulties in recruiting labour to work for our projects in Hong Kong, Macau or Singapore. However, there is no guarantee that the supply of labour will be stable. In the event that we or our subcontractors fail to retain existing labour and/or recruit sufficient labour in a timely manner to cope with the demand of our existing or future projects and/or there is a significant increase in costs of labour, we may not be able to complete our projects on schedule and within budget and our operations and profitability may be adversely affected.

Our Group’s operations could be affected by adverse weather conditions and are subject to other construction risks

Most of the Group’s projects are undertaken outdoor. Therefore the operations of the Group may be interrupted or otherwise affected by adverse weather conditions such as rainstorms, tropical cyclones and continuous rain which may cause difficulties to the Group in completing its projects on schedule. Unlike the Government contracts, which usually provide a mechanism allowing the extension of time for completion of the projects on the ground of adverse weather conditions, if there is delay in the work of our private sector projects due to the adverse weather conditions, we have to subsequently accelerate our work progress in order to catch up to meet the scheduled time for completion. Any delay in completion of the projects will make us subject to penalty and will adversely affect the operating results of the Group. The acceleration works will inevitably incur additional costs.

In addition, we are subject to other construction risks such as fire, suspension of water and electricity supplies which may not only affect our work progress but also pose risks on our properties kept at the construction site.

RISK FACTORS

Our labour may launch industrial action or strikes to demand higher wages and shorter working hours

Construction works are usually divided into various different trades. Each trade requires highly specialized labour of its own and cannot be easily replaced by labour of another trade. As such, industrial action of any one trade will disrupt our construction progress. During the Track Record Period, the construction industry in Hong Kong encountered a strike action by steel benders and fixers.

There is no assurance that trade unions will not launch any further industrial actions or strikes to ask for higher wages or shorter working hours. If we meet their demand, we will incur additional labour costs which would in turn adversely affect our profitability, and if not, the completion of our projects may be delayed and our customers may claim against us for breach of contract. In either case, these industrial actions or strikes may have adverse impact on our profitability and results of operations.

The trend of our historical financial information may not necessarily reflect our financial performance in future

For each of the three years ended 31 March 2011, our revenue amounted to approximately HK\$459.5 million, HK\$636.7 million and HK\$734.7 million, respectively, representing a CAGR of approximately 26.5%. For each of the three years ended 31 March 2011, our net profit attributable to shareholders amounted to approximately HK\$2.2 million, HK\$42.9 million and HK\$54.8 million, respectively, representing a CAGR of approximately 400%.

However, such trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in future which will solely depend on our capability to secure new contracts and keep our costs at a minimum.

Our Group is relying on certain principal subcontractors to implement the contracts

During the Track Record Period, the Group’s largest subcontractor accounted for approximately 13.2%, 10.4%, 12.7% and 15.1% of the Group’s total cost of sales and the Group’s five largest subcontractors accounted for approximately 34.7%, 35.2%, 35.7% and 44.0% of the Group’s total cost of sales respectively. There is no assurance that those major subcontractors will be able to continue to provide services to the Group at fees acceptable to the Group or the Group can maintain its relationship with them in the future. In the event that any of the major subcontractors is unable to provide the required services to the Group or the costs for them to provide those required services increase substantially, the Group’s business, results of operations, profitability and liquidity may be adversely affected.

RISK FACTORS

We may not be able to operate successfully in overseas markets

We are exploring business opportunities in selected markets outside Hong Kong such as Macau and Singapore. These two markets and other overseas markets are new to us and we face various kinds of risks in the expansion of business in such new markets which include, among other things, differences in general business environment, legal and regulatory requirements, the licensing regime, the tendering regime, payment practice, potentially adverse tax consequences, competition within the local market, fluctuations in currency exchange rates, differences in legal burden in complying with local laws and regulations and changes in political and economic conditions. There is no assurance that we will be able to operate successfully in such selected overseas markets, and the deployment of human and financial resources in pursuit of such plans outside Hong Kong may have a material and adverse impact on us.

There is no assurance that we are able to maintain our eligibility to tender public works of the Government

Contractors qualified with WBDB are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management and safety are maintained by contractors carrying out Government works.

In particular, under the regime, a qualified/licensed contractor could be prohibited from tendering for public works of relevant category during a suspension period if a serious construction accident occurs at a construction site for which the contractor is responsible for or the safety performance of the contractor is not satisfactory. There is no assurance that serious accident will not occur on construction sites for which we are responsible as main contractor, or that we will not be subject to regulatory actions in the future which may have an adverse impact on our overall operations or on our eligibility to tender for Government works.

Our participation in Government projects may, more likely than in the case of projects for private sector customers, draw public attention. Such publicity may or may not be adverse and there is no assurance that any such publicity, whether adverse to the Group or not, will not be overstated.

There is no guarantee that progress payment is paid to us on time and in full, or that retention money is fully released to us after the expiry of the defect liability period

We normally receive progress payment from our customers on a monthly basis, with reference to the value of the works completed. Generally, the value of the works completed is assessed by the consultants, usually the architects or consulting quantity surveyors employed by our customers who will issue a progress certificate certifying the work progress in the preceding month.

A portion of contract value, normally 1% to 10% is usually withheld by our customers as retention money, of which half will generally be released after the issue of the certificate of practical completion and the remaining portion will be released after the defect liability

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period. As of 31 March 2009, 31 March 2010, 31 March 2011 and 30 June 2011, retention money of HK\$12.0 million, HK\$15.1 million, HK\$18.1 million and HK\$19.3 million respectively was retained by our customers.

During the Track Record Period, the allowance for construction/project fee receivable arising from such payment practice accounted for approximately nil%, 0.6%, nil% and nil% respectively, of the total turnover of the Group. The Group recorded no bad debt from such payment practice during the Track Record Period.

There can be no assurance that progress payment is paid to us on time and in full, or the retention money or any future retention money will be released by our customers to us on a timely basis and in full or that the level of bad debt arising from such payment practice can be maintained at the same level as in the Track Record Period. Any failure by our customers to make remittance on time and in full may have an adverse effect on our future liquidity position.

We depend on our subcontractors to complete our projects

In the course of our operations, we engage subcontractors to provide certain services or manpower. We have established a system with respect to the selection and control of subcontractors, including maintaining a regularly updated list of approved subcontractors, and entering into agreements to set forth each party’s rights and obligations. Nevertheless, there is no assurance that we are able to monitor the performance of these subcontractors as directly and efficiently as with our own staff.

Suitable subcontractors may not always be readily available when our needs for outsourcing arise. If we are unable to hire qualified subcontractors, our ability to complete projects could be impaired. If a subcontractor fails to provide services as required under a contract, we may be required to source these services on a delayed basis or at a higher price than anticipated, which could impact contract profitability. If the subcontractor’s performance does not meet our standards, the quality of the project may be affected, which could harm our reputation and potentially expose us to litigation and damage claims.

Lack of mortgagees’ consent

The Group has leased one property at Unit No. 2 on 7th Floor, Henley Industrial Centre, Nos. 9-15 Bute Street, Kowloon, Hong Kong for office use. This leased property was, and still is, subject to mortgage and the relevant consent of the mortgagee for the grant of the tenancy in respect of the property has not been obtained. If such consent is not granted, the tenancy is not binding on the mortgagee and if there is any default by the mortgagor thereon, the mortgagee is entitled to enforce the terms of the mortgage against the landlord and the mortgagee may evict our Group from the property without paying any compensation or incurring any liability to our Group.

In relation to the aforesaid, the Controlling Shareholders have executed a deed of indemnity in favour of our Group to keep our Group fully and effectively indemnified against all relocation costs, loss of profit and business, penalties and fines and all losses and damages which may be suffered by our Group as a result of such breach.

RISK FACTORS

In view of the aforesaid, there is a risk that the landlord and the landlord’s mortgagee may take enforcement actions against our Group. Therefore, it is possible that our Group may have to seek alternative premises for its office if our Group is required to vacate the leased property. Our Directors estimate that our Group will incur relocation expenses of not more than a total of HK\$100,000 and/or may face an increase in rental payment for the alternative premises. As a result, our Group’s operation and financial results may be affected.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

We face keen competition

There are a large number of participants in the building construction industry in Hong Kong, Macau and Singapore. We consider all the construction companies actively operating in Hong Kong that have been approved by the WBDB as Group C contractors under the Buildings category, to be our competitors in the provision of building construction services. The competition in the Hong Kong construction industry has been fierce in the past few years. In Hong Kong, notwithstanding that stringent financial criteria and specified technical and management capabilities are required for being admitted as Group C contractor, new participants may be admitted as either probationary or confirmed Group C contractor to compete with us provided that they attain the required financial criteria and appropriate skills and are granted the required licences.

In Singapore, we are facing competition against the well established firms in the public sector tender.

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

Our Group’s operations are subject to due compliance with a number of environmental protection laws, regulations and requirements

Our Group is required to comply with a number of environmental protection laws, regulations and requirements in Hong Kong, Macau and Singapore. In the event that our Group’s operations fail to meet the applicable environmental protection laws, regulations and requirements, our Group may be subject to fines or required to make remedial measures which may in turn have an adverse effect on the operations and financial condition of the Group. In addition, there is no assurance that the environmental protection laws, regulations and requirements will not be changed in the future. Should there be any change to the environmental protection laws, regulations and requirements applicable to our Group, our Group may incur additional cost in complying with the new law(s), regulation(s) and requirement(s), which in turn may adversely affect the profitability of our Group.

RISK FACTORS

Our Group’s business could be adversely affected by the Government’s level of spending on public works

During the Track Record Period, approximately 61.4%, 76.1%, 68.9% and 69.2% of our Group’s revenue was generated from provision of services to the Government. Some public works projects are non-recurring in nature, and thus the level of Government’s spending budget may change from year to year. Accordingly, any change or significant delay in the level of spending on public works by the Government may affect the business and operation results of our Group. In the event that Government reduces its level of spending on public works and our Group fails to secure business from other sectors, the business and profitability of our Group could be adversely affected.

Our Group’s business is subject to a number of licences, approvals and qualifications

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

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

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

The global financial crisis had negative repercussions on the global economy

The global financial crisis in 2008 caused substantial volatility in the capital markets and a downturn in the global market. Demand for our building construction, property maintenance, alterations, renovation, upgrading works and fitting-out works services may decrease if the level of such services in the market is affected by these changing market conditions, which may adversely impact cash flow generated from our operations. The recent European sovereign debt crisis has aroused concerns about the rising cost of financing government debt. Furthermore, the availability of credit to entities, such as ourselves, is influenced by levels of investor confidence in the markets we operated in as a whole and any factors that may impact market confidence could affect the costs or availability of funding for entities within any of these markets. These challenging market

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conditions have resulted in reduced liquidity, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and a tightening of credit terms. If another economic downturn occurs or there are prolonged disruptions to the credit markets in the future, this could limit our ability to borrow funds from our current or other funding sources or cause the continued access to funds to become more expensive, and our business may be exposed to a downturn in sales that might be caused by such tightening of credit conditions, and our results of operations, financial condition and prospects may be materially and adversely affected.

RISKS RELATING TO HONG KONG

The state of economy in Hong Kong

Our performance and financial condition is heavily dependent on the state of economy in Hong Kong as our revenue attributable to the Hong Kong market accounted for approximately 94.8%, 83.6%, 82.5% and 82.9% of our Group’s total revenue for the three years ended 31 March 2011 and the three months ended 30 June 2011. In the event that there is a downturn in the economy of Hong Kong, our results of operations and financial position may be severely affected.

The state of political environment in Hong Kong

Hong Kong is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of “one country, two systems” according to the Basic Law of Hong Kong. However, we are not in any position to guarantee the implementation of the “one country, two systems” principle and the level of autonomy as currently in place at the moment. Since our primary operations are substantially located in Hong Kong, any change of such political arrangements may pose immediate threat on the stability of the economy in Hong Kong, thereby directly and negatively affecting our results of operations and financial positions.

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DIRECTORS

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors:</i>		
WONG Law Fai (黃羅輝)	Ft C. 18/F, BLK E, S/Q, 46 Ngan Shing Street, Prince of Wales Hospital, Sha Tin, New Territories, Hong Kong	Chinese
SO Kwok Lam (蘇國林)	G/F, BLK 28, Tai Hang Gdns, 1 Tai Hang, Tai Po, New Territories, Hong Kong	Chinese
YIP Chi Chong (葉志昌)	Flat B, 21/F, BLK 3, Bayshore Towers, 608 Sai Sha Rd, Ma On Shan, New Territories, Hong Kong	Chinese
<i>Independent Non-executive Directors:</i>		
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The Construction Industry in Hong Kong

The GDP of Hong Kong demonstrates a steady upward trend over the past eight years from approximately HKD1,234.8 billion in 2003 to approximately HKD1,743.9 billion in 2010, representing a CAGR of approximately 5.06% according to the Census and Statistics Department of Hong Kong. The following table illustrates the GDP and GDP per capita of Hong Kong from 2003 to 2010:

	2003	2004	2005	2006	2007	2008	2009	2010
GDP (<i>HKD billion</i>)	1,234.8	1,291.9	1,382.6	1,475.4	1,615.6	1,677.0	1,622.2	1,743.9
GDP per capita (<i>HKD1,000</i>)	183.4	190.5	202.9	215.2	233.3	240.3	231.6	246.7

Source: Census and Statistics Department of Hong Kong

As boosted by the ten mega infrastructure projects announced by the Government in 2007, the GDP by construction increased by approximately HKD9.5 billion from approximately HKD40.6 billion in 2007 to approximately HKD50.1 billion in 2009, representing a CAGR of approximately 11.1%, which significantly outperformed the CAGR of the GDP of Hong Kong for the same period.

Onsite construction works

Construction works performed at construction sites mainly consist of two categories namely (i) buildings; and (ii) structure and facilities. In recent years, the construction of residential buildings has been the major growth driver for the total gross value of building construction. As stated in the 2011–2012 Policy Address, the Government is intending to ensure an adequate supply of land to produce about 40,000 flats each year. Moreover the Government will continuously increase the land supply in order to stabilize the market price of properties. Hence the construction of residential buildings is expected to grow. In 2010, the gross value of construction of transport structures and facilities increased from approximately HKD3.6 billion in 2009 to approximately HKD10.9 billion in 2010, representing a CAGR of approximately 203%. It also accounted for over 50% of the total gross value of the total construction of the structures and facilities in 2010. In view of the ten mega infrastructure projects having been gradually activated, it is expected that the growth of the construction of the structures and facilities for the coming years will be significant.

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The following table illustrates the gross value of construction works in nominal terms performed by main contractors at construction sites analysed by detailed end-use group from 2005 to 2010:

HKD Million	2005	2006	2007	2008	2009	2010
Buildings	34,005	29,680	33,353	37,900	39,742	40,839
Residential	16,945	15,518	16,064	20,613	22,804	22,588
Commercial	8,652	6,890	10,927	9,954	7,368	7,979
Industrial & storage	1,180	2,058	1,080	797	359	993
Service	7,228	5,213	5,282	6,537	9,211	9,279
Structures & facilities	14,686	12,311	10,123	10,934	12,516	20,683
Transport	9,813	8,148	5,803	5,178	3,595	10,852
Other utilities & plant	1,076	1,148	1,220	2,088	2,666	2,658
Environment	3,141	2,505	1,870	2,502	4,461	5,758
Sports & recreation	656	510	1,230	1,167	1,794	1,415

Source: Census and Statistics Department of Hong Kong

The following table illustrates the gross value in nominal terms of construction works performed by main contractors from 2005 to 2010:

HKD million	2005	2006	2007	2008	2009	2010
The gross value of construction works performed by main contractors	90,851	90,230	92,866	99,599	100,944	111,274
— private sector sites ⁽¹⁾	26,356	24,855	28,973	33,495	33,606	30,306
— public sector sites ⁽²⁾	22,334	17,135	14,503	15,339	18,653	31,216

Source: Census and Statistics Department of Hong Kong

Notes:

(1) Private sector sites:

Includes projects commissioned by private developers and projects under the Private Sector Participation Scheme;

(2) Public sector sites:

Includes projects commissioned by the Government of the Hong Kong Special Administrative Region, MTR Corporation Limited, and Airport Authority. Projects under the Home Ownership Scheme which are commissioned by the Housing Authority are also included;

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Offsite construction works

The Government and the public are more concerned with the safety of the ageing buildings in Hong Kong. The Government continuously issues mandatory building orders to the owners of the disqualified ageing buildings. According to the Comprehensive Building Safety Improvement Loan Scheme, the Hong Kong Government even grants allowance to the building owners to conduct repair and maintenance work on the disqualified ageing buildings. In early 2010, the building collapse in Ma Tau Wai Road further aroused public concern about the rising problem of ageing buildings.

In recent years, general trades continues to be the major component of the construction works performed by the main contractors. General trades consist of decoration, repair and maintenance, and construction work at minor work locations such as site investigation, demolition, and structural alteration and addition works. General trades of construction works in nominal terms performed by contractors accounted for approximately 32.1% of the total gross value of construction works in 2010. The following table illustrates the gross value on general trades of construction works in nominal terms performed by main contractors from 2005 to 2010:

HKD million	2005	2006	2007	2008	2009	2010
The gross value on general trades of construction works	28,485	36,289	37,422	37,618	34,427	35,695
Percentage of the total gross value of construction works	31.4%	40.2%	40.3%	37.8%	34.1%	32.1%

Source: Census and Statistics Department of Hong Kong

10 Major Infrastructure Projects for Economic Growth

1) South Island Line

Construction of the seven-kilometre rail line will start in 2011 and cost more than HK\$7 billion. The South Island Line will be commissioned no later than 2015.

2) The Sha Tin to Central Link

The Sha Tin to Central Link will connect the Northeast New Territories and Hong Kong Island via East Kowloon. According to the 2011–2012 Budget of the Government, the construction work is expected to commence in 2012 and the total project cost is expected to be over HK\$60 billion.

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3) *The Tuen Mun Western Bypass and Tuen Mun-Chek Lap Kok Link*

The construction cost for the Tuen Mun Western Bypass and Tuen Mun Chek Lap Kok Link is expected to be over HK\$20 billion and will be commissioned no later than 2016. Upon completion, there will be a direct access linking up Deep Bay in Shenzhen, the Northwest New Territories and the Hong Kong International Airport.

4) *The Guangzhou-Shenzhen-Hong Kong Express Rail Link*

The Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link will connect Hong Kong with the 16,000km “four vertical and four horizontal corridors” national high-speed rail network and will materialize the idea of one hour living cycle between Hong Kong and the Pearl River Delta region. The terminal of the Hong Kong section will be located at West Kowloon. The construction work commenced in 2010 and it is expected to be completed in 2015.

5) *Hong Kong-Zhuhai-Macao Bridge*

The proposed Hong Kong-Zhuhai-Macao Bridge, being situated at the waters of Lingdingyang of Pearl River Estuary, is a large sea crossing bridge linking Hong Kong, Zhuhai City of Guangdong Province and Macau. It consists of a main bridge in the mainland waters together with the boundary crossing facilities and link roads within the three territories. The construction work commenced in late 2009 and it is expected to be completed in 2016. The total project cost is expected to be over HK\$70 billion.

6) *Hong Kong-Shenzhen Airport Co-operation*

In 2008, the Government and Shenzhen Municipal Government signed several agreements regarding the closer cooperation between the Hong Kong International Airport and the Shenzhen Airport. According to the agreements, the government of both sides will initiate major infrastructural projects to strengthen the connection between the Hong Kong International Airport and the Shenzhen Airport.

7) *Hong Kong-Shenzhen Joint Development of the Lok Ma Chau Loop*

The Lok Ma Chau Loop, together with the old Shenzhen River section, has an area of about 100 hectares. The Loop was formed as a result of the training of the Shenzhen River and is now within the boundary of Hong Kong. It lies to the south of the Shenzhen Futian commercial area and is bounded by the Shenzhen River at its immediate north and is surrounded by fishponds and wetland of high ecological value. During the river training of Shenzhen River, it was used as a dumping ground for contaminated and uncontaminated mud dredged from the River.

The development of Lok Ma Chau Loop focuses on areas that could enhance the competitive advantages of both sides and produce mutual benefits. Sustainable development should be pursued under the principle of preserving the ecological environment and promoting economic and social well-being. According to the 2008–09 Policy Address, the Chief Executive pointed out that the Lok Ma Chau Loop has huge

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potential for long-term development. The planning authorities of Hong Kong and Shenzhen consulted the public on the future development of the Loop in 2008. Among proposed land uses, higher education, research and development of new high technology, and cultural and creative industries received wide support on both sides.

8) *West Kowloon Cultural District*

The West Kowloon Cultural District, occupying a prime waterfront site of about 40 hectares at the southern tip of the West Kowloon Reclamation, is planned to be developed into an integrated arts and cultural district with world class arts and cultural facilities, distinguished talents, iconic architectures, and quality programmes with a must-visit appeal to the local people and tourists. The construction cost is approximately HKD22 million and it was approved by the West Kowloon Cultural District Authority. Construction of the core arts and cultural facilities will commence in early 2013 for completion of 12 of the performing arts venues by 2015 as the first phase of the West Kowloon Cultural District development. The remaining facilities, subject to a review by 2015, will be completed by 2026.

9) *Kai Tak Development Plan*

Kai Tak Development is a huge and highly complex development project spanning over 320 hectares with the largest available land fronting Victoria Harbour. It offers opportunities to bring the harbour to the people, provide quality living environment for around 86,000 residents, as well as revitalize all of the surrounding districts such as Kowloon City, Wong Tai Sin and Kwun Tong.

An environmental impact assessment report was submitted under the Environmental Impact Assessment Ordinance, which demonstrates that Kai Tak Development will comply with relevant environmental standards, laws and regulations after mitigation measures for the construction and operation stages are implemented. Such environmental impact assessment report was approved on 4 March 2009. The construction work has already commenced.

10) *New development area*

To ease pressure on developed area and to meet the demand for land arising from population growth, the Government decided to plan for new development area. The scope of new development area will be smaller, less than one fourth of that of the existing new towns such as Tuen Mun and Shatin. The new development area will provide land for various uses such as housing, employment, high value-added and non-polluting industry. The Government planned to revive planning and engineering studies on new development areas at Kwun Tung North, Fanling North, Ping Che and Ta Kwu Ling and Hung Shui Kiu.

In order to tender for Government contracts, a contractor must be accepted on the Contractor List. The Contractor List is divided into five categories, namely, roads and drainage, port works, waterworks, buildings and site formation. There are three groups in each of the works categories (arranged in ascending order), namely Group A (except that

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there are no Group A contractors in port works and site formation categories), Group B and Group C, with the highest rank being Group C. Further information on the licensing regime is set forth in the section headed “C. Contractor Licensing Regime” in “Laws and Regulations” to this document.

According to WBDB, as at the Latest Practicable Date, the number of confirmed Group C contractors (Buildings) and the number of probationary Group C contractors (Buildings) listed on the Contractor List are 42 and 16 respectively.

The Construction Industry in Macau

Macau has been one of the most rapidly growing economies in Asia since the liberalization of the gambling industry in 2002. The fast developing economy has resulted in a rapid growth in the construction industry in Macau. According to the yearbook of Statistics Macau 2009, and the Construction Statistics Report 2010, the gross floor area of the total completion of residential and commercial building has increased significantly since the global financial meltdown in 2008. The gross floor area of the total completion of residential and commercial building increased from 147,482 sq.m. and 39,864 sq.m. in 2008 to 515,304 sq.m. and 41,908 sq.m in 2010, respectively.

The following table illustrates the gross floor area of the total completion of residential and commercial building from 2007 to 2010:

sq.m.	2007	2008	2009	2010
Completion of residential building	265,266	147,482	483,631	515,304
Completion of commercial building	19,871	39,864	29,185	41,908

Source: Construction Statistics Report 2009, and the Construction Statistics Report 2010 (Macau)

Macau is the only territory within China where casino operations have been legalised. Macau is one of the most popular destinations for gambling in Asia and has more casinos than any other region in Asia. The number of visitors was maintained at a high level in recent years, as a result, the number of hotel rooms has increased accordingly. According to the Statistics Yearbook Macau, the number of hotel and room available has increased gradually.

The following table illustrates the number of hotel and room available from 2007 to 2010:

	2007	2008	2009	2010
Number of hotel	82	84	90	91
Number of room available	16,148	17,533	19,259	20,091

Source: Statistics Yearbook Macau 2009, 2010

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Our Directors believe the rapid growth in the hotel industry provides the main contractors with opportunities for construction work, in the mean time it also creates significant opportunities for fitting-out work, and maintenance works in the near future.

Upcoming major projects in Macau

To satisfy the needs arising from Macau’s rapid urban development, the Macau Government has drawn up a long-term plan for major infrastructure, traffic and transportation and other urban development projects. This aims to upgrade such facilities and improve the quality of life of the community.

(1) State Council Approves Land Reclamation

In November 2009, the State Council approved the Macau Government’s request to reclaim 361.65 hectares of land in Macau, for the development of a new district. According to the development blueprint, half of the approved land will be utilised for public transportation, public space, environmental enhancements, and other public facilities. An adequate area of land will be reserved for industries, under the policy to diversify the economy, and for the construction of public housing.

(2) Groundbreaking construction of Hong Kong-Zhuhai-Macau Bridge

Construction of the Hong Kong-Zhuhai-Macau Bridge officially began on 15 December 2009. It will be a major structure that spans the Lingdingyang Bay. The bridge represents a breakthrough in the integration of regional infrastructure, which could accelerate the flow of population, goods and information. The budget for construction of the main body of the Hong Kong-Zhuhai-Macau Bridge — including an underwater tunnel, which will be jointly built by the three parties — totals 34.72 billion patacas.

(3) Planning the Macau LRT System

Given the shortage of land resources, Macau is in need of an urban railway transport network to radically improve its current transport system for commuters. After years of public consultations and collection of opinions, in mid-October 2009 the Government announced the construction of Macau LRT System Phase 1. Phase 1 of the LRT System will be approximately 21 kilometres long, and have 21 stations. Following the revision of the overall plan, and enhanced facilities, equipment and service requirements, the investment required for LRT construction has increased from 4.2 billion patacas, as announced in 2007, to 7.5 billion patacas. Construction of the main line and stations will commence after the Transportation Infrastructure Office’s international tender exercise for the LRT’s raw materials and systems, and the confirmation of train specifications. The Macau LRT System is expected to commence operation in 2014.

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(4) Public Housing in Seac Pai Van

To coordinate with the long-term public housing strategies, in mid-September 2009 the Macau Government announced the Seac Pai Van Urbanisation Plan in Coloane, which covers 300,000 square metres of land. Initial plans are for the current industrial area and quarrying area in Butterfly Valley, Seac Pai Van, where land will be reserved for public housing, and approximately 6,800 public housing units will be built. The goal is to transform Seac Pai Van into a green living community that can accommodate 60,000 residents.

The Construction Industry in Singapore

The population of Singapore has increased in recent years. It increased from approximately 4.3 million in 2005 to approximately 5.1 million in 2010. In accordance with the population growth, the units of the private residential properties also increased from approximately 229,356 units in 2005 to approximately 258,243 units in 2010. Other than private residential properties, the commercial and industrial buildings increased significantly in the same period. The following table illustrates the completion of buildings by different categories from 2005 to 2010:

Thousand sq.m. gross	2005	2006	2007	2008	2009	2010
Office building completion	43	162	32	132	215	271
Shop building completion	6	204	58	77	242	143
Factory building completion	329	619	748	1,020	1,412	844
Warehouse building completion	130	233	288	346	268	105

Source: Yearbook of Statistics Singapore, 2011

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According to the Yearbook of Statistics Singapore 2010, the progress payments certified by sector and type of work increased significantly in recent years. In particular, the total progress payments certified by sector generated from private sectors increased from SGD6.0 billion in 2005 to SGD16.2 billion in 2010, representing a CAGR of 21.98%. The following table illustrates the progress payments certified by sector and type of work from 2005 to 2010:

Million SGD	2005	2006	2007	2008	2009	2010
All sectors						
Building work	9,135	9,993	14,930	21,480	24,796	21,061
— Residential	3,240	3,419	4,487	6,873	8,119	9,312
— Commercial	973	1,258	2,198	3,923	6,044	4,487
— Industrial	2,398	3,159	6,160	8,125	7,765	4,503
— Others	2,524	2,158	2,085	2,559	2,869	2,760
Civil engineering work	3,086	2,945	2,942	4,737	6,097	5,917
Total	12,221	12,938	17,872	26,217	30,894	26,979
Private sector						
Building work	5,431	6,859	11,670	17,324	19,758	15,419
— Residential	2,261	2,448	3,314	5,063	5,389	6,101
— Commercial	827	1,184	2,130	3,789	5,911	4,408
— Industrial	1,858	2,726	5,665	7,871	7,645	4,022
— Others	484	502	561	600	813	889
Civil engineering work	582	746	687	1,121	993	778
Total	6,013	7,605	12,357	18,444	20,751	16,198
Public sector						
Building work	3,704	3,134	3,259	4,157	5,038	5,642
— Residential	979	971	1,173	1,810	2,729	3,211
— Commercial	146	74	68	134	133	79
— Industrial	540	433	494	254	120	481
— Others	2,040	1,655	1,523	1,959	2,056	1,871
Civil engineering work	2,504	2,200	2,255	3,616	5,104	5,139
Total	6,208	5,334	5,515	7,773	10,143	10,781

Source: Yearbook of Statistics Singapore, 2011

LAWS AND REGULATIONS

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

HONG KONG

A. Labour, Health and Safety

Factories and Industrial Undertakings Ordinance

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

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

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

Occupational Safety and Health Ordinance

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

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

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;

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- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy work environment.

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

The Commissioner for Labour may also issue improvement notices against non-compliance of this Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

Employees’ Compensation Ordinance

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

An employer who fails to comply with the Employees’ Compensation Ordinance to secure an insurance cover is liable on conviction to a fine of HK\$100,000 and imprisonment for two years.

Pursuant to Section 24 of the Employees’ Compensation Ordinance, a principal contractor shall be liable to pay compensation to sub-contractors’ employees who are injured in the course of their employment to the sub-contractor. The principal

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contractor is, nonetheless, entitled to be indemnified by the sub-contractor who would have been liable to pay compensation to the injured employee. The employees in question are required to serve a notice in writing on the principal contractor before making any claim or application against such principal contractor.

Employment Ordinance

A principal contractor is subject to the provisions on sub-contractor’s employees’ wages in the Employment Ordinance. Section 43C of the Employment Ordinance provides that if any wages become due to an employee who is employed by a sub-contractor on any work which the sub-contractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior sub-contractor jointly and severally. A principal contractor’s liability shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building work; and (b) to the wages due to such an employee for 2 months (such months shall be the first 2 months of the period in respect of which the wages are due).

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

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

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

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

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Occupiers Liability Ordinance

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

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

Immigration Ordinance

Pursuant to Section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor who has control over or is in charge of a construction site) should take all practicable steps to i) prevent having illegal immigrants from being on site or ii) prevent illegal workers who are not lawfully employable from taking employment on site.

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

Minimum Wage Ordinance

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$28 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance.

This Ordinance does not stipulate whether meal breaks and rest days should be paid or not. Such terms are subject to negotiations between employer and employee.

Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by this Ordinance is void.

B. Environmental Protection

Air Pollution Control Ordinance

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

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation, the Air Pollution Control (Construction Dust) Regulation and the Air

LAWS AND REGULATIONS

Pollution Control (Smoke) Regulation. The contractor responsible for a construction site shall devise, arrange methods of working and carrying out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

Noise Control Ordinance

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

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

Water Pollution Control Ordinance

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

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

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

Waste Disposal Ordinance

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

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, particularly the Waste Disposal (Charges for Disposal of Construction Waste) Regulation and the Waste Disposal (Chemical Waste) (General) Regulation.

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, a main contractor who undertakes construction work with a value of HK\$1 million or above will be required to establish a billing account with the Director of Environmental Protection to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract.

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

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of Environmental Protection. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for 6 months for the first offence, HK\$500,000 and to imprisonment for 2 years for a second or subsequent offence.

Dumping at Sea Ordinance

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

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

Environmental Impact Assessment Ordinance

The Environmental Impact Assessment Ordinance is to avoid, minimise and control the adverse environmental impacts from designated projects as specified in Schedule 2 of the Environmental Impact Assessment Ordinance (for example, public utility facilities, certain large-scale industrial activities, community facilities, etc.) through the application of the environmental impact assessment process and the environmental permit system prior to their construction and operation (and decommissioning, if applicable), unless exempted.

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

C. Contractor Licensing Regime

General Building Contractor

Under the current contractor registration system in Hong Kong, a contractor must register with the Buildings Department either as general building contractor or as specialist contractor. Registered general building contractors may carry out general building works and street works which do not include any specialised works designated for registered specialist contractors.

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

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

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- (b) the appropriate experience and qualifications of its personnel;
- (c) its ability to have access to plant and resources; and
- (d) the ability of the person appointed to act for the applicant for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.

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

- (a) a duly completed specified form;
- (b) declarations in Buildings Department standard forms covering exhaustively the conviction/disciplinary/suspension records of the applicant and its key personnel i.e. the authorized signatory(ies), the technical director(s) and the other officer(s) TD in certain aspects;
- (c) a job reference on a minimum of one relevant building project;
- (d) certain documents relating to business registration;
- (e) the prescribed fee in accordance with Building (Administration) Regulation.

In general, an application for renewal of registration would not be referred to the Contractors Registration Committees, an independent bodies appointed by the Buildings Department under Section 8 of the Buildings Ordinance for interview and assessment, except in the following circumstances:

- (a) the contractor has been inactive in relevant building works in the past registration period (i.e. without a job reference on a minimum of one relevant building project); or

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- (b) there have been new incidents or circumstances that require further consideration on the suitability of the contractor’s registration. New incidents or circumstances include, but not limited to, the contractor’s records in respect of the aspects stipulated in paragraph (b) above and subject to the following approach adopted by the Buildings Department in relation to labour safety, public health and environmental offences and records of suspension from tendering by the Environment, Transport and Works Bureau, the Housing Authority or their related departments in determining if a contractor is required to attend an interview:
- (a) non-building works related labour safety offences, e.g. failure to ensure the wearing of safety helmet and the use of goggles, will not be taken into consideration. Generally speaking, an offence relating to the course of constructing the works or the manner in which the works are being carried out is considered as an offence relating to building works;
 - (b) a contractor who has been convicted of a serious labour safety offence (e.g. involving a fatal incident or amputation of limb) is required to attend an interview;
 - (c) a contractor who has been convicted of 7 or more labour safety offences committed within a rolling 6 months is required to attend an interview;
 - (d) a contractor who has been convicted of 4 or more offences under section 27(3) of the Public Health and Municipal Services Ordinance committed on the same site within a rolling 3 months is required to attend an interview;
 - (e) a contractor who has been convicted of any environmental offence involving an imprisonment sentence will be required to attend an interview; and
 - (f) for a contractor who has been suspended from tendering by the Environment, Transport and Works Bureau, the Housing Authority or their related departments, the Buildings Department will consider the reasons of the suspension. In general, only factors which infer deficiencies of the contractors in technical competence and management ability, and factors related to standard of works, misconduct and site safety will be taken into consideration.

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Electrical Contractor

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

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

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

- (a) a duly completed specified form;
- (b) a copy of business registration certificate of the contractor;
- (c) a copy of the certificate(s) of registration of the registered electrical worker(s) of the contractor;
- (d) documentary proof(s) of employment of registered electrical worker(s) including a letter confirming the employment of the registered electrical worker(s) of the contractor; and
- (e) the prescribed fee in accordance with the Electricity (Registration) Regulations.

Contractor List maintained by the WBDB

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

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The Contractor List is divided into five categories, namely, roads and drainage, port works, waterworks, buildings and site formation. There are three groups in each of the works categories (arranged in ascending order), namely Group A (except that there are no Group A in port works and site formation categories), Group B and Group C, with the highest rank being Group C. Each group has its particular tendering limits. Other than in the most exceptional circumstances, a contractor will be admitted initially on probation in the appropriate works category and group. According to the ETWB Handbook, the minimum probationary period is 24 months. After the probationary period, approved contractors may apply to the WBDB for confirmed status provided they have met the following requirements:

- (i) the technical and management criteria for confirmed status of each category of works; and
- (ii) the capital requirements applicable to confirmed status for each category of works.

A contractor may apply for “confirmed” status after the satisfactory completion of works appropriate to its probationary status. “Confirmed” contractors may apply to be elevated to a higher group which is subject to similar but more stringent criteria/requirements to that described above.

It is a requirement of the WBDB that all Group C contractors in Hong Kong must obtain ISO 9000 certification as one of the qualifications for tendering for Government contracts.

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

Category	Authorised contract value
Group A (probation)	any number of Group A contracts provided that the total value of works in any one category does not exceed HK\$30 million
Group A (confirmed)	contracts of value up to HK\$30 million
Group B (probation)	any number of Group A and any number of Group B contracts provided that the total value of Group B works in any one category does not exceed HK\$75 million
Group B (confirmed)	contracts of value up to HK\$75 million
Group C (probation)	a maximum of two contracts exceeding HK\$75 million in any one category provided that the total value of Group C works in any one category does not exceed HK\$220 million
Group C (confirmed)	contracts of any value exceeding HK\$75 million

Specialist List maintained by the WBDB

The Specialist List shall comprise suppliers and contractors who are approved for carrying out public works in one or more of the 49 categories. Some contractors within a category are further divided into classes according to the type of works within that particular category and groups according to the value of contracts for which they are normally eligible to tender. Tender limits are applicable to 8 categories of works in the Specialist List.

The following table sets out the value of works for which approved specialist contractors listed in the category of “Turn-key Interior Design and Fitting-out Works” in the Specialist List may tender:

Category	Authorised contract value/type
Turn-key Interior Design and Fitting-out Works — Group I	Eligible to be awarded one contract as a trade test
Turn-key Interior Design and Fitting-out Works — Group II	Eligible to be awarded more than one contract at any time

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Some categories in the Specialist List do not have probationary status, which includes the categories of “Repair and Restoration of Historic Buildings” and “Turn-key Interior Design and Fitting-out Works”. Financial checking is not required for applicants of 16 categories but shall be subject to review from time to time, which includes the category of “Repair and Restoration of Historic Buildings”. However, the category of “Turn-key Interior Design and Fitting-out Works” is subject to a minimum employed capital, minimum working capital, and a minimum annual turnover in each of the immediate past three years.

Contractors qualified/licensed with the WBDB are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management and safety are maintained by contractors carrying out Government works.

Approved contractors of the Housing Authority

The Housing Authority prescribes its own requirements for approved contractors to tender for its works. In order to tender for Housing Authority construction projects, a contractor must be approved by the Housing Authority under the categories of either Building (New works) or Building (Maintenance works). Contractors must hold ISO 9001 certificates with respect to its own categories and are subject to stringent financial criteria, proven relevant record, management and on-site personnel requirements, probation and annual assessment on financial position. Annual renewal of the status as an approved contractor by the Housing Authority is subject to satisfactory compliance with the requirements stated in the “Guide to Registration of Works Contractors and Property Management Services Providers” published by the Housing Authority and the payment of an application fee for annual renewal.

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The following table sets out the value of works for which approved contractors listed in the respective categories in the Housing Authority may tender:

Category	Authorised contract value/type
Building Work — New Works Category — Group NW1 (confirmed)	Eligible to tender for new works contracts with a value up to HK\$270 million
Building Work — New Works Category — Group NW1 (probation)	Restricted to undertake not more than one Group NW1 contract at any one time
Building Work — New Works Category — Group NW2 (confirmed)	Eligible to tender for new works contracts of unlimited value
Building Work — New Works Category — Group NW2 (probation)	Restricted to undertake not more than one Group NW2 contract at any one time
Building Work — Maintenance Works Category — Group M1 (confirmed)	Eligible to tender for maintenance and improvement contracts with a value of HK\$20 million and for term maintenance and improvement contracts with an average annual expenditure of up to HK\$20 million
Building Work — Maintenance Works Category — Group M1 (probation)	Restricted to undertake not more than three Group M1 direct contracts at any one time provided that the total value of outstanding works being undertaken does not exceed HK\$20 million or for term contracts the total value of annual expenditure does not exceed HK\$20 million
Building Work — Maintenance Works Category — Group M2 (confirmed)	Eligible to tender for maintenance and improvement contracts of unlimited value
Building Work — Maintenance Works Category — Group M2 (probation)	Restricted to undertake not more than three Group M2 direct contracts at any one time

The Quality Maintenance Contractors (QMC) scheme was introduced by the Housing Authority for their district maintenance term contracts. The QMC scheme aims to induce contractors to commit to quality reform and cultural changes, upgrade their professional and technical competency, improve works quality, strengthen customer services, and invest in new technologies in the delivery of the maintenance service. In order to provide incentives for contractors to attain the QMC status, four

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contracts were chosen for exclusively tendering by contractors on the QMC list in 2001. In 2002, as endorsed by the Building Committee vide Paper No. BC 57/2002, more tendering opportunities are given to the QMC.

To be qualified, contractors must be Group M1 or M2 contractor who could demonstrate to the Housing Authority their commitment to quality reform through submission of a “Quality Reform Action Plan” and their implementation of such plan in a “Maintenance & Improvement (M&I)” project.

Requirements for retention as an approved contractor

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

Group/Status	Minimum employed capital	Minimum working capital	Minimum technical and management criteria/other requirements
Group C (confirmed) — Approved Contractors for Public Works — Buildings category	HK\$16 million plus HK\$2 million for every HK\$100 million of annualised outstanding works ^{Note 1} or part thereof above HK\$800 million	HK\$16 million or 8% on the first HK\$800 million of annualised outstanding works and 10% on remainder, whichever is higher	Satisfactory completion of at least one Government building contract within the past 5 years of value over HK\$90 million and of considerable scope and complexity
Group I — Approved Suppliers of Materials and Specialist Contractors for Public Works — Turn-key Interior Design and Fitting-out Works category	HK\$14.8 million	HK\$14.8 million	The contractor under this category and group is also required to have a minimum annual turnover of HK\$50 million in each of the immediate past three years
Group B (on probation) — Approved Contractors for Public Works — Site Formation category	HK\$4.2 million	HK\$4.2 million or 10% on annualised outstanding works, whichever is higher	<p>1) Satisfactory completion, within the past 5 years, one contract or contracts involving total earthworks quantity not less than 100,000 m³, of which one contract would involve earthworks quantity not less than 50,000 m³ in one or more of the following:</p> <ul style="list-style-type: none"> (i) bulk excavation and filling (excluding quarrying and maintenance of spoil dumps); (ii) sanitary landfill; (iii) slope stabilisation. <p>2) Experience as a sub-contractor may be accredited.</p>

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Group/Status	Minimum employed capital	Minimum working capital	Minimum technical and management criteria/other requirements
Approved Suppliers of Materials and Specialist Contractors for Public Works — Repair and Restoration of Historic Buildings category	NIL	NIL	<ol style="list-style-type: none"> 1. Job experience: at least 3 examples of relevant works carried out in Hong Kong within the past 5 years 2. Top Management^{Note 2}: adequate standard of administration and 1 no. of site foreman with more than 3 years of relevant conservation working experience 3. Technical Staff: specialist craftsmen/tradesmen with adequate qualification and skill in timber carvings, decorative plasterworks, decorative painting and artworks 4. Plant and Equipment^{Note 3}: adequate source of traditional material including fair face green bricks, Chinese roof-tile and ceramics etc 5. Office/Workshop Facilities: adequate office, workshop and store. Local office and local workshop in Hong Kong are required.

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Group/Status	Minimum employed capital	Minimum working capital	Minimum technical and management criteria/other requirements
Group NW 1 (confirmed) Housing Authority List of Building Contractors — Building (New Works) Category	HK\$8.6 million (If total value of outstanding works reach HK\$160 million or above, then the following criteria will apply: HK\$16 million + HK\$2 million for every HK\$100 million of outstanding works or part thereof above HK\$800 million)	HK\$8.6 million or 10% of outstanding works, whichever is higher (If total value of outstanding works reach HK\$160 million or above, then the following criteria will apply: HK\$16 million or 8% on first HK\$800 million of outstanding works & 10% on remainder, whichever is higher)	<ol style="list-style-type: none"> 1. registered General Building Contractor under Buildings Ordinance (Cap.123) 2. possess the following certificates: ISO 9001, ISO 14001 and OHSAS 18001 Certificates 3. have the following past work record in building construction contract within last three years: at least one satisfactorily completed project as main contractor in Hong Kong. The minimum of which is HK\$270 million and the project should be for residential building similar in size and complexity of Housing Department projects (for admission only) 4. employ the minimum number of full-time staff as follows: <ol style="list-style-type: none"> (i) 1 technical director who is registered in the Buildings Department and not to be the same person as contract manager/project manager;

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Group/Status	Minimum employed capital	Minimum working capital	Minimum technical and management criteria/other requirements
			<p>(ii) 1 contract manager/project manager who has obtained HKIA/MHKIS/MHKIE or equivalent with 3 years relevant local managerial experience and capacity in the construction field <i>or</i> degree in architecture, building surveying, building technology & management, civil/structural engineering or equivalent with 5 years relevant local managerial experience and capacity in the construction field <i>or</i> Higher diploma/higher certificate/diploma in architecture, building surveying, building technology & management, civil/structural engineering or equivalent with 8 years relevant local managerial experience and capacity in the construction field) <i>and</i> registered as authorised signatory in Buildings Department and not to be the same person as the technical director;</p> <p>(iii) 1 site agent who has obtained MHKICW/MICWCI or equivalent with 5 years relevant local experience in construction industry <i>or</i> higher diploma/diploma/higher certificate in building studies or civil/structural engineering or equivalent with 8 years relevant local experience in construction industry.</p>

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Group/Status	Minimum employed capital	Minimum working capital	Minimum technical and management criteria/other requirements
Group M2 (confirmed) Housing Authority List of Building Contractors — Maintenance Works category	HK\$8.6 million (If total value of outstanding works reach HK\$160 million or above, then the following criteria will apply: HK\$16 million + HK\$2 million for every HK\$100 million of outstanding works or part thereof above HK\$800 million)	HK\$8.6 million or 10% of outstanding works, whichever is the higher (If total value of outstanding works reach HK\$160 million or above, then the following criteria will apply: HK\$16 million or 8% on first HK\$800 million of outstanding works & 10% on remainder, whichever is higher)	<ol style="list-style-type: none"> 1. registered General Building Contractor under Buildings Ordinance (Cap.123) 2. possess the following certificate: ISO 9001 3. have the following past work record in building maintenance/improvement contracts: <ol style="list-style-type: none"> (i) have completed, as main contractor, maintenance/improvement projects within the past three years for Housing Department, other Government departments or private sector; (ii) two of those completed projects stated above shall cost not less than HK\$12 million with records of satisfactory performance. 4. employ the minimum number of full-time staff as follows: <ol style="list-style-type: none"> (i) 1 technical director who is registered in the Buildings Department and not to be the same person as contract manager/project manager;

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Group/Status	Minimum employed capital	Minimum working capital	Minimum technical and management criteria/other requirements
			<p>(ii) 2 contract manager/project manager who has obtained HKIA/MHKIS/MHKIE or equivalent with 3 years relevant local managerial experience and capacity in the construction field <i>or</i> degree in architecture, building surveying, building technology & management, civil/ structural engineering or equivalent with 5 years relevant local managerial experience and capacity in the construction field <i>or</i> higher diploma/higher certificate/diploma in architecture, building surveying, building technology & management, civil/ structural engineering or equivalent with 8 years relevant local managerial experience and capacity in the construction field <i>and</i> registered as authorised signatory in the Buildings Department and not to be the same person as the technical director;</p> <p>(iii) 2 site agent who has obtained MHKICW/ MICWCI or equivalent with 5 years relevant local experience in construction industry <i>or</i> higher diploma/diploma/higher certificate in building studies or civil/structural engineering or equivalent with 8 years relevant local experience in construction industry.</p>

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Notes:

1. The annualised outstanding works for retention purpose is defined as the combined annual value of uncompleted works on public works contracts, Housing Authority contracts and contracts with the private sector on a world-wide basis.
2. Top management shall be the president, chairman, director, managing director, executive director or general manager etc.
3. The plant and equipment requirements are subject to modification as technology advances and as new plant emerges. Furthermore, the type of materials and method of application that the contractors select will dictate the plant required.

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

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

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

Regulating actions include removal, suspension (which means a contractor is prohibited from tendering for works of the relevant category during the suspension period), downgrading (which includes downgrading or demoting the contractor’s qualification to a lower status or class in all or any specified category), depending on the seriousness of the incident triggering the regulatory actions. Please refer to in the section headed “Risk Factors — There is no assurance that we are able to maintain our eligibility to tender public works of the Government” of this document for risk associated with being a Government contractor.

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SINGAPORE

A. Safety and Insurance

Workplace and Health Safety Measures

Under the Workplace Safety and Health Act, Chapter 354A of Singapore (“WSHA”), every employer has the duty to take, as far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. With effect from 1 September 2011, all workplaces in Singapore are covered under the WSHA. Such measures include the employer providing and maintaining for his employees a work environment that is safe, without risk to health and adequate as regards facilities and arrangements for their welfare at work, ensuring that sufficient safety measures are taken in respect of any machinery, equipment, plant, article or process used by his employees, ensuring that his employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer, developing and implementing procedures for dealing with emergencies that may arise while those persons are at work and ensuring that the person at work has sufficient instruction, information, training and supervision as is necessary for that person to perform his work.

The Workplace Safety and Health (Construction) Regulations 2007 sets out additional specific duties on employers which include, inter alia, appointing a workplace safety and health co-ordinator in respect of every worksite to assist and identify any unsafe condition in the worksite or unsafe work practice which is carried out in the worksite and recommend and assist in the implementation of reasonably practicable measures to remedy the unsafe condition or unsafe work practice.

Additional duties imposed on employers are laid out in the Workplace Safety and Health (General Provisions) Regulations (“**WSHR**”). Such additional duties pursuant to the WSHR include the taking of effective measures to protect persons at work from the harmful effects of any exposure to any biohazardous material which may constitute a risk to their health, ensuring adequate ventilation and maintaining sufficient and suitable lighting. The WSHR also requires certain equipment to be tested and examined by an examiner (“**Authorised Examiner**”) who is authorised by the Commissioner for Workplace Safety and Health (“**CWSH**”) before they can be used in a factory and thereafter, at specific intervals. Such equipment includes, inter alia, the following:

- hoist or lifts;
- lifting gears; and
- lifting appliances and lifting machines.

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Upon the examination by the Authorised Examiner, a certificate of test and examination, specifying the safe working load of the equipment, will be issued. Such certificate of test and examination shall be kept available for inspection. Under the WSHR, it is the duty of the owner of the equipment/occupier of the factory to ensure that the equipment complies with the provisions of the WSHR and to keep a register containing the requisite particulars with respect to the lifting gears, lifting appliances and lifting machines.

Pursuant to the WSHA, inspectors appointed by the CWSH may, inter alia, enter, inspect and examine any workplace and any machinery, equipment, plant, installation or article at any workplace, to make such examination and inquiry as may be necessary to ascertain whether the provisions of the WSHA are complied with. The CWSH is provided with the power under the WSHA to serve a stop-work order in respect of a workplace if it is satisfied that:

- the workplace is in such condition, or is so located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any process or work carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of persons at work;
- any person has contravened any duty imposed by the WSHA; or
- any person has done any act, or has refrained from doing any act which, in the opinion of the CWSH, poses or is likely to pose a risk to the safety, health and welfare of persons at work.

The stop-work order shall direct the person served with the order to immediately cease to carry on any work indefinitely or until such measures as are required by the CWSH have been taken, to the satisfaction of the CWSH, to remedy any danger so as to enable the work in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

In addition, the Ministry of Manpower (“MOM”) has implemented a Demerit Points Scheme for the construction industry to encourage construction contractors to improve their workplace safety and health records. A contractor that has been issued with any demerit point(s) will be notified in writing by the MOM. Each demerit point is valid for 12 months.

Pursuant to this Demerit Points Scheme, construction main contractors and sub-contractors will be issued with demerit points for breaches under the WSHA and the relevant subsidiary legislation. The number of demerit points awarded will be determined based on the severity of the aforesaid infringement. The accumulation of more than 18 demerit points within a 12-month period will result in a formal warning from the MOM while a continued accumulation of demerit points will result in more stringent corrective actions such as the limiting of access to work permit holders for a specified period. Further, recalcitrant offenders may risk having applications for new and renewal of all types of work passes for foreign employees rejected by the MOM.

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Factory Registration or Factory Permit

Under the Workplace Safety and Health (Registration of Factories) Regulations 2008 (“**WSH Factories Regulations**”), any person that wishes to occupy or use any premises where any building operation or works of engineering construction is or are being carried out by way of trade or for the purposes of gain is required to register the premises (or worksite) as a “factory” with the CWSH.

Occupiers are required to apply to the CWSH to register the worksite as a “factory” one month prior to the commencement of the works and, depending on the level of risks in the factories, either a one-time registration or a renewable registration regime will apply. Construction sites fall within the one-time registration regime and occupiers are required to (i) declare that they have implemented risk management prior to the commencement of their operations and (ii) complete the safety and health management system audit/internal review within two (2) months from the commencement of work. Any worksite involving a contract sum of S\$30 million or more would require an audit to be done by the work health safety auditors at least once every six (6) months. On the other hand, any worksite involving a contract sum of less than S\$30 million would only require an internal review at least once every six (6) months.

Approval and Execution of Plans of Building Works

The Building Control Act provides that no person shall commence or carry out, or permit or authorise the commencement or carrying out of, any building works unless the plans of such building works have been approved by the Commissioner of Building Control (“**CBC**”) and in the case of structural works, there is in force a permit granted by the CBC to carry out such structural works. An application to the CBC for the approval of the plans of the building works must be accompanied by a notification that either a registered architect or a professional engineer (“**Qualified Person**”) has been appointed to prepare such plans and to supervise the building works.

The carrying out of concreting, piling, pre-stressing, tightening of high-friction grip bolts or other critical structural works of a prescribed class of building works would also require the supervision of a Qualified Person or a site supervisor appointed by him. Under the Building Control Act, Chapter 29 of Singapore (“**Building Control Act**”), a builder undertaking any building works shall, *inter alia*, (i) ensure that the building works are carried out in accordance with the plans approved by the CBC and supplied to it by the Qualified Person and any terms or conditions imposed by the CBC, (ii) notify the CBC of any contravention of the Building Control Act or the building regulations in connection with those building works and (iii) within seven (7) days from the completion of the building works, certify that the new building has been erected or the building works have been carried out in accordance with the Building Control Act and the building regulations and deliver such certificate to the CBC.

The Building Control Regulations 2003 sets out certain requirements of the Building and Construction Authority (“**BCA**”) relating to, *inter alia*, the design and construction and the installation of exterior features. For example, (i) no person shall,

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without the permission of the CBC, install any lift in any building and (ii) an installation of an air-conditioning unit on the exterior of any building or which projects outwards from any building shall be carried out by a trained air-conditioning unit installer.

If the CBC is of the opinion that any building works are carried out in such a manner as (i) will cause, or will be likely to cause, a risk of injury to any person or damage to any property, (ii) will cause, or will be likely to cause, a total or partial collapse of the building in respect of which building works are or have been carried out or any building or street or natural formation in close proximity to those building works; or (iii) will render, or will be likely to render, any building or street or natural formation in close proximity to those building works so unstable or dangerous that it will collapse or be likely to collapse either totally or partially, the CBC may, by order, direct the person for whom those building works have been or are being carried out to immediately stop the building works and to take such remedial or other measures as the CBC may specify to prevent the abovementioned situations from happening.

Under the Fire Safety Act, Chapter 109A of Singapore (“FSA”), the person for whom any proposed fire safety works are to be commenced or carried out in any building must apply to the Commissioner of Civil Defence (“CCD”) for the approval of the plans of the fire safety works in accordance with the Fire Safety (Building Fire Safety) Regulations and such person shall appoint an appropriate qualified person to prepare those plans. Unless the plans of the fire safety works are approved by the CCD, no person shall commence or carry out or permit or authorise the commencement or carrying out of any fire safety works in any building. Upon the completion of any safety works, the person for whom the fire safety works had been carried out shall apply for a fire safety certificate from the CCD in respect of the completed fire safety works.

Where, in the opinion of the CCD, any fire safety works are carried out or have been carried out in contravention of the Fire Code, the FSA or any regulations made thereunder, the CCD may by order in writing require (i) the cessation of the unauthorised fire safety works until such order is withdrawn, (ii) such work or alteration to be carried out to the unauthorised fire safety works or the building or part thereof to which the unauthorised fire safety works relate to comply with the Fire Code, FSA or any regulations made thereunder, or (iii) the demolition of the building or part thereof to which the unauthorised fire safety works relate.

Work Injury Compensation

The Work Injury Compensation Act, Chapter 354 of Singapore (“WICA”), which is regulated by the MOM, applies to all employees in all industries in respect of injury suffered by them in the course of their employment and sets out, *inter alia*, the amount of compensation they are entitled to and the method(s) of calculating such compensation. The WICA provides that if in any employment, personal injury by

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accident arising out of and in the course of the employment is caused to an employee, the employer shall be liable to pay compensation in accordance with the provisions of the WICA.

The WICA provides, *inter alia*, that, where any person (referred to as the principal) in the course of its business or for the purpose of his trade or business contracts with any other person (referred to as the contractor) for the execution by the contractor of the whole or any part of any work, or for the supply or labour to carry out any work, undertaken by the principal, the principal shall be liable to pay to any employee employed in the execution of the work any compensation which he would have been liable to pay if that employee had been immediately employed by the principal.

B. Environmental Protection

Environmental Laws and Regulations

The Environmental Public Health Act, Chapter 95 of Singapore (“EPHA”) requires a person to take reasonable precautions to prevent danger to the life, health or well-being of persons using any public places from flying dust or falling fragments or from any other material, thing or substance during, *inter alia*, the erection, alteration, construction or demolition of any building or at any time.

In addition, the EPHA regulates, *inter alia*, the disposal and treatment of industrial waste and public nuisances. The Director-General of Public Health is empowered under the EPHA to serve a nuisance order on the owner or occupier of the premises on which the nuisance arises. Some of the nuisances that are liable to be dealt with summarily under the EPHA include any premises or part thereof of such a construction or in such a state as to be a nuisance or injurious or dangerous to health, factory or workplace which is not kept in a clean state, any place where there exists or is likely to exist any condition giving rise, or capable of giving rise to the breeding of flies or mosquitoes and any place where there occurs, or from which there emanates noise or vibration as to amount to a nuisance.

The occupier of any construction site is required by the EPHA to employ a competent person to act as an environmental control officer in the construction site to provide general supervision on the observance of, *inter alia*, the EPHA.

A principal contractor having control of a construction site is also required to comply with the Environmental Protection and Management Act, Chapter 94A of Singapore (“EPMA”), which provides for the protection and management of the environment and resource conservation by regulating, *inter alia*, air pollution, water pollution, land pollution and noise control. The EPMA provides that no principal contractor shall permit any person from (i) using or burning any or any class of combustible material or fuel burning equipment within such area as prescribed by the National Environment Agency (“NEA”), (ii) discharging any trade effluent, oil,

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chemical, sewage or other polluting matters into any drain or land without a requisite licence and (iii) discharging any toxic substances or hazardous substances into inland waters.

Additionally, owners or occupiers of any construction site are required by the Environmental Protection and Management (Control of Noise at Construction Sites) Regulations to ensure that the level of noise emitted from such construction site shall not exceed the maximum permissible noise levels prescribed in such regulations.

C. Singapore Licensing Regime

Licensing of builders

The construction industry in Singapore is regulated by the BCA. The main role of the BCA is to develop and regulate the building and construction industry in Singapore. The primary legislation is the Building Control Act which states that all builders who undertake building works where plans are required to be approved by the BCA must be licensed.

There are two (2) types of registers for builders, namely, the General Builder Register and the Specialist Builder Register. The licences conferred under each register must be renewed every three (3) years. The two (2) categories under the General Builder Register are the General Builder Class 1 licence, which allows holders to undertake general building works (both public and private) of any value and, the General Builder Class 2 licence, which allows holders to perform general building works of contract values of S\$6 million or less.

As at the Latest Practicable Date, Wan Chung (Singapore) is registered as a builder under General Builder Class 1 of the General Builder Register pursuant to the Building Control Act and is permitted to undertake general building works (both public and private) of any value.

Main contractors registered under General Builder Class 1 must comply with requirements on Construction Registration of Tradesmen Scheme (“CoreTrade”) on construction personnel, which has the main objective of building up a permanent core of localised workers in key trades for the retention of skills and experience to enable the industry to enhance quality and safety standards and to raise professionalism of the workforce. Under CoreTrade, main contractors must ensure that, at project level, a stipulated number of their construction personnel are localised workers, i.e. Singaporeans, permanent residents or workers of a traditional source, deployed in key trades. All General Builder Class 1 contractors carrying out building works with a project contract value of S\$20 million and above will be required to submit a project employment plan to the BCA. The submission of the plan is a requirement for the issue of the permit to carry out building works. The plan must set out the number and proportion of registered construction personnel to be deployed for the key trades for the duration of the project. The General Builder Class 1 contractor is responsible for ensuring that the deployment requirements are met.

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BCA Contractors Registry

In order to tender for public sector projects in Singapore, a contractor has to be registered in the contractors’ registry maintained by the BCA. Such contractors’ registry is subject to review every three (3) years. At present, there are six (6) major categories of registration, some of which are further sub-classified into six (6) to seven (7) grades, depending on the category of registration. The registration of a contractor with the BCA is dependent on the fulfilment of certain requirements relating to, *inter alia*, the value of previously completed projects, personnel resources and the paid-up capital of the contractor.

Wan Chung (Singapore) is currently registered with an “A2” BCA grading under the category of CW01 for general building. The category of CW01 is classified into seven (7) grades whereby the highest grading of “A1” enables a contractor to tender for public sector construction projects in Singapore of an unlimited value. The “A2” grading permits Wan Chung (Singapore) to tender for public sector construction projects in Singapore up to a maximum limit of S\$85 million. The following are some of the requirements for the award and the retention of an “A2” grading:

- maintaining a minimum paid-up capital and net worth of S\$6.5 million;
- employing at least 12 professional and technical personnel with relevant qualifications;
- obtaining certificates such as ISO 9001:2008, ISO 14000, OHSAS18000/SS 506 Part 1;
- engaging in general building projects with a minimum value of at least S\$65 million comprising:
 - at least S\$32.5 million of projects executed in Singapore;
 - at least S\$48.75 million worth of main contracts (nominated sub-contracts may be included); and
 - at least S\$16.25 million consists of minimum size single projects.
- Annual submission of financial accounts and certified value added productivity (“VAP”) calculation;
- Annual submission of continuing education and training (“CET”) declaration; and
- General builder licence class 1.

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Employment of Foreign Workers

The availability and employment cost of foreign workers in Singapore is governed by the policies and regulations set out in, inter alia, the Employment of Foreign Manpower Act, Chapter 91A of Singapore, and the relevant government regulations. The availability of foreign workers to the construction industry in Singapore is regulated by the MOM through the following policy instruments:

- approved source countries;
- the issuance of work permits;
- the imposition of security bonds and levies;
- dependency ceilings based on the ratio of local to foreign workers;
- skill trade test requirements, which require a foreign worker to meet a basic skill requirement before he can work in Singapore; and
- quotas based on Man-Year Entitlements (“MYE”) in respect of the employment of workers from Non-Traditional Sources (“NTS”) and the People’s Republic of China (“PRC”).

The approved source countries for constructions workers are Malaysia, the PRC, NTS countries and North Asian Sources (“NAS”). NTS countries include India, Sri Lanka, Bangladesh, Myanmar, the Philippines and Pakistan while NAS countries comprise Hong Kong, Macau, South Korea and Taiwan. Changes to the list of approved source countries will increase or reduce the availability of foreign workers and affect the cost of labour. The Dependency Ratio, i.e. the ratio of the number of full-time local workers to the number of foreign workers is currently set at 1:7. This means that for every full-time Singapore citizen or permanent resident employed by a company in the construction sector with regular full-month Central Provident Fund contributions made by that company, that company can employ seven (7) foreign workers.

A construction company seeking to employ foreign workers from approved source countries is required to seek an In-Principle Approval (“IPA”) from the MOM for each individual worker’s work permit. The foreign worker is also required to undergo a medical examination by a Singapore registered doctor and must pass such medical examination before a work permit can be issued to him.

Employers of NAS, NTS or PRC foreign workers who are granted work permits are required to furnish a security bond of S\$5,000, in the form of a banker’s guarantee or insurance guarantee, to the MOM for each foreign worker employed. Employers are also required to pay a monthly levy for the employment of each foreign worker. The current foreign worker levy payable on each basic skilled foreign worker who possesses the SEC (defined below) or SEC(K) (defined below) is S\$230 per month and the

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amount of foreign worker levy payable on each higher skilled worker registered under CoreTrade scheme or issued with trade certifications recognised by the BCA with at least 4 years of construction experience in Singapore is S\$180 per month.

In February 2011, the MOM announced that there would be an increase in the foreign workers’ levy from January 2012 to July 2013, at 6 monthly intervals. According to the announcement on 21 February 2011, the MOM stated that employers in the construction sector will see an average increase in the monthly foreign worker levy of S\$320 per work permit holder between 2011 and July 2013. In addition, the MYE quota will be reduced by up to 25% by July 2012 (5% in July 2010, 10% in July 2011 and 10% in July 2012).

The MYE allocation system is a work permit allocation system for workers from NTS and the PRC. Companies may employ NTS or PRC foreign workers who have worked with any employer for a cumulative period of two (2) or more years in the construction industry without the need for MYE. MYE represents the total number of foreign workers a main contractor is entitled to employ, based on the value of the projects or contracts awarded by the developers or owners. The MYE is allocated in the form of the number of man-years required to complete a project and only main contractors may apply for MYE. At the time of applying for MYE, the balance duration of the project must be at least one (1) month and the total remaining contract value of the project must be at least S\$500,000. To employ NTS and PRC construction workers, the employer must make an application for MYE, “Prior Approval” and IPAs for individual work permits. All levels of sub-contractors are required to obtain their MYE allocation from their main contractors. A main contractor’s MYE will expire on the completion date of the relevant project.

“Prior Approval” refers to the number of foreign workers a company is allowed to bring in from the NTS countries and the PRC and also determines the number of workers who can have their work permits renewed, or who can be transferred from another company in Singapore. “Prior Approval” must be applied for prior to submitting work permit applications.

In addition, all new workers in the construction sector from NTS countries and the PRC who have been approved under the “Prior Approval” scheme are required to possess either the Skills Evaluation Certificate (“SEC”) or the Skills Evaluation Certificate (Knowledge) (“SEC(K)”) before they are allowed to work in Singapore. These schemes are initiated by the BCA to raise the skill levels of the construction workforce, thus improving productivity and enhancing safety in the construction sector. All workers from NAS countries must possess either the SEC or SEC(K) and all Malaysian workers must possess either secondary 4 education or its equivalent, the SEC or SEC(K) before they are allowed to work in Singapore.

The BCA announced that it would implement a new skills framework from July 2011 onwards to recognise and distinguish the skills and experiences of work permit holders for the construction sector. The current work permit holders in the construction sector will be reclassified into a new “Basic Skilled” category if they

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only possess the SEC or SEC(K), and a new “Higher Skilled” category if they are registered under BCA’s CoreTrade scheme or have at least 4 years of construction experience in Singapore and recognised supervisory skill certification.

All foreign workers are also required to attend the Construction Safety Orientation Course (“CSOC”), a full-day course conducted by various training centres accredited by MOM’s Occupational Safety & Health Division and obtain a valid CSOC Pass during their employment in Singapore.

The CSOC is aimed at (i) ensuring that construction workers are familiar with common safety requirements and health hazards in the industry, (ii) educating them on the required measures to safeguard themselves against accidents and diseases and (iii) ensuring that they are aware of their rights and responsibilities under employment law.

Employers must ensure that the foreign workers take the course within two (2) weeks of their arrival in Singapore before their work permits can be issued. For foreign workers who have failed the CSOC, the employer must re-register them for the CSOC as soon as possible. Employers who fail to ensure that their workers take and pass the CSOC will be barred from applying for any new work permits for three (3) months, while the affected workers will have their work permits revoked.

Under the Employment of Foreign Manpower (Work Passes) Regulations, employers are required to ensure that their foreign workers have acceptable accommodation. Such accommodation must meet the various statutory requirements set by various government agencies, including the BCA, the Singapore Civil Defence Force, the NEA and the Public Utilities Board.

An employer of foreign workers is also subject to, *inter alia*, the provisions of the Employment Act, Chapter 91 of Singapore, the Immigration Act, Chapter 133 of Singapore (“**Immigration Act**”) and the regulations issued pursuant to the Immigration Act.

Building and Construction Industry Security of Payment Act

The Building and Construction Industry Security of Payment Act, Chapter 30B of Singapore (“**BCISPA**”), regulated by the BCA, confers a statutory entitlement to progress payments on any person who has carried out any construction work or supplied any goods or services under a contract. The BCISPA also contains provisions relating to, *inter alia*, the amount of progress payment to which a person who has carried out any construction work is entitled under a contract, the valuation of the construction work carried out and the date on which a progress payment becomes due and payable (even where a construction contract does not provide for such date).

In addition, the BCISPA, *inter alia*, endorses the following rights:

- the right of a claimant (being the person who is or claims to be entitled to a progress payment) who, in relation to a construction contract, fails to receive payment by the due date of an amount that is proposed to be paid by the

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respondent (being the person who is or may be liable to make a progress payment under a contract to a claimant) and accepted by the claimant, to make an adjudication application in relation to the payment claim. The BCISPA has established an adjudication process by which a person may claim payments due under a contract and enforce payment of the adjudicated amount;

- the right of a claimant to suspend the carrying out of construction work or supply of goods or services, and to exercise a lien over goods supplied by the claimant to the respondent that are unfixed and which have not been paid for, or to enforce the adjudication as if it were a judgment debt, if such claimant is not paid after it obtains judgment against the respondent pursuant to an adjudication; and
- where the respondent fails to pay the whole or any part of the adjudicated amount to a claimant, the right of a principal of the respondent (being the person who is liable to make payment to the respondent for or in relation to the whole or part of the construction work that is the subject of the contract between the respondent and the claimant) to make direct payment of the outstanding amount of the adjudicated amount to the claimant, together with the right for such principal to recover such payment from the respondent.

The Directors are of the view that, as at the Latest Practicable Date, to the best knowledge of the Directors, the Group has met the aforesaid criteria and requirement for retaining such licences and qualifications, and there are no circumstances that would adversely affect the validity of the aforesaid licences and qualifications.

The legal advisers to the Company as to Singapore laws have set out in their legal opinion to Wan Chung Construction that, inter alia, based on the documents reviewed by it, Wan Chung (Singapore) has complied with the Singapore laws and regulations set out in the paragraphs headed “Singapore A. Safety and Insurance”, “Singapore B. Environmental Protection” and “Singapore C. Singapore Licensing Regime” of the section entitled “Laws and Regulations” during the Track Record Period.

MACAU

A. Labour Related Matters

The legal regime of safety and insurance law of Macau in relation to labour matters is established mainly based on the following legislations:

- 18th of October — Decree Law No. 58/93/M (approval of social security regime) revoked by Law n^o 4/2010 except articles 38^o and 39^o;
- 14th of August — Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases) amended by Law n^o 12/2001 and Executive Orders n^{os} 41/2008, 130/2009 and 89/2010;

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- 22nd of May — Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment);
- 18th of February — Decree Law No. 13/91/M (determination of sanctions for the incompliance of general regulation of working safety and hygiene of office, service and commercial establishments);
- 27th of July — Law No. 4/98/M (Framework Law on Employment Policy and Labour’s Rights) amended by Law nº 21/2009;
- Law No. 7/2008 (Labour Relations);
- 14th of June — Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work).

The legal regime of labour matters in Macau is developed based on 27th of July — Law No. 4/98/M (Framework Law on Employment Policy and Worker’s Rights) which prescribed general principles and directions of labour legislations in different aspects.

Besides of the referred legislation, Law No. 7/2008 (Labour Relations) establishes the general framework of labour relations. It stipulates the basic requirements and conditions for all labour relations, except for those which have been excluded explicitly therein. In general, such requirements and conditions stipulated cannot be prevailed by mutual agreement.

As an employer, the Group shall have to comply with the conditions required under 22nd of May — Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment) for its working places in order to provide a safe and clean working condition for its employees. Otherwise, fine and cautious measures will be imposed on the Group according to 18th of February - Decree Law No. 13/91/M (determination of sanctions for the incompliance of general regulation of working safety and hygiene of office, service and commercial establishments).

As statutory requirements stipulated under Law nº 4/2010 (approval of social security regime) and 4th of August — Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases) the Group has to participate and contribute to the mandatory social security funds and has purchased compulsory industrial accident insurance for its Macau employees in accordance with the relevant applicable legislation, otherwise, fine will be charged as legal sanction.

All employees of the Group have to be Macau residents, non-permanent or permanent, holders of working permits in case of foreign workers. Except for situations stated under 14th of June — Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work) with a very limit scope, workers other than those abovementioned will consider as illegal workers in Macau and the employers will be criminally liable.

The regulatory authority in charge of labour safety and insurance matters are the Labour Affairs Bureau and Monetary Authority of Macau respectively.

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B. Environmental Protection

The fundamentals of the legal Regime of safety and environmental law of Macau, which is applicable to every individual and corporate entity, are the Basic Law of Macau, the Law No. 2/91/M of 11th of March which is known as the organic environmental law of Macau (the “**Macau Environment Law**”) and series of international conventions in related fields applicable in Macau.

Article 119 of the Basic Law of Macau states that “The Macau Special Administrative Region shall carry out the protection of environment in accordance with law”. To implement this article together with the Macau Environmental law and other applicable international conventions, numbers of environmental legislations in form of law, decree law and administrative regulations have been enacted in various fields such as natural heritage protection, air, sea and sound pollutions, hygiene of environment, chemical goods, etc.

As a general rule prescribed in the Macau Environmental Law, any violation of the environmental legislations will subject to civil liability, administrative fine or criminal punishment depending on different violations and also administrative injunction is possible to be granted to cease environmental infringement.

In addition, approval regarding environmental impact issued by regulatory authority is a requisite for the issue of licences of any construction project in Macau.

The regulatory authority in charge of environmental protection matters is the Environmental Protection Bureau.

C. Macau Licensing Regime

Under the current registration system in Macau, a contractor, individual or corporate, must register with the Land, Public Works and Transport Bureau of Macau in order to carry out works in Macau (the “**Registration of Work**”).

The Registration of Work is compulsory in nature and is divided into two categories: urban construction and gas. For the urban construction, it is a requisite for contractor who intends to elaborate construction plan and to execute construction. For gas, it is a requisite for contractor who intends to elaborate of installation of gas network or/and gas device.

The duration of validity of the above-mentioned registration is last for one year and will expire at the end of each year. Application for renewal of registration for urban construction shall have to submit within January of each year and, for gas, it shall have to submit within it’s the duration of validity, otherwise, the registration will be cancelled.

For the application of the Registration of Work, it is required to include a declaration made by a technician registered with the Land, Public Works and Transport Bureau of Macau who declares to be the responsible technician of the contractor.

The registration of technician is also divided into two categories: technician of urban construction and technician of gas. For the technician of urban construction, it is a requisite for technician who intends to elaborate construction plan and to direct construction. For technician of gas, it is a requisite for technician who intends to elaborate plan of installation of gas network or direct the respective works.

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To be a registered technician of urban construction, he shall be a holder of bachelor degree or higher diploma of relevant fields. As for technician of gas, he shall be a holder of bachelor degree of mechanical engineering, chemical engineering or industrial engineering.

The duration of validity of the above-mentioned registration is last for one year and will expire at the end of each year. Application for renewal of registration for urban construction shall have to submit within January of each year and, for gas, it shall have to submit within it's the duration of validity, otherwise, the registration will be cancelled.

In order to participate in public tender of works, the Registration of Work is one of the requisites.

In order to retain the current qualification/licence held by Wan Chung (Macau), Wan Chung (Macau) has to ensure the minimum financial criteria and other requirements as below:

Licence/Relevant issuing authority	Minimum employed capital	Minimum working capital	Minimum technical and management criteria/other requirements
Construction licence Land, Public Works and Transport Bureau of Macau	Nil	Nil	Engagement of qualified technician (<i>note</i>) and renewal of the licence at the beginning of each year

Notes:

1. The assessment of qualification of any technician, who intends to compile construction plan and supervise construction works, will be made by way of submission of the application form by the related person to the Land, Public Works and Transport Bureau together with his academic and professional qualification documents which are recognized under the relevant laws and regulations and an undertaking made by him to act in accordance with the relevant regulations and technology that are applicable for such purpose.
2. The assessment of qualification of any construction company and contractor will be made by way of submission of the application form to the Land, Public Works and Transport Bureau together with a list setting out its technical tools and completed construction works.

The Directors are of the view that, as at the Latest Practicable Date, to the best knowledge of the Directors, the Group has met the aforesaid criteria and requirement for retaining such licences and qualifications, and there are no circumstances that would adversely affect the validity of the aforesaid licences and qualifications.

The legal advisers to the Company as to Macau laws advised that, based on the documents reviewed by it, Wan Chung (Macau) complies with the laws and regulations in Macau applicable to its business specified above since its establishment.

HISTORY AND DEVELOPMENT

INTRODUCTION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on 31 May 2011. Our Company has a number of direct and indirect subsidiaries incorporated or established in the BVI, Hong Kong, Macau and Singapore. Details of our major operating subsidiaries and their respective corporate history are set out below.

OUR MAJOR OPERATING SUBSIDIARIES

Wan Chung Construction

The founding of our Group can be traced back to May 1990 when Mr. Wong, Mr. Ho Wai Chuen and Mr. Tang Tak Kit acquired 2,000,000, 2,000,000, 2,000,000 shares of Wan Chung Construction for an aggregate consideration of HK\$3,800,000, from all the shareholders of Wan Chung Construction at that time, all of whom, save as being the former shareholders and/or directors of Wan Chung Construction are Independent Third Parties. It is confirmed that the consideration was determined at arm’s length negotiation between the parties.

After the aforesaid transfers, Wan Chung Construction was beneficially owned as to 2,000,000 shares, 2,000,000 shares and 2,000,000 shares by each of Mr. Wong, Mr. Ho Wai Chuen and Mr. Tang Tak Kit, respectively, each representing one third of total issued share capital of Wan Chung Construction.

On 30 July 1991, pursuant to a resolution passed by the shareholders of Wan Chung Construction, it was resolved that the authorised share capital of Wan Chung Construction be increased from HK\$6,000,000 divided into 6,000,000 shares of HK\$1 each to HK\$7,200,000 divided into 7,200,000 shares of HK\$1 each.

On 10 September 1991, 400,000, 400,000 and 400,000 shares of Wan Chung Construction were allotted and issued to each of Mr. Wong, Mr. Tang Tak Kit and Mr. Ho Wai Chuen respectively at par. After the aforesaid allotment, the beneficial shareholding of each of Mr. Wong, Mr. Tang Tak Kit and Mr. Ho Wai Chuen in Wan Chung Construction remained unchanged.

On 9 December 1992, Mr. Tang Tak Kit, due to his personal decision to engage in other businesses in the PRC and cease all businesses in Hong Kong, transferred 1,200,000 and 1,200,000 shares to each of Mr. Wong and Mr. Ho Wai Chuen, respectively for an aggregate consideration of HK\$3,200,000. It is confirmed that the consideration was determined at arm’s length negotiation between the parties. After the aforesaid transfer, Wan Chung Construction was owed as to 50% by Mr. Wong and 50% by Mr. Ho Wai Chuen.

On 21 July 1993, pursuant to a resolution passed by the shareholders of Wan Chung Construction, it was resolved that the authorised share capital of Wan Chung Construction be increased from HK\$7,200,000 divided into 7,200,000 shares of HK\$1 each to HK\$10,000,000 divided into 10,000,000 shares of HK\$1 each. 1,400,000 and 1,400,000

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shares of Wan Chung Construction were allotted and issued to each of Mr. Wong and Mr. Ho Wai Chuen, respectively, at par on the same date. After the aforesaid allotment, the beneficial shareholding of each of Mr. Wong and Mr. Ho Wai Chuen in Wan Chung Construction remained unchanged.

On 1 June 1994, pursuant to a resolution passed by the shareholders of Wan Chung Construction, it was resolved that the authorised share capital of Wan Chung Construction be increased from HK\$10,000,000 divided into 10,000,000 shares of HK\$1 each to HK\$15,000,000 divided into 15,000,000 shares of HK\$1 each.

On 30 September 1994, pursuant to a resolution passed by the shareholders of Wan Chung Construction, it was resolved that the authorised share capital of Wan Chung Construction be increased from HK\$15,000,000 divided into 15,000,000 shares of HK\$1 each to HK\$20,000,000 divided into 20,000,000 shares of HK\$1 each. 5,000,000 and 5,000,000 shares of Wan Chung Construction were allotted and issued to each of Mr. Wong and Mr. Ho Wai Chuen, respectively, at par on the same date. After the aforesaid allotment, the beneficial shareholding of each of Mr. Wong and Mr. Ho Wai Chuen in Wan Chung Construction remained unchanged.

On 17 October 1995, each of Mr. Wong and Mr. Ho Wai Chuen transferred 9,999,999 and 9,999,999 shares of Wan Chung Construction to Wan Chung Holdings Limited, now known as One Two Holdings Hong Kong Limited, for a consideration of HK\$9,999,999 and HK\$9,999,999, respectively. It is confirmed that the considerations were based on the issued share capital of Wan Chung Construction. Wan Chung Holdings Limited was a company incorporated in Hong Kong on 23 May 1991. It is an investment holding company. As at 17 October 1995, Wan Chung Holdings Limited was owned as to 0.025% by Mr. Wong, as to 0.025% by Mr. Ho Wai Chuen and as to 99.95% by Regent Pacific. Throughout the Track Record Period and up to the Latest Practicable Date, Wan Chung Holdings Limited was owned as to 99.975% by Regent Pacific and as to 0.025% by Mr. Wong. After the aforesaid transfer, Wan Chung Construction was owned as to 0.000005%, 0.000005% and 99.99999% by Mr. Wong, Mr. Ho Wai Chuen and Wan Chung Holdings Limited respectively. It is advised that Mr. Ho Wai Chuen transferred all of his shareholdings in Wan Chung Construction due to his personal decision to migrate out of Hong Kong and for realization of his investment in around 1996. Some years later, due to the decision of Mr. Ho Wai Chuen, of moving back to Hong Kong, he rejoined our Group again in 2010 as the construction director of Wan Chung Construction.

On 20 January 1997, Mr. Ho Wai Chuen transferred 1 share of Wan Chung Construction to Wan Chung Holdings Limited for a consideration of HK\$1. It is confirmed that the consideration was based on the issued share capital of Wan Chung Construction. After the aforesaid transfer, Wan Chung Construction was owned as to 99.999995% by Wan Chung Holdings Limited and 0.000005% by Mr. Wong.

On 10 February 1997, Wan Chung Holdings Limited transferred 19,999,999 shares of Wan Chung Construction to Regent Pacific for a consideration of HK\$19,999,999 for group reorganisation. It is confirmed that the consideration was based on the issued share capital of Wan Chung Construction. Regent Pacific was a company incorporated in BVI on

HISTORY AND DEVELOPMENT

18 August 1995. It is an investment holding company. As at 10 February 1997, Regent Pacific was owned as to 81.8% by Mr. Wong and as to 18.2% by Mr. Fu Chi Keung Richard. On 28 June 1999, 9,945 shares of Regent Pacific were allotted to Mr. Wong and Mr. Fu Chi Keung Richard transferred all of his shares in Regent Pacific to Mr. Wong on 28 June 1999 at a nominal consideration of US\$10 as Mr. Fu believed that his contribution to the Group was not as significant as expected. Mr. Wong remained as the sole shareholder of Regent Pacific thereafter. It was confirmed that Mr. Fu, an experienced accountant, was a director of Wan Chung Construction, Wan Chung Property, Wan Chung Interior Design and Regent Pacific as at the Latest Practicable Date and played a non-executive role in our Group and Regent Pacific not having involved in the day-to-day management of our Group and Regent Pacific but participated in board meetings of such companies and provided valuable advice on the aspects of financial reporting, internal control and risk management. Throughout the Track Record Period and up to the Latest Practicable Date, Regent Pacific was wholly owned by Mr. Wong. After the aforesaid transfer of Wan Chung Construction, Wan Chung Construction was owned as to 99.999995% by Regent Pacific and 0.000005% by Mr. Wong.

On 10 September 2002, pursuant to a resolution passed by the shareholders of Wan Chung Construction, it was resolved that the authorised share capital of Wan Chung Construction be increased from HK\$20,000,000 divided into 20,000,000 shares of HK\$1 each to HK\$25,000,000 divided into 25,000,000 shares of HK\$1 each. 2,000,000 shares of Wan Chung Construction were allotted and issued to Regent Pacific at par on the same date. After the aforesaid allotment, Wan Chung Construction was owned as to approximately 99.999995% by Regent Pacific and approximately 0.000005% by Mr. Wong.

As part of the Reorganisation, on 8 December 2011, BVI Company 2 acquired 21,999,999 and 1 ordinary shares of Wan Chung Construction, which represented in aggregate its entire issued share capital, from Regent Pacific and Mr. Wong at a consideration of HK\$99,355,011, based on the net assets value of Wan Chung Construction as at 31 October 2011, to be satisfied by the issue and allotment of 5,885 shares in BVI Company 1 credited as fully paid, to BVI Holding Company (as a nominee directed by Regent Pacific and Mr. Wong). Following the completion of the share transfer, BVI Company 2 held an aggregate of 22,000,000 ordinary shares, being the entire issued share capital of Wan Chung Construction, and Wan Chung Construction became a direct wholly-owned subsidiary of BVI Company 2.

Wan Chung Property

Wan Chung Property was incorporated in Hong Kong with limited liability on 28 February 1991 with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. On 24 April 1991, 1,665, 1,665, 5,002 and 1,666 shares of Wan Chung Property were allotted and issued to each of Mr. Wong, Mr. Tang Tak Kit, Wan Chung Construction and Mr. Ho Wai Chuen, respectively at par. On 29 April 1991, each of the subscribers transferred 1 share of Wan Chung Property to each of Mr. Wong and Mr. Tang Tak Kit for a consideration of HK\$1 and HK\$1, respectively. It is confirmed that the considerations were based on the issued share capital of Wan Chung Property.

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After the aforesaid allotments and share transfers, Wan Chung Property was owned as to approximately 16.66%, 16.66%, 50.02% and 16.66% by each of Mr. Wong, Mr. Tang Tak Kit, Wan Chung Construction and Mr. Ho Wai Chuen, respectively.

On 16 December 1992, Mr. Tang Tak Kit transferred 833 and 833 shares in Wan Chung Property to each of Mr. Wong and Mr. Ho Wai Chuen for a consideration of HK\$1,666 and HK\$1,666, respectively. It is confirmed that the consideration was based on the issued share capital of Wan Chung Property with a premium.

After the aforesaid transfer, Wan Chung Property was owned as to approximately 24.99%, 50.02% and 24.99% by each of Mr. Wong, Wan Chung Construction and Mr. Ho Wai Chuen, respectively.

On 5 October 1995, each of Mr. Wong, Wan Chung Construction and Mr. Ho Wai Chuen transferred 2,498, 5,002 and 2,498 shares in Wan Chung Property to Wan Chung Holdings Limited for a consideration of HK\$2,498, HK\$5,002 and HK\$2,498, respectively. It is confirmed that the considerations were based on the issued share capital of Wan Chung Property. As at 5 October 1995, the entire equity interest of Wan Chung Holdings Limited was owned as to 25% by Wan Chung Construction, as to 37.5% by Mr. Wong and as to 37.5% by Mr. Ho Wai Chuen.

After the aforesaid transfer, Wan Chung Property was owned as to 0.01%, 0.01% and 99.98% by each of Mr. Wong, Mr. Ho Wai Chuen and Wan Chung Holdings Limited, respectively.

On 20 January 1997, Mr. Ho Wai Chuen transferred 1 share in Wan Chung Property to Wan Chung Holdings Limited for a consideration of HK\$1.00. It is confirmed that the consideration was based on the issued share capital of Wan Chung Property. After the aforesaid transfer, Wan Chung Property was owned as to 0.01% by Mr. Wong and 99.99% by Wan Chung Holdings Limited.

On 10 February 1997, Wan Chung Holdings Limited transferred 9,999 shares in Wan Chung Property to Regent Pacific for a consideration of HK\$9,999 for group reorganization. It is confirmed that the consideration was based on the issued share capital of Wan Chung Property. After the aforesaid transfer, Wan Chung Property was owned as to 0.01% by Mr. Wong and 99.99% by Regent Pacific.

On 28 March 2008, Regent Pacific transferred 9,999 shares in Wan Chung Property to Wan Chung Construction, a then subsidiary of Regent Pacific, for a consideration of HK\$1,073,833 for group reorganization. It is confirmed that the consideration was based on the net assets value of Wan Chung Property. After the aforesaid transfer, Wan Chung Property was owned as to 0.01% by Mr. Wong and 99.99% by Wan Chung Construction. The purpose of the share transfer to Wan Chung Construction was facilitating the obtaining of bank facilities by Wan Chung Construction.

As part of the Reorganisation, Mr. Wong, Wan Chung Construction, BVI Company 3 and BVI Company 1 entered into a sale and purchase agreement dated 7 December 2011, pursuant to which Wan Chung Construction and Mr. Wong agreed to transfer, in their

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capacity as the beneficial owner, 9,999 and 1 ordinary shares of Wan Chung Property, representing in aggregate its entire issued share capital, to BVI Company 3 at a consideration of HK\$11,612,149, based on the net assets value of Wan Chung Property as at 31 October 2011, to be satisfied by the issue and allotment of 688 shares in BVI Company 1, credited as fully paid, to BVI Holding Company (as a nominee directed by Wan Chung Construction and Mr. Wong).

Wan Chung Interior Design

Wan Chung Interior Design was incorporated in Hong Kong with limited liability on 2 January 1998 with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. 2 shares were allotted and issued to two subscribers, which are Independent Third Parties.

On 19 January 1998, 9,998 shares of Wan Chung Interior Design were allotted and issued to Wan Chung Construction at par. Each of the subscribers then transferred one share of Wan Chung Interior Design to each of Wan Chung Construction and Mr. Wong for a consideration of HK\$1 and HK\$1, respectively, on 21 January 1998. It is confirmed that the considerations were based on the issued share capital of Wan Chung Interior Design. As evidenced by a declaration of trust dated 21 January 1998, Mr. Wong held the one share of Wan Chung Interior Design for Wan Chung Construction. Our Directors confirm that, and the legal advisers to our Company as to Hong Kong laws concurred that, such trust arrangement was legally valid and binding on the parties thereof under the laws of Hong Kong. As confirmed by our Directors, the purpose of the trust arrangement between Mr. Wong and Wan Chung Construction was to comply with the then prevailing Companies Ordinance which required companies incorporated in Hong Kong to have at least two shareholders.

After the aforesaid allotment and transfers, the entire issued share capital of Wan Chung Interior Design was beneficially owned by Wan Chung Construction.

As part of the Reorganisation, Wan Chung Construction, BVI Company 4 and BVI Company 1 entered into a sale and purchase agreement dated 7 December 2011, pursuant to which Wan Chung Construction agreed to transfer, in its capacity as the beneficial owner, 10,000 ordinary shares of Wan Chung Interior Design, representing its entire issued share capital, to BVI Company 4 at a consideration of HK\$33,219, based on the net assets value of Wan Chung Interior Design as at 31 October 2011, to be satisfied by the issue and allotment of 2 shares in BVI Company 1, credited as fully paid, to BVI Holding Company (as a nominee directed by Wan Chung Construction).

Immediately after the aforesaid share transfer, the trust arrangement between Mr. Wong and Wan Chung Construction as evidenced by the declaration of trust dated 21 January 1998 had ceased to have effect.

HISTORY AND DEVELOPMENT

Wan Chung (Macau)

Wan Chung (Macau) was incorporated in Macau with limited liability on 7 September 2005 with a registered capital of MOP25,000, which was contributed as to MOP24,000 and MOP1,000 by Wan Chung Construction and Mr. Wong, respectively.

As part of the Reorganisation, Mr. Wong, Wan Chung Construction and BVI Company 5 entered into a share transfer agreement in Chinese dated 7 December 2011, pursuant to which BVI Company 5 agreed to acquire two shares (quota) with nominal values of MOP24,000 and MOP1,000 of Wan Chung (Macau), representing in aggregate its entire registered capital, from Wan Chung Construction and Mr. Wong at an aggregate consideration of MOP2 (equivalent to approximately HK\$2), based on the net liabilities of Wan Chung (Macau) as at 31 October 2011.

Wan Chung (Singapore)

Wan Chung (Singapore) was incorporated in Singapore with limited liability on 20 November 2008 with an issued and paid up capital of S\$2 comprised of 2 ordinary shares, which was issued and allotted to Mr. Chng Kang Hai. The directors of Wan Chung Construction (all of whom resided in Hong Kong) considered that it was more convenient and cost-saving for Mr. Chng Kang Hai, the senior management of our Group who resided in Singapore, to incorporate Wan Chung (Singapore) and sign the documents that would require the subscriber to sign in person.

On 25 November 2008, Wan Chung (Singapore) issued and allotted 24,998 ordinary shares in Wan Chung (Singapore), representing S\$24,998 in the issued and paid up capital of Wan Chung (Singapore), to Wan Chung Construction.

On 26 November 2008, Mr. Chng Kang Hai transferred 2 ordinary shares of Wan Chung (Singapore) to Wan Chung Construction for a consideration of S\$2. It is confirmed that the consideration was based on the issued share capital of Wan Chung (Singapore).

On 31 March 2009, Wan Chung (Singapore) issued and allotted 425,000 and 50,000 ordinary shares in Wan Chung (Singapore), representing S\$425,000 and S\$50,000 in the issued and paid up capital of Wan Chung (Singapore) respectively, to Wan Chung Construction and Mr. Wong, respectively. By a declaration of trust made on 31 March 2009, Mr. Wong declared that the 50,000 ordinary shares were held by him on trust for Wan Chung Construction.

On 8 March 2010, Wan Chung (Singapore) issued and allotted 2,250,000 and 250,000 ordinary shares in Wan Chung (Singapore), representing S\$2,250,000 and S\$250,000 in the issued and paid up capital of Wan Chung (Singapore) respectively, to Wan Chung Construction and Mr. Wong, respectively. By a declaration of trust made on 8 March 2010, Mr. Wong declared the 250,000 ordinary shares were held by him on trust for Wan Chung Construction.

HISTORY AND DEVELOPMENT

On 19 March 2010, Wan Chung (Singapore) issued and allotted 180,000 and 20,000 ordinary shares in Wan Chung (Singapore), representing S\$180,000 and S\$20,000 in the issued and paid up capital of Wan Chung (Singapore) respectively, to Wan Chung Construction and Mr. Wong, respectively. By a declaration of trust made on 19 March 2010, Mr. Wong declared that the 20,000 ordinary shares were held by him on trust for Wan Chung Construction.

On 14 October 2010, Wan Chung (Singapore) issued and allotted 3,150,000 and 350,000 ordinary shares in Wan Chung (Singapore), representing S\$3,150,000 and S\$350,000 in the issued and paid up capital of Wan Chung (Singapore) respectively, to Wan Chung Construction and Mr. Wong, respectively. By a declaration of trust made on 14 October 2010, Mr. Wong declared that the 350,000 ordinary shares were held by him on trust for Wan Chung Construction.

Our Directors have confirmed that the trust arrangement, by which Mr. Wong held 670,000 ordinary shares in Wan Chung (Singapore) on trust for Wan Chung Construction, was set up to enable Wan Chung (Singapore) to apply to the Inland Revenue Authority of Singapore to claim certain tax benefits which our Directors thought were available to newly incorporated companies in Singapore. The application was not made. The tax benefit refers to a tax exemption scheme which was introduced by the Inland Revenue Authority of Singapore to support entrepreneurship and help the growth of local enterprises.

Under the scheme, a company that satisfies the qualifying criteria can claim for full tax exemption on the first S\$100,000 of normal chargeable income for each of its first three consecutive years of assessment. One qualifying criteria requires that a company have at least one shareholder (who is an individual) holding at least 10% of the issued ordinary shares of the company.

When Wan Chung (Singapore) was incorporated in 20 November 2008, it was intended that it would be a wholly-owned subsidiary of Wan Chung Construction. However, in order to allow Wan Chung (Singapore) to qualify for the tax exemption while maintaining full control over it, the shareholdings of Wan Chung (Singapore) were structured so that 10% would be held by an individual shareholder i.e. Mr. Wong under several declarations of trust.

The application for the tax exemption was eventually not made after the tax agent of Wan Chung (Singapore) had advised that the 10% individual shareholding had to be beneficially held by Mr. Wong and not held under any trust arrangement.

The legal advisers to our Company as to Singapore laws have confirmed, based only on the confirmation that (i) Mr. Wong notified Wan Chung (Singapore) that he held the 670,000 ordinary shares on trust for Wan Chung Construction and (ii) that such trust was notified on the register of members of Wan Chung (Singapore), that the declarations of trust respectively dated 31 March 2009, 8 March 2010, 19 March 2010 and 14 October 2010 were legally valid and binding on the parties thereto and were recognized by Wan Chung (Singapore) in accordance with its articles of association and the Companies Act, Chapter 50 of Singapore for the period up to 6 December 2011.

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Based on a deed of revocation dated 7 December 2011 between Mr. Wong and Wan Chung Construction, the trust arrangement between Mr. Wong and Wan Chung Construction as evidenced by the declarations of trust dated 31 March 2009, 8 March 2010, 19 March 2010 and 14 October 2010 were revoked and terminated. And based on a share transfer form dated 7 December 2011 between Mr. Wong and Wan Chung Construction, the 670,000 ordinary shares of Wan Chung (Singapore) held by Mr. Wong were transferred to Wan Chung Construction.

As part of the Reorganisation, Wan Chung Construction, BVI Company 6 and BVI Company 1 entered into a sale and purchase agreement dated 7 December 2011, pursuant to which BVI Company 6 agreed to acquire 6,700,000 ordinary shares of Wan Chung (Singapore), representing in aggregate its entire issued share capital, from Wan Chung Construction at a consideration of S\$9,531,498 (equivalent to approximately HK\$57,820,164), based on the net assets value of Wan Chung (Singapore) as at 31 October 2011, to be satisfied by the issue and allotment of 3,424 shares of US\$1 each in the capital of BVI Company 1 to BVI Holding Company (as nominee directed by Wan Chung Construction).

Wan Chung (Singapore) acquired 200,000 ordinary shares in the share capital of Castilia, representing 20% of the total issued and paid-up capital of Castilia, from HLH Development Pte. Ltd. on 3 March 2010 for a consideration of S\$200,000. The consideration of S\$200,000 for transferring the 20% shareholdings of Castilia by HLH Development Pte. Ltd. to Wan Chung (Singapore) was determined with reference to, amongst others, the net losses of approximately S\$175,753 and S\$154,641 incurred by Castilia during the two financial years ended 31 December 2009. Castilia is a private limited company incorporated in Singapore on 12 December 2007 and as at the Latest Practicable Date was owned as to 80% by HLH Development Pte. Ltd. and 20% by Wan Chung (Singapore). As at the Latest Practicable Date, the principal activities of Castilia were that of property development and investments and real estate activities with own or leased property. Castilia held a parcel of land in Singapore with a site area of approximately 16,600 square feet which was intended to be developed into residential apartments. Our Directors considered that the development project of Castilia had good prospect and investing in Castilia would bring income to our Group upon completion of the development project of Castilia. As confirmed by the Directors, part of the residential apartments was already sold as at the Latest Practicable Date. Wan Chung (Singapore) was the main contractor for the development at 45 Joo Chiat Lane, which is owned by Castilia. Our Directors confirm that the project was awarded to Wan Chung (Singapore) through a tendering process.

HLH Development Pte. Ltd. is a wholly-owned subsidiary of HLH Group Limited, a listed company in Singapore and Wan Chung (Singapore) held 59,600,000 shares of HLH Group Limited, representing approximately 2.11% of the issued share capital of HLH Group Limited as at the Latest Practicable Date. The 59,600,000 shares in HLH Group Limited were acquired by Wan Chung (Singapore) on-market through various purchases from 25 October 2010 to 17 December 2010 for a consideration ranging from S\$0.03 per share to S\$0.035 per share. Our Directors understand that HLH Group Limited and its subsidiaries are principally engaged in investment and development of commercial,

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residential and industrial properties and building construction in various countries including the Southeast Asia region. Our Directors considered that investing in the listed shares of HLH Group Limited together with the cooperation with HLH Development Pte. Ltd., a wholly-owned subsidiary of HLH Group Limited, in developing further business opportunities by establishing together a local property development company in Singapore, namely Castilia, the associate of our Group, would have positive impact on the expansion of the Group’s business into potential countries in Southeast Asia by leveraging the experience of HLH Group Limited in the construction business in the Southeast Asian countries. Save as disclosed, there were no other relationships between our Group and HLH Group Limited.

REORGANISATION

Disposal of Wan Chung Investments

Wan Chung Investments was incorporated on 22 December 2010 and has an issued and paid-up share capital of S\$2, comprising 2 ordinary shares. Wan Chung (Singapore) was allotted 2 ordinary shares comprising S\$2 in the issued and paid-up capital of Wan Chung Investments on 22 December 2010.

In 2010, the then directors of Wan Chung (Singapore) considered that the property market in Singapore had good prospect and therefore intended to acquire a property in Singapore for investment purpose. Wan Chung Investments was therefore incorporated on 22 December 2010 by Wan Chung (Singapore) for the purpose of holding the property in Singapore.

As part of the Reorganisation, Eng Boon Seng (Yu Wenxin) (son of Mr. Eng Son Yam, a former managing director and former director of Wan Chung (Singapore)) and Eng Mew Yong (daughter of Mr. Eng Son Yam, a former managing director and former director of Wan Chung (Singapore) and wife of Mr. Chng Kang Hai, a director of Wan Chung (Singapore)) and Wan Chung (Singapore) entered into (a) a share purchase agreement dated 3 June 2011, pursuant to which (i) Wan Chung (Singapore) agreed to transfer, in its capacity as the beneficial owner, 2 fully paid ordinary shares of Wan Chung Investments, representing its entire issued share capital, to Eng Boon Seng (Yu Wenxin) and Eng Mew Yong for a consideration of S\$2.00 as Wan Chung Investments recorded net liabilities as at the date of transfer and (ii) Wan Chung (Singapore), Eng Boon Seng (Yu Wenxin) and Eng Mew Yong agreed to deliver a deed of assignment between themselves for the assignment of a shareholder’s loan to Wan Chung Investments in the sum of S\$3,084,370.48 at the consideration of S\$3,084,370.48; and (b) the deed of assignment dated 3 June 2011 pursuant to which Wan Chung (Singapore) assigned to Eng Boon Seng (Yu Wenxin) and Eng Mew Yong a shareholder’s loan to Wan Chung Investments in the sum of S\$3,084,370.48 at the consideration of S\$3,084,370.48.

Wan Chung Investments has all along been principally engaged in property investment holding one property in Singapore and is not engaged in other business. It has a different business model from that of our Group. Also, as advised by our Directors, in anticipation of more construction projects under taken by our Group and the need to improve the cash flow of our Group, our Directors decided to dispose of the property held by Wan Chung

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Investments in Singapore by way of disposing of the shares in Wan Chung Investments. Given the aforesaid, Wan Chung (Singapore) has entered into the above share purchase agreement to dispose of its interest in Wan Chung Investments. The net loss of Wan Chung Investments from 22 December 2010 (its date of incorporation) to 31 March 2011 was approximately HK\$516,000. The gain on disposal of Wan Chung Investments to the Group is approximately HK\$459,000.

Corporate Reorganisation

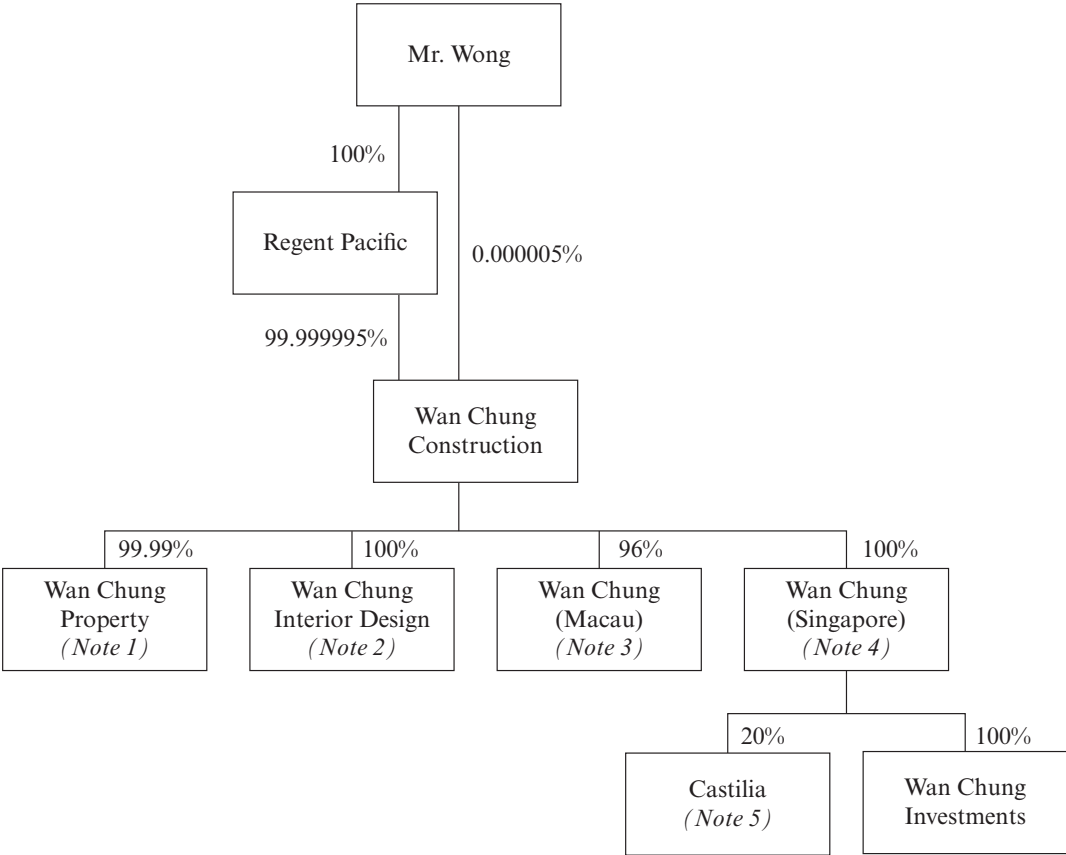
Our Company completed the Reorganisation on 16 December 2011, pursuant to which our Company became the ultimate holding company of our Group. Details of the Reorganisation are set out in the paragraph headed “Corporate Reorganisation” in Appendix V to this document.

The legal advisers to our Company as to Hong Kong laws, Singapore laws and Macau laws have confirmed that the change of shareholdings in Wan Chung Construction, Wan Chung Property and Wan Chung Interior Design (subsidiaries incorporated in Hong Kong), Wan Chung (Singapore) (subsidiary incorporated in Singapore) and Wan Chung (Macau) (subsidiary incorporated in Macau) under the Reorganisation would not require any approval or permit from any relevant government authorities in Hong Kong, Singapore or Macau (as the case may be).

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THE GROUP STRUCTURE

As part of the Reorganisation, a number of share transfers had been effected and pursuant to which our Company became the holding company of our Group. Our Company completed the Reorganisation on 16 December 2011. Details of the Reorganisation are set out in the paragraph headed “Corporate Reorganisation” in Appendix V to this document. The following diagram sets out the corporate structure of our Group before the Reorganisation:



Notes:

1. The remaining 0.01% was owned by Mr. Wong.
2. The 0.01% was held by Mr. Wong, who held the shares on trust for Wan Chung Construction.
3. The remaining 4% was owned by Mr. Wong.
4. Pursuant to declarations of trust dated 31 March 2009, 8 March 2010, 19 March 2010 and 14 October 2010, Mr. Wong held the 670,000 ordinary shares, representing 10% of the issued and paid up share capital of Wan Chung (Singapore), on trust for the beneficial owner, Wan Chung Construction. Pursuant to Section 195 of the Companies Act, Chapter 50 of Singapore, and Article 7 of the Articles of Association of Wan Chung (Singapore), unless Mr. Wong requested otherwise, no notice of such trust would be entered in the Register of Members of Wan Chung (Singapore). Pursuant to a letter dated 6 June 2011, the company secretary of Wan Chung (Singapore), Mr Chng

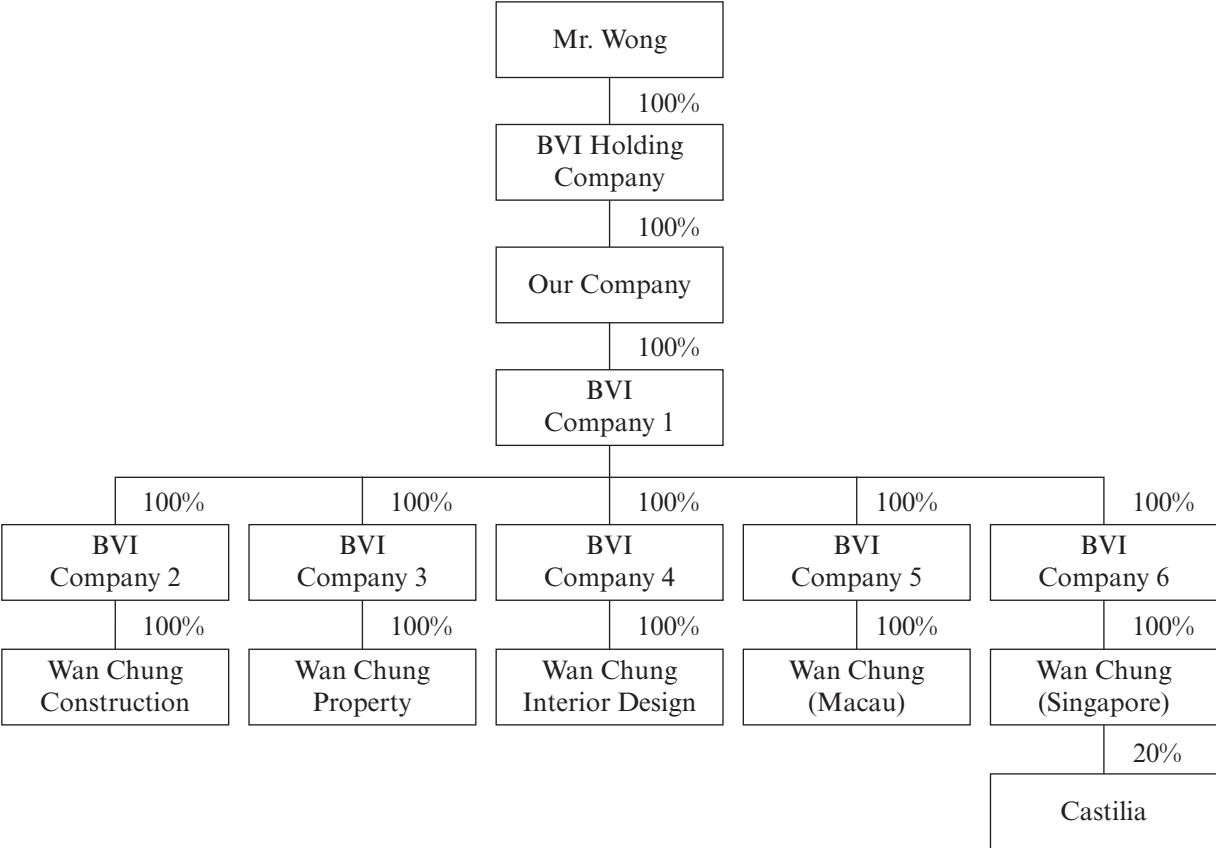
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Kanghai, confirmed that (i) Mr. Wong notified Wan Chung (Singapore) that he held the 670,000 ordinary shares on trust for Wan Chung Construction, and (ii) that the trust had been notified on the Register of Members of Wan Chung (Singapore).

5. The remaining 80% was owned by HLH Development Pte. Ltd.

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



BUSINESS

BUSINESS OVERVIEW

Our Group is principally engaged as a main contractor in the provision of (a) building construction services in Hong Kong, Macau and Singapore, (b) property maintenance services in Hong Kong, (c) alterations, renovation, upgrading works and fitting-out works services in Hong Kong, Macau and Singapore. Our Group has expanded its business to Macau in 2006 and further expanded its business to Singapore in 2008 as a fitting-out main contractor in the provision of alteration, renovation, upgrading works and fitting-out works services.

Our Group is one of the Group C contractors for building works granted by the WBDB since July 1992. Group C contractors are the highest ranking contractors in terms of tender’s limits, and can tender for public works contracts of any value exceeding HK\$75 million.

Our customers

Our customers in Hong Kong include: (a) the public sector customers (government and institutional bodies): Hong Kong Housing Authority, Architectural Services Department, and Urban Renewal Authority; and (b) the private sector customers: including a major transit railway company, a major public housing management company and one of the electric service providers in Hong Kong. The Government was the largest customer of the Group in each of the three years ended 31 March 2011 and the three months ended 30 June 2011 during the Track Record Period accounting for approximately 61.4%, 76.1%, 68.9% and 69.2% respectively of our total revenue. During the Track Record Period, revenue derived from our five largest customers, amounted to approximately 92.6%, 99.6%, 95.3% and 92.9%, respectively, of our total revenue. The number of years of business relationship with our top 5 customers during the Track Record Period is summarised as below:

Customer	Number of years of business relationship (approximately)
The Government ¹	20
A major public housing management company in Hong Kong ¹	8
Group companies of an international casino gaming resort ¹	6
A major transit railway company in Hong Kong	14
A private property management company in Hong Kong	4
A food production company in Hong Kong	3
A fitness centre in Hong Kong	2
A property development and investments company in Singapore ¹	2
A tertiary institution in Hong Kong	1

Note:

1. As at the Latest Practicable Date, our Group is still undertaking project with this customer.

BUSINESS

As part of our corporate strategies for business development in Asia, our Group has been actively expanding our business to Macau and Singapore since 2006 and 2008 respectively and will pursue business development in other potential countries in Asia. For the three years ended 31 March 2011 and the three months ended 30 June 2011, the revenue contributed by the operations in Macau amounted to approximately 5.1%, 0.0%, 0.5% and 1.0% of our total revenue respectively whereas the revenue contributed by the operations in Singapore amounted to approximately 0.1%, 16.4%, 17.0% and 16.1% respectively. Our Directors expect that our customer base would be widened in the foreseeable future quantitatively and geographically and thus our Group will place less reliance on our current major customers in the coming years.

We have completed over 200 projects in Hong Kong since 1990. We believe that our proven track record and our ability to deliver our jobs on time and to the satisfaction of our customers are the crucial factors to our success in the industry. Our Group has been appraised by its customers of being able to execute works of satisfactory quality under tight budget and time constraint.

We have accumulated vast experience in a variety of building construction works and alteration works, including construction of school, renovation of shopping centres, repair and revitalisation of heritage projects and design and fitting-out work. We are also qualified as one of the Repair and Restoration of Historic Buildings specialist contractors which are allowed to carry out works related to both Chinese style and Western style and a Group I Turn-Key Interior Design and Fitting-out specialist contractors. During the Track Record Period, our Group had completed one project in its capacity as a Group I Turn-Key Interior Design and Fitting-out specialist contractor but had not completed any project by virtue of its capacity as a Repair and Restoration of Historic Buildings specialist contractor.

Our Group was engaged in a number of fitting-out works for an international casino gaming resort in Macau. With the experiences gained in projects in Macau, our Group was successfully engaged by an integrated resort in Singapore.

During the Track Record Period, we were engaged by an international casino gaming resort in Singapore for numerous maintenance and fitting-out projects. In 2010, Wan Chung (Singapore) was registered as a Grade A2 contractor for general building works by the Singapore Building and Construction Authority. An A2 grading is the second highest grading for contractors in terms of tender’s limits, and allows the contractor to tender for public sector construction projects of any value up to S\$85 million.

BUSINESS

Our revenue

We derived approximately 19.0%, 28.1%, 36.5% and 37.7% of our revenues from carrying out building construction services for the three years ended 31 March 2011 and the three months ended 30 June 2011 respectively. Approximately 54.8%, 49.7%, 32.2% and 31.6% of our revenues were derived from carrying out property maintenance services for the three years ended 31 March 2011 and the three months ended 30 June 2011 respectively. Approximately 26.2%, 22.2%, 31.3% and 30.7% of our revenues were derived from carrying out alterations, renovation, upgrading and fitting-out works services for the three years ended 31 March 2011 and the three months ended 30 June 2011 respectively.

The Group’s breakdown of revenue by business segments during the Track Record Period was as follows:

	Year ended 31 March						Three months ended 30 June			
	2009		2010		2011		2010		2011	
	HKS'000	%	HKS'000	%	HKS'000	%	HKS'000	%	HKS'000	%
	(Unaudited)									
Building construction	87,530	19.0	179,016	28.1	268,345	36.5	83,409	37.0	45,848	37.7
Property maintenance ⁽¹⁾	251,580	54.8	316,230	49.7	236,374	32.2	72,657	32.3	38,423	31.6
Alterations, renovation, upgrading and fitting-out Works	<u>120,345</u>	<u>26.2</u>	<u>141,405</u>	<u>22.2</u>	<u>230,000</u>	<u>31.3</u>	<u>69,061</u>	<u>30.7</u>	<u>37,435</u>	<u>30.7</u>
Total:	<u>459,455</u>	<u>100.0</u>	<u>636,651</u>	<u>100.0</u>	<u>734,719</u>	<u>100.0</u>	<u>225,127</u>	<u>100.0</u>	<u>121,706</u>	<u>100.0</u>

Note:

- (1) Our property maintenance income comprises projects with a large number of works orders of varying amounts. In general, project team members together with consulting quantity surveyors visit the site and inspect the works progress from time to time. When works order value reach certain level, the project team would consider applying for progress payment. As advised by the Directors, normally, a consensus on the work progress would be reached between the customers and our project team before applying for progress payment. In the estimation of the value of works orders, our project team members and our consulting quantity surveyors would make reference to (i) the value stated on the original works orders first issued to the Group, (ii) the actual quantity of works performed for each type of work; and (iii) the corresponding reference rates specified on a master schedule of rates for the relevant term contracts issued by the customers. Details of works completed would be listed in the application, which would be reviewed and signed off by our contract manager. The details (including the stated value and the work progress) of each works order would be recorded in a database to ensure no duplicated work orders.

At the end of each accounting period, our finance department reviews the status of each works order and recognises revenue based on (i) the value stated on the original works orders first issued to the Group when such works orders are completed; or (ii) the amount submitted to customers for application of progress payment. Finally, after finalisation of works orders by the customers, our finance department would compare the certified amount against the amount of revenue recognised in earlier stage, and make necessary adjustment accordingly, if any.

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The main reason for the fluctuation in our revenue mix and our revenue generated from different geographic locations during the Track Record Period was that our Group continuously secured new contracts and completed existing contracts of different business segments and geographic locations. As such, our Directors believe the fluctuation during the Track Record Period does not indicate the our Group has the intention to change its business model.

Hong Kong, the place where we started our business, is our major market. For the three years ended 31 March 2011 and the three months ended 30 June 2011, the revenue derived from services provided in Hong Kong accounted for approximately 94.8%, 83.6%, 82.5% and 82.9% of our Group total revenue respectively.

Our revenue by geographic locations during the Track Record Period was as follows:

	Year ended 31 March						Three months ended 30 June			
	2009		2010		2011		2010		2011	
	<i>HKS'000</i>	%	<i>HKS'000</i>	%	<i>HKS'000</i>	%	<i>HKS'000</i>	%	<i>HKS'000</i>	%
	(Unaudited)									
Hong Kong	435,759	94.8	532,362	83.6	606,105	82.5	171,021	76.0	100,834	82.9
Macau	23,381	5.1	8	0.0	3,698	0.5	—	0.0	1,254	1.0
Singapore	315	0.1	104,281	16.4	124,916	17.0	54,106	24.0	19,618	16.1
Total:	<u>459,455</u>	<u>100.0</u>	<u>636,651</u>	<u>100.0</u>	<u>734,719</u>	<u>100.0</u>	<u>225,127</u>	<u>100.0</u>	<u>121,706</u>	<u>100.0</u>

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During the Track Record Period, our gross profit and gross profit margin by business segments were as follows:

	For the year ended 31 March			For the three months ended 30 June	
	2009	2010	2011	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross profit	<u>18,269</u>	<u>85,826</u>	<u>110,458</u>	<u>45,106</u>	<u>30,338</u>
	(Unaudited)				
	For the year ended 31 March			For the three months ended 30 June	
<i>Gross profit margin</i>	2009	2010	2011	2010	2011
	(%)	(%)	(%)	(%)	(%)
	(Unaudited)				
Building construction <i>(Note 1)</i>	0.9	9.6	6.1	9.8	25.7
Property maintenance <i>(Note 2)</i>	3.1	5.1	6.9	16.1	13.9
Alterations, renovation, upgrading and fitting-out works <i>(Note 3)</i>	8.1	37.2	33.9	36.5	35.3
Overall	4.0	13.5	15.0	20.0	24.9

Notes:

- (1) The significant increase in gross profit margin from approximately 0.9% in 2009 to approximately 9.6% in 2010 was mainly due to the exceptionally high construction cost for the school construction project in 2008 when steel prices, reinforcing metal and other construction material prices were at their peak.

For the three months ended 30 June, our gross profit margin in our building construction segment increased from 9.8% in 2010 to 25.7% in 2011. In 2001, our management was unable to agree on the final contract amount for a construction project completed with one of our customers. Such disputes were eventually concluded in 2011 such that our Group was able to recover HK\$10.6 million revenue in relation to works completed for the construction contract. In view of the fact that all expenses in relation to the construction project was fully reflected in the years incurred, the recovery of HK\$10.6 million net income has therefore drove up the overall gross profit margin. If such revenue is excluded, the gross profit margin for the three months ended 30 June 2011 would be reduced to 3.4%. Upon the conclusion of the proceeding, it is therefore expected that the gross profit margin would decrease subsequently.

- (2) Gross profit margin was higher during the three months ended 30 June 2010 and 30 June 2011 when compared with the three years ended 31 March 2011 mainly because more work orders happened to be completed in the first half of 2010 and 2011, which allowed the Group to dilute the fixed cost of sales, including mainly the operation of the management team for each project. As a result, our Group was able to obtain a higher margin for these work orders. Moreover, our Group's property maintenance income generally comprises projects with a large number of works orders of varying amounts; revenue of each works orders was recognised based on estimation of the management at the end of each reporting period. Upon detailed assessment carried out by the customers, the actual

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value of completed works orders may be higher or lower than our management’s estimation and such difference will be recognized as revenue (or reversal) in the year of which the completed works orders are assessed. As a result, our Group’s profit margin may be affected accordingly.

- (3) Gross profit margin increased significantly from approximately 8.1% in 2009 to approximately 37.2% in 2010 because our Group was required to complete the contract work under tight project schedule for the high-end fitting-out projects for an international casino gaming resort in Singapore. We were therefore in a better position to bargain for higher margin.

During the Track Record Period, our revenue derived from the three major business segments has become more evenly distributed with each segment representing around 30% of our total revenue during the year ended 31 March 2011 and the three months ended 30 June 2011 as opposed to 54.8% and 49.7% of total revenue from the sector of property maintenance for the year ended 31 March 2009 and 2010 respectively. The increasing proportion of revenue derived from the fitting-out segment has contributed favourably to our overall profit margin because the fitting-out projects are in general more profitable.

Going forward, we shall draw on our established network and reputation and continue to focus on the three existing markets, namely Hong Kong, Macau and Singapore, by actively participating in the tendering of contracts. Meanwhile, we would strive to pursue any business opportunities in the potential countries in Asia, in particular, the PRC, Cambodia and Doha. Our Group presently intends to establish associate companies in the PRC, Cambodia and Doha in 2012, including but not limited to office setup and business development. As at the Latest Practicable Date, our Directors do not have any concrete plan for such expansion.

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Summarised below is the table reconciling the aggregate contract value of the projects backlog at the beginning and end of each year, contract value of new projects and the amounts of revenue recognised during the Track Record Period:

	Accumulated number of projects	Contract value at the beginning of the year/ period <i>HK\$ Million</i>	Accumulated recognised revenue in previous years/periods <i>HK\$ Million</i>	This year/ period revenue recognised <i>HK\$ Million</i>	Remaining contract value at the end of the year/ period <i>HK\$ Million</i>
Newly acquired projects	25	679.6	—	172.9	506.7
Backlog projects	38	1,601.2	907.1	286.6	<u>407.5</u>
As at 31 March 2009					<u><u>914.2</u></u>
Newly acquired projects	19	592.2	—	57.1	535.1
Backlog projects	63	2,280.8	1,366.6	579.5	<u>334.7</u>
As at 31 March 2010					<u><u>869.8</u></u>
Newly acquired projects	29	678.6	—	242.5	436.1
Backlog projects	82	2,873.0	2,003.2	492.2	<u>377.6</u>
As at 31 March 2011					<u><u>813.7</u></u>
Newly acquired projects	2	55.3	—	—	55.3
Backlog projects	111	3,551.6	2,737.9	111.1 ⁽¹⁾	<u>702.6</u>
As at 30 June 2011					<u><u>757.9</u></u>

Note:

1. The amount excluded the approximately HK\$10.6 million revenue recovered from the conclusion of a proceeding in relation to works completed for a construction contract in 2001.

Out of the 113 accumulated projects as at 30 June 2011, 16 of them were still in progress as at the Latest Practicable Date.

A number of our Group’s projects are expected to be completed by 31 December 2012, constituting approximately 72.8% of the remaining contract value as at 30 June 2011 of approximately HK\$0.8 billion. Major projects to be completed by 2012 include but not limited to reprovisioning of Wo Hop Shek Crematorium, the project relating to erection of a 5-storey apartment in Singapore, the fitting-out project for an international gaming resort in Singapore, the fitting-out project for a shopping mall in Tsim Sha Tsui. Our Group will continuously keep track of the tender availability and actively participate in the tendering of contracts in Hong Kong, Macau and Singapore so as to secure new project works.

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Profit margin in Hong Kong and Singapore

During the Track Record Period, the overall profit margin for our Group’s operation in Singapore was higher than that in Hong Kong or elsewhere.

The reason for the higher profit margin for operations in Singapore during the Track Record Period was that we had been engaged in several luxurious and high-end maintenance and fitting-out projects for an international casino gaming resort and such contracts in general required us to complete the contract work under tight project schedule. We were therefore in a better position to bargain for higher prices, which in turn enhanced our profitability for such contracts.

Considering that the international casino gaming resort in Singapore was officially open during the Track Record Period, future demands for luxurious and high-end fitting-out works in the resort would decrease correspondingly. The completion of the resort would open up opportunities for our maintenance works, it is expected that our Group will undertake a higher portion of property maintenance projects for such resort in Singapore, which in general allow greater flexibility in terms of project schedule and thus in general yield relatively lower profit margin, as compared to fitting-out projects. The reason behind a greater flexibility in terms of project schedule for property maintenance contracts is that a contractor in general does not take full control and occupation of the project site and customers may from time to time, request for a temporary suspension of the relevant project to accommodate their own needs and thus are less likely to press for a tight schedule in a property maintenance project.

On the other hand, fitting-out projects generally require more detailed planning and coordination because of procedures involved such as demolition, installation of ductwork, electrical and plumbing, flooring, interior painting and furnishing. Given the higher level of complexity, fitting-out markets are less competitive in Hong Kong. Our expertise and vast experience in the industry do not only enable us to engage in more luxurious and high-end fitting-out projects, but also to negotiate for a higher profit margin. As such, we intend to draw on our experience and proven track record to increase our market share in the fitting-out segment in Hong Kong by pursuing more business opportunities in relation to high-end fitting-out projects.

Since our Directors expect that there will be a lower proportion of fitting-out projects to be undertaken in Singapore and a comparatively higher proportion of fitting-out projects to be undertaken in Hong Kong, our Directors are of the view that the differences in profitability of operations in Singapore and Hong Kong will be getting narrower.

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COMPETITIVE STRENGTHS

Our Directors believe that our Group, with its experienced management and extensive project experience, has established a reputation in the construction industry. In particular, our Directors believe that our Group possesses the following competitive strengths:

Established operating history and proven track record

In the past 20 years, we completed over 200 projects in Hong Kong. We believe that our proven track record and our ability to deliver our jobs on time and to the satisfaction of our customers are the crucial factors to our success in the industry. During the years of operations, our Group has received numbers of letters of appreciation from Government departments, public establishments, private organisations and commercial companies. Our Group has established its reputation of being able to execute works of satisfactory quality under tight budget and time constraint.

Diversified experience and capabilities

We have accumulated vast experience in a variety of building construction work and alteration work, including construction of school, renovation of shopping centres, repair and revitalisation of heritage projects and design and fitting-out work.

In addition to our qualification as a Group C contractor under the Buildings category in Hong Kong, we are also qualified as one of the Repair and Restoration of Historic Buildings specialist contractors which are allowed to carry out works related to both Chinese style and Western style and the Turn-Key Interior Design and Fitting-out specialist contractors. We believe that with the abovementioned qualifications and our accumulated experience, we will be able to continue undertaking projects of various kinds.

Penetration into potential overseas construction market

We established our presence in the construction industry in Macau and Singapore in 2006 and 2008 respectively. In Macau, we had been engaged in a number of fitting-out projects by a group of international casino gaming resort. In Singapore, we were engaged by the same group for several maintenance and fitting-out projects of its casino gaming resort in Singapore during the Track Record Period. We believe that winning the tenders for such projects in Singapore subsequently for the same group is attributable to the satisfaction of the Group’s work undertaken in Macau.

Good relationships with customers, consulting companies, subcontractors and the construction materials suppliers

We maintain good relationships with our customers and have regular contacts with customers, architects and consultants in the construction industry to keep abreast of market development and potential business opportunities.

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

We also maintain good relationships with the construction materials suppliers. This helps us to ensure the quality of materials supplied to us and ensure that our Group would have adequate supply of materials, particularly under tight supply situation.

Experienced management team

Our management team has extensive industry knowledge and project management experience in tendering and building. Mr. Wong Law Fai, who is an executive Director, the chairman of the Board and the chief executive officer, has over 21 years of experience in the building construction industry of Hong Kong; Mr. Yip Chi Chong, who is an executive Director, has over 46 years of experience in the building construction industry which involves projects in Hong Kong, Macau and China; and Mr. So Kwok Lam has over 26 years of experience in the building construction industry in Hong Kong.

As at the Latest Practicable Date, majority of our project management team have either received tertiary education or above or professional qualifications such as professional engineer, builder and surveyor. Their qualifications and experience facilitate the formulation of competitive tenders, which are essential to us in securing new business, and in carrying out efficient and timely implementation and management of project works.

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

CORPORATE STRATEGIES

Our corporate objectives are to achieve sustainable growth in our current business and to create long-term shareholder’s value. We intend to achieve this by implementing the following corporate strategies:

Strengthen our position in the Hong Kong market

Our revenue attributable to the Hong Kong market accounted for approximately 94.8%, 83.6%, 82.5% and 82.9% of our Group’s total revenue for the three years ended 31 March 2011 and the three months ended 30 June 2011. After the Government announced the ten mega infrastructure projects in 2007, the growth of the structures and facilities for the coming years has been and is expected to be more significant. To capture the enormous opportunities, we intend to participate in the forthcoming

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projects of the ten mega infrastructure projects in order to strengthen our position in the Hong Kong market. As at the Latest Practicable Date, our Group has not been awarded any ten mega infrastructure projects.

Further expand our business into Macau, Singapore and other potential markets

During the Track Record Period, our Group has broadened the customer base via expansion of business to Macau and Singapore. In Macau, after the global financial crisis in 2008, the economy recovered tremendously, resulting in a significant rebound in the business activities in Macau and the resumption of casino development projects. In Singapore, with the continued increase in population, our Directors expect that the demand for public housing and private housing would increase substantially. Our Directors have identified these business opportunities and have decided to expand our business into these two markets which could help to diversify the market concentration and enhance the profitability of our Group.

We will continue to leverage on our experience in the construction industry in Hong Kong and expand to Macau and Singapore, and gradually penetrate our business to China in 2012. Furthermore, in order to capture the business opportunities on the rapid development in the infrastructure industry in the PRC, Doha and Cambodia, our Directors considered penetrating and having our business presence in the PRC, Doha and Cambodia in the near future. As at the Latest Practicable Date, our Directors do not have any concrete plan for such expansion.

Further expand the fitting-out business of our Group

We plan to increase our market share in the sector of fitting-out works in order to enhance the profit margin of our Group. We believe that we are equipped with relevant experience and proven track record to penetrate our business into the fitting-out market, which may contribute better profit margin to our Group. We have already established our presence in Hong Kong, Macau and Singapore and have received compliments from our customers. We intend to pursue more business opportunities in relation to luxurious residential projects, high-end restaurants and integrated resorts for our fitting-out works.

Enhance our brand name recognition

To facilitate our business expansion in Asia, we will actively participate in the global construction fair and conferences to promote our brand name globally in 2012. We believe that our name “Wan Chung” has been paramount to our past success and will underpin our development in the future. We shall continue to focus on the quality of works and services rendered to our customers to improve our competitiveness. We will continue to proactively manage our current customer relations, expand our customer base and enhance customer loyalty. We will also continue to focus on environmental protection and work safety.

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Explore new construction techniques and methodologies

We shall continue exploring new construction techniques and methodologies and to look for ways to lower our cost and to enhance the quality of project management and implementation. We will enhance our information technology systems and database for better project monitoring, cost estimation and cost control in 2012.

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

We will continue to closely monitor our capital and cash positions, particularly labour costs and material costs which have augmented tremendously in recent years. In the process of identifying and capturing emerging opportunities, we will continue to focus on projects on a selective and prudent basis which are profitable and of high-profile in nature.

We will continue to focus on our internal control system to ensure adequate cash flow for our ongoing capital requirements, and to achieve maximum cost savings by streamlining our operation processes. We will also remain disciplined in our capital commitments.

MAJOR QUALIFICATIONS AND LICENSES

Our Directors confirm that, and each of the legal advisers of our Company as to Hong Kong laws, Singapore laws and Macau laws advised that, save as disclosed in the paragraph headed “Compliance with relevant requirements” in this section, our Group has as at the Latest Practicable Date obtained all the necessary licences which are required to carry on our Group’s activities in Hong Kong, Singapore and Macau, respectively.

Our Directors confirm that, save as disclosed in this document, our Group has been in compliance with all relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

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As at the Latest Practicable Date, the Group has the following major licences/qualifications in Hong Kong, Macau and Singapore:

Relevant authority/ organization	Relevant List/Category	Licence	Holder	Total no. of contractors in possession of the relevant licences/ qualifications as at the Latest Practicable Date	Date of first grant/ registration	Authorized contract value
<i>Hong Kong</i>						
WBDB ^{Note 1}	Approved Contractors for Public Works — Buildings Category	Group C (confirmed) <i>Note 2</i>	Wan Chung Construction	58 ^{Note 3}	25/07/1992	contracts of any values exceeding HK\$75 million
WBDB	Approved Suppliers of Materials and Specialist Contractors for Public Works — Turn-key Interior Design and Fitting-out Works Category	Group I ^{Note 4}	Wan Chung Construction	5	27/12/1995	no limit
WBDB	Approved Contractors for Public Works — Site Formation Category	Group B (on probation) <i>Note 5</i>	Wan Chung Construction	46 ^{Note 6}	10/07/1998	contracts of value up to HK\$75 million
WBDB	Approved Suppliers of Materials and Specialist Contractors for Public Works — Repair and Restoration of Historic Buildings Category ^{Note 7}	—	Wan Chung Construction	25 ^{Note 8}	09/02/1999	no limit
Housing Authority	Housing Authority List of Building Contractors — Building (New Works) Category	Group NW 1 (confirmed) <i>Note 9</i>	Wan Chung Construction	21	08/06/1998	new works contracts with a value of up to HK\$270 million
Housing Authority	Housing Authority List of Building Contractors — Maintenance Works Category	Group M2 (confirmed) <i>Note 10</i>	Wan Chung Construction	29	27/05/2010	maintenance and improvement contracts of unlimited value
Buildings Department	General Building Contractor <i>Note 11</i>	—	Wan Chung Construction	646	—	no limit
Electrical and Mechanical Services Department	Registered Electrical Contractor ^{Note 12}	—	Wan Chung Construction	N/A	—	no limit
<i>Singapore</i>						
Building and Construction Authority of Singapore	General Building Category	Grade A2 ^{Note 13}	Wan Chung (Singapore)	34	16/11/2010	contracts of value up to S\$85 million
<i>Macau</i>						
Land, Public Works and Transport Bureau of Macau	Construction licence ^{Note 14}	—	Wan Chung (Macau)	637	—	no limit

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Notes:

1. WBDB refers to the Works Branch Development Bureau (發展局工務科) of the Government. The Development Bureau has maintained the Contractor List and the Specialist List to monitor the eligibility of a contractor to tender for Government contracts.
2. A Group C (confirmed) contractor is eligible to tender for Government contracts of any values exceeding HK\$75 million. This licence is subject to two reviews annually by the WBDB.
3. As at the Latest Practicable Date, out of the 58 contractors on this list, 42 of them are on confirmed status whereas 16 of them are on probationary status.
4. A Turn-key Interior Design and Fitting-out Works Category — Group I contractor is eligible to be awarded one design and fitting-out works contract of Government as a trade test. This licence is subject to two reviews annually by the WBDB.
5. A Group B (probationary) contractor may tender for (i) any number of Group A contracts (i.e. contracts of value up to HK\$30 million) in the same category; and (ii) any number of Group B contracts (i.e. contracts of value up to HK\$75 million) in the same category provided that total value of works in the Group B contracts that he already holds and the Group B contract being procured under the same category does not exceed \$75 million. This licence is subject to two reviews annually by the WBDB. Our Directors confirm that our Group did not breach the authorized contract value limit imposed by this licence during the Track Record Period and up to the Latest Practicable Date.
6. As at the Latest Practicable Date, out of the 46 contractors on this list, 3 of them are on confirmed status whereas 43 of them are on probationary status.
7. A Repair and Restoration of Historic Buildings Category contractor is eligible to tender for Government contracts relating to repair and restoration of historic buildings and structures. This licence is subject to two reviews annually by the WBDB.
8. As at the Latest Practicable Date, out of the 25 contractors on this list, 8 of them can only tender for works related to “Western Style Buildings”, 2 of them can only tender for works related to “Chinese Style Buildings” whereas the remaining 15 contractors (including Wan Chung Construction) can tender for works related to both “Chinese Style Buildings” and “Western Style Buildings”.
9. A Building (New Works) Category — Group NW 1 (confirmed) contractor is eligible to tender for new works contracts of Housing Authority with a value up to HK\$270 million. This licence is subject to two reviews annually by the Housing Authority.
10. A Maintenance Works Category — Group M2 (confirmed) contractor is eligible to tender for maintenance and improvement contracts of Housing Authority of unlimited value. This licence is subject to two reviews annually by the Housing Authority.
11. The current licence was renewed in September 2011 and will expire on 25 October 2014.
12. The current licence was renewed in September 2011 and will expire on 27 November 2014.
13. A General Building category — Grade A2 contractor is eligible to tender for public sector construction projects in Singapore up to a maximum amount of S\$85 million. The current licence will expire on 1 October 2012. The Building and Construction Authority of Singapore (the “BCA”) will notify Wan Chung (Singapore), via a reminder letter, to renew its licence before the expiry of the licence. Wan Chung (Singapore) would thereafter submit documents required by the BCA for the purposes of renewing the licence.

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14. The holder of this licence is eligible to tender for contracts of Macau government. The current licence will expire on 31 December 2011. Our Directors do not expect any difficulty in obtaining the renewal licence. As confirmed by the legal advisers to the Company as to the laws of Macau, our Group should only apply for renewal of the said licence in January 2012 but no earlier and the said licence would remain valid unless our Group does not apply for renewal by January 2012.

Contractors qualified or licensed by the WBDB are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management, environmental and safety are maintained by contractors which carry out Government works. In particular, under the regime, a qualified or licensed contractor could be prohibited from tendering for public works of the relevant category during the suspension period if the safety performance of the contractor is not up to satisfaction. Further details of the regulatory regime are set out in the paragraph headed “HONG KONG C. Contractor Licensing Regime” of the section titled “Laws and Regulations”.

BUILDING CONSTRUCTION

We act as main contractor for building construction projects in Hong Kong. We are a Group C contractor under the Buildings category and also a Group B contractor (on probation) under the Site Formation Work category. We are also qualified as a Group NW1 contractor under the Building (New Works) category by the Housing Authority.

For all major building construction contracts completed during the Track Record Period or still in progress as at 30 September 2011, the contract period is normally over 18 months.

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Contracts in progress as at 30 September 2011

The following table sets forth our building construction projects that are in progress as at 30 September 2011:

Particulars of the contract	Customer	Expected completion date ⁽¹⁾	Contract value (‘000)	Percentage of completion ⁽²⁾ as at 30 June 2011	Amount of revenue recognised during the Track Record Period (HK\$’000)	Amount of works certified as at 30 June 2011 (‘000)	Percentage of completion as at 30 September 2011 ⁽³⁾
Hong Kong							
Reprovisioning of Wo Hop Shek Crematorium at Kiu Tau Road, Wo Hop Shek, Fanling, N.T	Architectural Services Department	May 2012	HK\$530,000	39.33%	208,459	HK\$203,309	43.99%
Singapore							
New Erection of 1 Block of 5-Storey Apartment Flat (Total 28 Units) with Attic, Swimming Pool and Carparks at 1st Storey on Lots 06345W & 6346V MK26 at No. 45 Joo Chiat Lane (Geylang Planning Area), Singapore	Private customer	February 2012	SGD 6,389 (equivalent to approximately HK\$37,328)	13.78%	5,144	SGD902 (equivalent to approximately HK\$5,270)	24.93%
Total			<u>HK\$567,328</u>		<u>HK\$213,603</u>		

Note:

- Expected completion date in general refers to the expected completion date as specified in the relevant contract, and if an application for extension of time has been submitted and approved by the customers, such extended completion date would be taken as the expected completion date. Where no expected completion date is specified in a contract, expected completion date refers to the completion date to the best estimation of the management of the Group.
- Percentage of completion is calculated based on revenue recognised divided by contract value.
- Percentage of completion as at 30 September 2011 is to the best estimation of the Directors.

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Contracts completed

The following table sets forth the building construction projects that we have completed during the Track Record Period and up to 30 September 2011:

Particulars of the contract	Customer	Year of completion	Contract value (‘000)	Amount of revenue recognised during the Track Record Period (HK\$’000)	Amount of works certified (‘000)
Hong Kong					
The Construction of a Direct Subsidy Scheme School (Secondary-cum-Primary) in Area 13, Yuen Long	Architectural Services Department	2010	HK\$250,988	224,860 ⁽⁶⁾	HK\$223,936 ⁽¹⁾
The Construction of a Primary School in Area 31, Sheung Shui, New Territories	Architectural Services Department	2008	HK\$98,468	37,288	HK\$98,468 ⁽²⁾
Conversion of a Primary School to a Secondary School in Area 104, Tin Shui Wai	Architectural Services Department	2010	HK\$77,050	75,292 ⁽⁶⁾	HK\$66,881 ⁽³⁾
Macau					
Proposed Contract for the construction and completion of Pool Deck Substructure (Package No. WP24220) for Parcel 2 Cotai Resort Development, Cotai	Private customer	2008	MOP52,000 (equivalent to approximately HK\$49,556)	11,269	MOP52,000 ⁽⁴⁾ (equivalent to approximately HK\$49,556)
Others ⁽⁵⁾	—	—	—	18,427	
Total				<u>HK\$367,136</u>	

Note:

- The project was completed in August 2010. The variance between the amount of revenue recognised during the Track Record Period and works certified represent the final amount pending to be assessed and mutually agreed by us and customer.
- The project was completed in July 2008. The variance between the amount of revenue recognised during the Track Record Period and work certified mainly because major portion of revenue have been recognised before the Track Record Period.
- The project was completed in May 2010. The variance between the amount of revenue recognised during the Track Record Period and works certified represent the final amount pending to be assessed and mutually agreed by us and customer.
- The project was completed in June 2008. The variance between the amount of revenue recognised during the Track Record Period and works certified mainly because major portion of revenue have been recognised before the Track Record period.
- Amount of revenue recognised during the Track Record Period less than HK\$4 million will be categorized as “Others”. There are approximately 3 projects which are grouped under the category “Others”. The amount of revenue recognized during the Track Record Period under this category includes the revenue of HK\$10.6 million in relation to works completed for a construction project completed in 2001, which is yielded by a recovery proceeding made against the other party by the Group for determination of their dispute in respect of the final contract amount.
- That the amount of revenue recognised during the Track Record Period varies from the contract value is because of variation order(s) issued by the customer to the Group.

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PROPERTY MAINTENANCE

We act as main contractor for the property maintenance projects and the work includes general upkeep of existing facilities, facility components, grounds, and utility systems. We are a Group M2 building contractor under the Maintenance Works Category confirmed by the Housing Authority and have been the Quality Maintenance Contractor since 2002.

For all major property maintenance contracts completed during the Track Record Period or still in progress as at 30 September 2011, the contract period is normally approximately 3 years.

Contracts in progress as at 30 September 2011

The following table sets forth our property maintenance projects that are in progress as at 30 September 2011:

Particulars of the contract	Customer	Expected completion date ⁽¹⁾	Contract value (‘000)	Amount of revenue recognised during the Track Record Period (HK\$’000)	Accumulated revenue recognised up to 30 September 2011 (unaudited) (HK\$’000)
Hong Kong					
Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) is responsible for — Wanchai (South) and Wanchai (North)	Architectural Services Department	March 2014	HK\$375,000	169,157	201,261
Others ⁽²⁾	—	—	<u>HK\$37,551</u>	<u>16,588</u>	<u>22,000</u>
Total			<u><u>HK\$412,551</u></u>	<u><u>HK\$185,745</u></u>	<u><u>HK\$223,261</u></u>

Note:

- Expected completion date in general refers to the expected completion date as specified in the relevant contract, and if an application for extension of time has been submitted and approved by the customers, such extended completion date would be taken as the expected completion date. Where no expected completion date is specified in a contract, expected completion date refers to the completion date to the best estimation of the management of the Group.
- Amount of revenue recognised during the Track Record Period less than HK\$6 million will be categorized as “Others”. There are approximately 5 projects which are grouped under the category “Others”.

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Contracts Completed

The following table sets forth the property maintenance projects that we have completed during the Track Record Period and up to 30 September 2011:

Particulars of the contract	Customer	Year of completion	Contract value (‘000)	Amount of revenue recognised during the Track Record Period (HK\$’000) ⁽¹⁾
Hong Kong				
Term Contract for the Maintenance of Slopes for which the Architectural Services Department (Property Services Branch) is Responsible for Designated Contract Area: Hong Kong Island, Kowloon, Lantau Island and Outlying Islands (South)	Architectural Services Department	2011	HK\$133,172	108,552 ⁽³⁾
Term Maintenance Contract (Region 2) for Yuen Long, Tuen Mun and New Territories East 2007/2009	Private customer	2010	HK\$99,131	70,844 ⁽⁴⁾
Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) is responsible for — Wanchai (South) and Wanchai (North)	Architectural Services Department	2010	HK\$300,000	278,822 ⁽³⁾
Term Contract for the Design and Construction of Fitting-out Works to Buildings and Lands and Other Properties for which the Architectural Services Department is responsible (Designated Contract Area: Kowloon and New Territories)	Architectural Services Department	2010	HK\$282,501	192,710 ⁽⁴⁾
Others ⁽²⁾				<u>5,934</u>
Total				<u><u>HK\$656,862</u></u>

Note:

1. Percentage of completion is not available for property maintenance project.
2. Amount of revenue recognised during the Track Record Period less than HK\$3 million will be categorized as “Others”. There are approximately 6 projects which are grouped under the category “Others”.
3. Property maintenance works mainly comprise various number of works orders to be issued during the period of the contract. Contract value only represents the estimated amount of the project whereas the revenue recognised during the Track Record Period represents the actual amount of works performed by the Group.
4. That the contract value is greater than the amount of revenue recognised during the Track Record Period is because some of the revenue for the project has been recognised before the commencement of the Track Record Period, i.e. before 1 April 2008.

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ALTERATION, RENOVATION, UPGRADING AND FITTING-OUT WORKS

As a main contractor for alteration, renovation and upgrading works, we are in general responsible for minor construction works such as changes in facilities configuration; fabrication, modification, removal, or installation of hardware and equipment; signs; erection, relocation, or removal of partitions, doors, and windows; and changes in type of finishes and flooring materials and for renovation works that are required to restore, upgrade, or otherwise improve the general condition of facilities.

As at the Latest Practicable Date, we are one of the 15 Repair and Restoration of Historic Buildings specialist contractors which is allowed to carry out works related to both Chinese style and Western style. Such works require certain unique skills and there are only limited contractors who possess such skills in Hong Kong. We are also one of the Turn-Key Interior Design and Fitting-out specialist contractors under the category of Group I.

As a fitting-out main contractor, we are responsible for the design and build of a project, including the overall project implementation by providing or arranging of all the necessary materials, labour, engineering expertise and technical know-how required for the fitting-out works and carrying out the required project management such that the fitting-out works conform to the contractual standard and meet the customers’ expectation.

For all major alteration, renovation, upgrading and fitting-out contracts completed during the Track Record Period or still in progress as at 30 September 2011, the contract period is normally over 18 months.

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Contracts in progress as at 30 September 2011

The following table sets forth our alteration, renovation, upgrading and fitting-out works projects that are in progress as at 30 September 2011:

Particulars of the contract	Customer	Expected completion date ⁽¹⁾	Contract value ('000)	Percentage of completion ⁽²⁾ as at 30 June 2011	Amount of revenue recognised during the Track Record Period (HK\$'000)	Percentage of completion as at 30 September 2011 ⁽³⁾
Hong Kong						
Renovation and Improvement Works at Repulse Bay Towers, 119A Repulse Bay Road, Hong Kong	Private customer	September 2011 ⁽⁴⁾	HK\$17,245	39.34%	6,784	91.3%
Sundry Quotation works	Private customer	December 2011	HK\$13,450	47.12%	6,338	61.78%
Renovation Works to Retaining Wall and Surrounding Areas at Estoril Court, 55 Garden Road, HK	Private customer	November 2010 ⁽⁵⁾	HK\$6,650	75.19%	5,000	75.19%
Addition of Lift Towers at Oi Man and Lai Yiu Estates	Hong Kong Housing Authority	November 2012	HK\$47,842	0%	0	4.72%
Main Contract for Improvement Works at Kwun Tong Garden Estate	Hong Kong Housing Society	December 2011 ⁽⁶⁾	HK\$7,479	0%	0	17.89%
Singapore						
Marina Bay Sands Integrated Resort Development Trade Contract 4203-BOH Main Finishers North Podium	Private customer	December 2011	SGD 38,239 (equivalent to approximately HK\$223,317)	93.26%	208,275	95.61%
Marina Bay Integrated Resort Development Trade Contract No. 5420 — South Retail Anchor Tenant Conversion ABWF & Fitting-Out	Private customer	January 2012	SGD 2,295 (equivalent to approximately HK\$13,403)	86.93%	11,651	95.19%
Others ⁽⁷⁾			110,722		11,949	
Total			<u>HK\$440,108</u>		<u>HK\$249,997</u>	

Note:

- Expected completion date in general refers to the expected completion date as specified in the relevant contract, and if an application for extension of time has been submitted and approved by the customers, such extended completion date would be taken as the expected completion date. Where no expected completion date is specified in a contract, expected completion date refers to the completion date to the best estimation of the management of the Group.
- Percentage of completion is calculated based on revenue recognised divided by contract value.
- Percentage of completion as at 30 September 2011 is to the best estimation of the Directors.

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4. The project is completed. But the certificate of completion is not yet issued to our Group and thus this project is not classified as a contract completed. Our Directors expect that the certificate of completion will be issued to our Group by December 2011. That the amount of revenue recognised during the Track Record Period varies from the contract value is because: (i) variation order(s) issued by the customer to our Group; and (ii) major part of works was provided by our Group after the end of the Track Record Period.
5. Our Directors confirm that the project was prolonged by the customer and our Directors expect that this project will be completed by April 2012. As advised by our Directors, our Group is in the course of agreeing a new time schedule with the customer. Our Directors are of the view that such project prolongation will not cause any claim against our Group for liquidated damages.
6. As a result of an unexpected delay in obtaining the approval of the building design from the Buildings Department, our Directors expect that this project will be completed by March 2012. In such connection, Wan Chung Construction submitted to the customer an extension of time application in September 2011 and is currently awaiting replies from the customer. Our Directors do not expect any difficulty in obtaining approval for such extension of time application.
7. Amount of revenue recognised during the Track Record Period less than HK\$5 million will be categorized as “Others”. There are approximately 5 projects which are grouped under the category “Others”.

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Contracts Completed

The following table sets forth the alteration, renovation, upgrading and fitting-out works projects that we have completed during the Track Record Period and up to 30 September 2011:

Particulars of the contract	Customer	Year of completion	Contract value (‘000)	Amount of revenue recognised during the Track Record Period (HK\$’000)
Hong Kong				
Design and Renovation for Castle Peak Power Station	Private customer	2011	HK\$4,076	4,390 ⁽²⁾
Fitting-out Works for URA’s New Office on 26–28/F, Cosco Tower, 183 Queen’s Road Central, Sheung Wan, Hong Kong	Urban Renewal Authority	2011	HK\$16,444	15,403 ⁽²⁾
Major Renovation at Maritime Square, 33 Tsing King Road, Tsing Yi, New Territories	Private customer	2010	HK\$23,562	26,314 ⁽²⁾
Renovation Works to Pure Fitness at Fairmont House, 8 Cotton Tree Drive, Admiralty, Hong Kong	Private customer	2010	HK\$15,014	15,728 ⁽²⁾
Renovation Works at Chung Fu Shopping Centre (South Wing), Ting Shui Wai, N.T.	Private customer	2010	HK\$17,943	16,343 ⁽²⁾
Repair and Re-roofing Works to Amoy Food Factory at 11–15 Dai Fu Street, Tai Po Industrial Estate, N.T.	Private customer	2010	HK\$5,879	7,362 ⁽²⁾
Renovation Works at 2/F and 3/F, Kailey Industrial Centre at No.12 Fung Yip Street, Chai Wan, Hong Kong	Private customer	2010	HK\$12,440	12,370 ⁽²⁾
Addition of Lift Tower near Shing Kwok House at Kwai Shing East Estate, Kwai Chung, New Territories	Housing Authority	2009	HK\$5,655	5,274 ⁽²⁾
Renovation and Repartitioning at Tin Yiu Shopping Centre at Tin Shui Wai, New Territories	Private customer	2009	HK\$31,327	31,373 ⁽²⁾
Main Contract for Building Expansion of DTTB Project at Golden Hill Transposer Station	Private customer	2009	HK\$10,658	9,957 ⁽²⁾

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Particulars of the contract	Customer	Year of completion	Contract value (‘000)	Amount of revenue recognised during the Track Record Period (HK\$’000)
Station Commercial Works for Tung Chung Station, Additional Works for New Kiosk at Kowloon Bay Station, Additional Works for Reconditioning & Illumination Improvement Works at EAL Station (Package 2)	Private customer	2009	HK\$13,637	13,692 ⁽²⁾
Alteration & Addition Works at Retail Portion of Wan Tau Hom Estate (Fu Mou Market) Lot No. NKIL 6462	Private customer	2009	HK\$21,548	21,548
Renovation Works at Suncrest Tower, No. 1–11 Monmouth Terrace, Hong Kong	Private customer	2009	HK\$16,333	17,756 ⁽²⁾
Renovation of Linkbridge and Entrances at Tai Wo Shopping Centre	Private customer	2009	HK\$7,895	8,941 ⁽²⁾
Fitting-out Works for Les Amis Restaurant at G/F, 1/F & 2/F, No. 23 Wing Fung Street, Wan Chai, Hong Kong	Private customer	2008	HK\$5,799	6,829 ⁽²⁾
Lok Wah Hostel at Wing A & B, G/F Man Wah House, Lok Wah South Estate	Private customer	2008	HK\$4,225	4,225
Macau				
Retail Unit Fitting-out Works 1 for Champagne Bar — Parcel 2 for Work Package 25105	Private customer	2008	MOP 11,586 (equivalent to approximately HK\$11,041)	11,360 ⁽²⁾
Singapore				
Fitting-out Works for Casino VIP Drop off & Lift Lobbies TC-5293, Marina Bay Sands Integrated Resort, Singapore	Private customer	2010	SGD 3,407 (equivalent to approximately HK\$18,954)	18,954
Others ⁽¹⁾				31,369
Total				HK\$279,188

Note:

- Amount of revenue recognised during the Track Record Period less than HK\$5 million will be categorized as “Others”. There are approximately 59 projects which are grouped under the category “Others”.
- That the amount of revenue recognised during the Track Record Period varies from the contract value is because of variation order(s) issued by the customer to our Group.

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CONTRACTS AWARDED TO OUR GROUP FROM 1 JULY 2011 UP TO THE LATEST PRACTICABLE DATE

Particulars of the contract	Customer	Expected completion date ⁽¹⁾	Contract value (‘000)	Category/segment	Percentage of completion ⁽²⁾ as at 30 September 2011	Accumulated revenue recognised up to 30 September 2011 (HK\$’000) (unaudited)
Hong Kong						
Proposed A&A Works of WCC Entrance Lobby and G/F to 4/F Retail Expansion of Ocean Gallery (Phase I Works), Harbour City, Tsim Sha Tsui, Kowloon	Private customer	October 2012	HK\$106,018	Alteration, Renovation, Upgrading and Fitting-out works	10.84%	11,490
Renovation Work at G/F Toilet at Oi Kwan Road Baptist Church at 36 Oi Kwan Road, Wan Chai, Hong Kong	Private customer	August 2011	HK\$667	Alteration, Renovation, Upgrading and Fitting-out works	100% ⁽³⁾	616
A&A Works for Villa Lotto at No.18 Broadwood Road, Happy Valley, Hong Kong	Private customer	February 2013	HK\$189,679	Alteration, Renovation, Upgrading and Fitting-out works	0%	0
Redevelopment of Eu Yan Sang Centre at Yuen Long Industrial Estate	Private customer	October 2012	HK\$43,578	Alteration, Renovation, Upgrading and Fitting-out works	0%	0
Main Contract for Enabling Works at Wah Sum Shopping Centre, Fanling, New Territories	Private customer	February 2012	HK\$1,848	Alteration, Renovation, Upgrading and Fitting-out works	0%	0
Fire Safety Improvement Work for the Remaining Floor at Tai Yau Building at No. 181 Johnston Road, Wanchai, Hong Kong	Private customer	May 2013	HK\$79,406	Alteration, Renovation, Upgrading and Fitting-out works	0%	0
Singapore						
Building Works at Sengkang Neighbourhood 4 Contract 12 (total: 521 Dwelling Units)	Public sector customer in Singapore	January 2014	SGD69,500 (equivalent to approximately <u>HK\$446,477</u>)	Building Construction	1.90%	8,477
Total			<u>867,673</u>			<u>20,583</u>

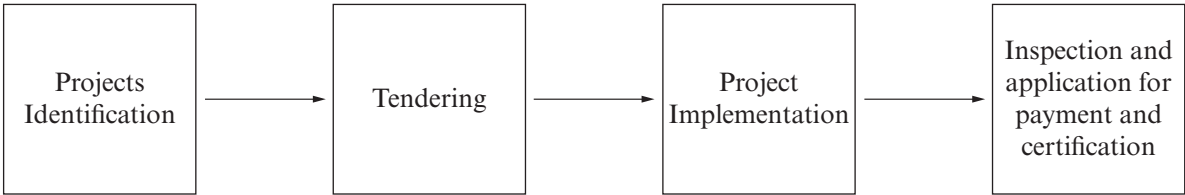
Note:

- Expected completion date in general refers to the expected completion date as specified in the relevant contract, and if an application for extension of time has been submitted and approved by the customers, such extended completion date would be taken as the expected completion date. Where no expected completion date is specified in a contract, expected completion date refers to the completion date to the best estimation of the management of our Group.
- Percentage of completion is calculated based on revenue recognised divided by contract value.
- The certificate of completion has been issued to our Group and is thus considered a completed contract. Since the project is completed, it would not be meaningful to calculate the percentage of completion based on the formula stated in note 2.

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OPERATING PROCEDURES

Save as otherwise specified, the following diagram illustrates the general operational procedures undertaken by the Group for all the three types of principal services of the Group, namely (a) building construction services, (b) property maintenance services and (c) alteration renovation, upgrading and fitting-out works services:



Projects Identification

Projects are generally identified via reviewing the Gazette, on which tender invitations from different Government departments are published. The tender notice includes brief description of the works required, expected commencement date and contract period, contact details of the office from which forms of tender and further particulars of the project may be obtained and the closing time of the tender.

As for private sector customers and institutional bodies, we keep track on the latest published tender notices from the website of our existing and potential customers. We may also be informed of projects subject to tender by receiving invitations letter directly from the consultant architect representing the customers.

Tendering

We adopt a systematic tender review procedure to price our tenders. The directors of Wan Chung Construction are principally in charge of all the tenders. We believe a systematic tender review procedure is crucial to our business because most of our projects are secured through competitive tendering and such review procedure allows us to budget for a project efficiently and accurately. As a result, we are able to submit tender proposal at a competitive price with adequate profit margin. The tender price is very important, particular for private sector projects because once the tender price is fixed, the contractor will have to bear for any additional cost incurred. For certain public sector projects, there is an adjustment mechanism pursuant to which the Government would compensate the Group for any additional cost incurred as a result of inflation after the tender price is fixed.

Pre-qualification

For customers which we are already on their approved contractor lists, we, in general, receive invitations from them via their online system. For customers in the private sector and institutional bodies, its consultant architect, on behalf of the customers will normally send invitations to us after we have expressed our interest in the tender. For Government construction projects, tender notices are published in the Gazette.

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For projects requiring particular speciality on the part of the main contractor or for large-scale projects, we may be required to make pre-qualification submission for assessment of our eligibility to tender. Different factors may be considered by the customers in the assessment, including our company organization and resources, past job experience, proposed human resources for the project, proposals for undertaking the project, and safety and environmental protection track records.

Tender review and preparation process

Once we receive the tender documents, we will assess the feasibility of undertaking such project based on the technical requirements, completion time, quality expectation, quantity specifications, and possible risk factors associated with such project.

Our estimator from the tender & estimating department will pay visit to the relevant site at which the project is to be taken so as to having a better assessment of the complexity of works involved and recommending the method for carrying out the work in an efficient and cost-effective manner. After the site visit, the estimator will draw up a detailed analysis on the technical and financial aspects of the project by taking into consideration, among other things, the expected complexity of works to be involved, the estimated amount and prices of the required materials, the expected time of delivery and the expected labour required. Depending on the complexity of the project, external consultants may be retained e.g. architects, structural engineers, and landscape consultants. As at 30 June 2011, there are 6 staff in the tender & estimating department in Hong Kong, who in general have received tertiary education in building or quantity surveying disciplines. Mr. Tam Tak Fuk, Patrick is the estimating manager of Wan Chung Construction. For details of the qualification of Mr. Tam, please refer to the section headed “Directors, Senior Management and Staff” in this document.

The Group has an in-house computer system which contains data relevant to our business, including price trend of the construction materials, wage trend, and our previous tender records, and will be updated on a regular basis to facilitate the preparation of competitive tenders. After conducting the above analysis, our estimator will prepare a preliminary pricing list, inserting the estimated prices for each item in the bill of quantity and will then submit them to the estimating manager for review. The estimating manager will examine the preliminary pricing list and bill of quantity, make adjustments where necessary based on his experience and recent market information, and then submit it and discuss with the directors of Wan Chung Construction.

Project Implementation

The implementation process includes formation of a project management team, procurement of materials and equipment, delegation of works to subcontractors (if necessary). Throughout the project implementation process, we in general assume the role of coordinating with customers or its consultants, and with our subcontractors and suppliers and to take charge in the overall management of these works.

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Formation of a project management team

Once a contract is awarded, a project management team will be formed which generally comprises a project manager, an engineer, a site agent, a foreman and a number of technical staff chosen by the project manager. The project manager will be responsible for the on-site supervision, work progress monitoring, issues resolution and the overall co-ordination of the day-to-day work of the project.

Procurement of materials and equipment

Materials required for construction, fitting-out works and interior design are normally sourced either by the subcontractors or by us a bulk purchase. We will source and allocate materials which could benefit us from cost savings as a result of bulk purchases e.g. steel bars and the expensive items e.g. proprietary products. All materials ordered will be sent directly to the relevant site for utilization and sufficient quantities will be allowed in the order for the spare materials and wastage for completion of works. Normally, settlement of payment is made monthly with 30 days credit period against delivery of materials. We maintain good working relationship with our construction materials suppliers and do not foresee any material difficulties in sourcing materials in the future.

The purchasing procedure shall adhere to guidelines set out in the quality manual of our Group. Information such as quantity, type, size, grade, model number of the materials shall be provided by the site agent and/or quantity surveyors to the purchasing department. We keep an approved list of construction material suppliers. We assess their overall performances, including the product quality, safety standards, environmental standards, and timeliness of delivery, on a regular basis. Generally, we select our construction material suppliers from the approved list based on their prices, past performances, and their capacity through a competitive tendering process.

Delegation of works to subcontractors

In most of the contracts, we act as the main contractor, and delegate parts of the construction works to the subcontractors. As construction are basically labour intensive work, with the engagement of subcontractors, we are able to undertake projects which are labour intensive and projects which require specific construction skills which in turn enable us to deploy our resources in a more cost effective manner. To ensure high quality of work, we in general discourage our subcontractor to further sub-contract the works. However, in practice, sub-subcontracting is sometimes inevitable in certain trades such as electrical installation, fire services installation etc. Our Group, in such occasion, only allows our subcontractors to further subcontract the works to contractors who are registered from the voluntary subcontractor registration scheme of the Construction Industry Council. In order for a subcontractor to register under such scheme, a subcontractor is required (i) to complete at least one job within five years as a main contractor/subcontractor in the areas which it applies or to have acquired comparable experience by itself/its proprietors, partners or directors within the last five years; and (ii) to be listed on one or more government registration schemes operated by policy bureaux or departments of the Government relevant to the trades and specialties for which registration is sought.

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We have maintained an approved list of subcontractors which is reviewed and updated on an ongoing basis based on the performance assessment of each subcontractor. As at the Latest Practicable Date, there were a total of around 540 subcontractors on our list of subcontractors. Some of our major subcontractors have business relationship with us for around 15 years. Generally, we select the subcontractors based on their prices, past performance, work expertise and the contract size through competitive tendering process.

For piling work of the Government projects, we are only allowed to select subcontractors from the list provided by the Government. Again, we select the subcontractors based on their prices, past performance, work expertise and the contract size through competitive tendering process.

The Group will in general enter into subcontracting agreement with the subcontractors appointed. Most of the subcontracting agreements contain a clause to the effect that subcontractors are required to comply with the relevant main contracts on a back-to-back basis. The subcontracting agreements in general contain, among other things, the following major terms:

- subcontracting rates/price
- rights and obligations of the parties, such as the arrangement as to whom is responsible for the insurance
- restriction of subcontractors from further assignment or subcontracting of works without our prior permission
- conditions under which we may terminate the subcontracting agreement, including (i) subcontractors without reasonable cause abandon or suspend the carrying out of the works; and (ii) subcontractors are repeatedly not in compliance with safety and other relevant laws, rules and regulations
- undertaking by subcontractors to indemnify our Group against any loss, expense or claim arising from the negligence, misconduct, or failure to comply with subcontracting agreement by the subcontractors and/or their employees
- in case of non-compliance of the relevant safety, health and environmental standards by subcontractors, the relevant subcontractors have to pay charges to our Group in accordance with predetermined rates as set out in a schedule annexed to the subcontracting agreement and our Group has the right to prohibit the employees of relevant subcontractors from entering the construction sites

In situations where subcontractors do not have sufficient funds to recruit additional workers or acquire the materials necessary to carry out their works, the main contractor may make advances to the subcontractors for such purposes. It is not uncommon in the construction industry in general for the main contractor to make advances to subcontractors as initial start-up capital for undertaking contract works. The advances made to subcontractors before services are provided are included in other receivables. The advances will be off set with the subsequent service fee paid to the subcontractors when

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services are provided by the subcontractors. During the Track Record Period, our Group as a main contractor has made advances to its subcontractors. Advances, utility deposits and other receivables mainly consist of (i) advances made to subcontractors at the commencement of the projects, (ii) utility deposits and (iii) prepaid expenses. The advances made to sub-contractors were interest-bearing at an average of 9% per annum for the three years ended 31 March 2011 and the three months ended 30 June 2011.

During the Track Record Period, our Group’s subcontracting fees amounted to approximately HK\$385.4 million, HK\$456.1 million, HK\$516.4 million and HK\$67.7 million respectively, representing approximately 87.3%, 82.8%, 82.7% and 74.1% of the total costs of sales respectively. During the same period, our Group’s largest subcontractor accounted for approximately 13.2%, 10.4%, 12.7% and 15.1% of our Group’s total cost of sales and our Group’s five largest subcontractors accounted for approximately 34.7%, 35.2%, 35.7% and 44.0% of our Group’s total cost of sales respectively.

All of our five largest subcontractors are Independent Third Parties. None of our Directors or their associates or any Shareholder holding more than 5% of our Company’s issued share capital had any interests in the five largest subcontractors as at the Latest Practicable Date.

Our Group has put in place a number of measures to ensure subcontractors’ compliance with our Group’s policies and relevant laws and regulations. For details, please refer to the paragraph headed “Control over subcontractors” of this section.

Inspection and application for payment and certification

Inspection

In the course of work, the site agent or other team members assigned by him will conduct inspection on all works completed on a regular basis to ensure that the works performed by our Group comply with the requirements as set out in the relevant contract. In normal circumstances, a further inspection will be conducted together with the engineer’s representative before application for interim payment.

Application for payment and certification

We receive progress payment pursuant to the terms of each respective contract and our application for progress payment is normally made on a monthly basis. Generally, we make an application for interim payment every month and the architects or any other authorised person of our customer would issue a payment certificate certifying the portion of work completed after examination which normally takes around 21 to 31 days from the date of application. For Government and institutional bodies projects, payments will normally be made within 21 days from the date of issue of the payment certificate while for private sector projects, payments will normally be made within a month from the date of issue of the payment certificate.

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As for property maintenance contracts in general, the sum of money we receive within 21 days after completion of the works order for a project varies from contract to contract. Such sum is in the range of approximately 75% to 85% of the works order amount. A sum of 5% to 10% of the works order amount will then be paid within 21 days after submission of detailed information to customers for finalisation of the accounts of the works order for the relevant project. The remaining balance will be paid within 21 days after the accounts are finalised. Similarly, we normally pay our subcontractors on a monthly basis with reference to the value of the works done. Upon receipt of the request for payment to us by the end of each month, we would verify the actual works completed as certified by the customers, and made payment to the subcontractors. For subcontractors nominated from the list provided by the Government for their projects, we would adopt the “pay when paid” approach and thus pay only when we have received the relevant sum of money from the Government.

CUSTOMERS

Our customers in Hong Kong include: (a) the public sector customers (government and institutional bodies): Hong Kong Housing Authority, Architectural Services Department, and Urban Renewal Authority; and (b) the private sector customers: including a major transit railway company, a major public housing management company and one of the electric service providers in Hong Kong.

Our largest customer accounted for approximately 61.4%, 76.1%, 68.9% and 69.2% respectively of our revenues for the three years ended 31 March 2011 and the three months ended 30 June 2011. Our five largest customers together accounted for approximately 92.6%, 99.6%, 95.3% and 92.9% of our revenues for the three years ended 31 March 2011 and the three months ended 30 June 2011 respectively.

Castilia is one of our top five customers for the three months ended 30 June 2011. Save as disclosed above, none of our Directors or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital or any of our subsidiaries or any of their respective associates had any interest in any of our five largest customers during the Track Record Period.

KEY CONTRACT TERMS

Generally the contracts with our customers contain terms relating to the contract price, the scope of work, the payment terms, deposits, retention money, performance bond requirements and defect liability period provisions. In some of the contracts with the Government, there is a contract price fluctuation clause. Save as otherwise specified, the key terms of our contracts summarised as below applies to all the three types of services provided by the Group.

Deposits

Except for Government projects, we generally receive deposits of 10% to 20% of the total contract value from the customers before commencement of works for fitting-out works of private sector customers, if such contract provides.

BUSINESS

Progress payments

In relation to building construction or upgrade of services of the infrastructure included in the segment of alterations, renovation, upgrading and fitting-out works, we in general submit interim payment applications to customers on a monthly basis in respect of the value of the work we have performed in the preceding month, which is required to be certified by our customer’s architects. Subject to customers’ satisfaction of the works, our customers will make payments based on such certificates after our submission of interim payment applications.

As for property maintenance contracts in general, the sum of money we receive within 21 days after completion of the works order for a project varies from contract to contract. Such sum is in the range of approximately 75% to 85% of the works order amount. A sum of 5% to 10% of the works order amount will then be paid within 21 days after submission of detailed information to customers for finalisation of the accounts of the works order for the relevant project. The remaining balance will be paid within 21 days after the accounts are finalised.

As for alterations, renovations, upgrading and fitting-out works other than upgrade of services of the infrastructure, which generally include projects of smaller amounts and shorter period, we normally request payment upon completion.

Retention money

Save for property maintenance contracts, it is a common practice in the industry that customers hold up a portion of progress payments as retention money. As for contracts with Government, the retention money is normally 1% of the total contract sum and released to us upon expiry of the defect liability period subject to the customers’ satisfaction of the works.

For contracts with private sectors customers and institutional bodies, the retention money required ranges from 5% to 10% of the total contract sum of the projects. Normally, 50% of the retention money will be released to us upon completion of the project while the remaining is released to us upon expiry of the defect liability period subject to the customers’ satisfaction of the works.

Performance bonds requirements

We are normally not required by the Government to provide any performance bond. However, for contracts with private sectors customers and institutional bodies, we are normally required to provide performance bonds of up to 10% of the total contract sums issued by a bank or an insurance company in favour of the customers in order to guarantee satisfactory completion of the project. The performance bonds normally expire after completion of the project or as specified in the relevant contract.

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Defect liability/Maintenance period

The customers would normally require a defect liability/maintenance period, during which we are responsible to rectify works defects. The defect liability/maintenance period normally ranges from 6 months for alterations, renovation, upgrading and fitting-out projects to 12 months for building construction and property maintenance projects. Normally, we would require a back-to-back defect liability/maintenance period from the subcontractors.

Once defects are identified, the project manager or his delegate shall agree a rectification works programme with the customers for which the defects are remedied at the most convenient time. Where the defect requires remedy by a subcontractors, the project manager or his delegate shall supervise his works whenever practicable.

If there is any work defects found by our customers, the relevant subcontractor is in general responsible for rectifying the work defects in accordance with the back-to-back defect liability clause of the subcontracting agreement with our Group and thus such subcontractor is usually the party to bear all the costs in rectifying the work defects. As such, the costs incurred by our Group in rectifying the work defects during the Track Record Period were insignificant.

There is no material claims which are brought against our Group by our customers during the Track Record Period.

Orders for variation

Customers in general have the right to order variation in the course of our performance of the relevant contracts. The rate for the works under such variation order(s) is in general to be agreed upon between us and the surveyor of our customers in accordance with the provision of the schedule of rates as provided in the relevant contract. If agreement as to the rate cannot be reached, the surveyor of our customers is in general entitled to fix such rate as in its opinion be reasonable.

Liquidated damages

In order to secure due and timely performance of a main contractor, customers would generally include a liquidated damages clause in the contracts. Such clause specifies that if we fail to complete the works within the specified completion date, customers are entitled to claim for damages for such delay from us.

Generally, the amount of liquidated damages required for each project is determined on a daily basis with reference to the schedule of fixed rates or a formula prescribed in the contract, whichever is applicable.

During the Track Record Period, the amount of liquidated damages paid by our Group is approximately HK\$0.7 million whereas the amount of liquidated damages paid by the subcontractors to our Group is approximately HK\$0.5 million.

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained herein is incomplete and subject to change and it must be read in conjunction with the section headed “Warning” on the cover of this Web Proof Information Pack.

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Our Directors do not expect any material delay in the time of completion of projects in progress as at the Latest Practicable Date which is likely to cause liquidated damages to be imposed on our Group.

Termination

Some contracts provide that customers are in general entitled to terminate the contract under the following conditions:

- the contractor without reasonable cause abandons or suspends the carrying out of the works
- the contractor fails to proceed diligently with the works
- the contractor fails to comply with the written notice/orders issued by the surveyor or architect of the customer

We, as the main contractor, are in general entitled to terminate the contract if the customer fails to pay to us any certified sum in accordance with the contract within the period specified.

Contract price fluctuation clause

In order to protect the contractors from any changes in the costs of labour and materials used in the public sector construction projects, some of the Government contracts provide for a contract price adjustment mechanism (both upward and downward adjustments) with reference to certain price indices such as the index for the average daily wages of workers engaged in the public sector construction projects and the index for the average wholesale prices of selected building materials compiled and published by the Census and Statistics Department of the Government (the “**Price Indices**”).

A price adjustment is triggered whenever there is any change in the Price Indices at any time during the whole contract period, save that some contracts provide that there is no price adjustment for any fluctuations in the Price Indices during the first year of contract.

BUSINESS OVERSEAS

With our track record of successfully completing major projects in Hong Kong, we have established our footprints in Macau and Singapore as well. In 2006 and 2008, our Group expanded its business to Macau and Singapore respectively in the provision of building construction service and alteration, renovation, upgrading, and fitting-out works services.

In Macau, we were engaged in a number of fitting-out works for an international casino gaming resort through Wan Chung (Macau).

In Singapore, we operate through Wan Chung (Singapore), which is a Grade A2 contractor registered with the Building and Construction Authority of Singapore since 2010. This allows Wan Chung (Singapore) to tender for general building projects in Singapore of up to S\$85 million. During the Track Record Period, we were engaged in two fitting-out works projects in relation to the casino VIP drop off and lift lobbies fit-out and the north podium back of house main finishes for an integrated resort in Singapore.

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AWARDS AND ACCREDITATION

In recognition of the Group’s outstanding performance and quality of works, the Group has received the following awards or certificate from different departments of the Government and professional accreditation organizations:

Year of Grant	Description	Awarding organization/ institution
<i>Certification for compliance with ISO/OHSAS requirements</i>		
2011 ^{Notes2, 4}	Certificate for compliance with the requirements of ISO 14001: 2004 environmental management system standard applicable to construction of buildings, building activities to design, keep, restore and improve the facilities of buildings and surroundings	HKQAA
2009 ^{Notes1, 4}	Certificate for compliance with the requirements of ISO 9001: 2008 quality management system standard applicable to construction of buildings, construction of civil engineering works (site formation), design and build activities to keep, restore and improve the facilities of buildings and surroundings	HKQAA
2009 ^{Notes3, 4}	Certificate for compliance with the requirements of OHSAS 18001: 2007 occupational health and safety management systems specification applicable to construction of buildings, construction of civil engineering works (site formation), building activities to keep, restore and improve the facilities of buildings and surroundings	HKQAA
<i>In recognition of our Group’s quality service</i>		
2010	Quality Building Award 2010 — Certificate of Finalist Special Awards Category Historical Revitalization Developments <i>The Transformation of the Former Royal Air Force Officers’ Mess, Phase 2, The Academy of Visual Arts, Hong Kong Baptist University</i>	The Organizing Committee of Quality Building Award 2010

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Year of Grant	Description	Awarding organization/institution
2008	Honourable Mention in 2008 Asia-Pacific Heritage Awards for Culture Heritage <i>Conservation Conversion of the Bethanie into the Second Campus of The Hong Kong Academy for Performing Arts 139 Pokfulam Road, Hong Kong</i>	United Nations Education, Scientific and Cultural Organization (UNESCO)
<i>In recognition of our Group’s environmental protection practice</i>		
2010	Green Contractor Award (Term Contract) 2009 <i>Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) is responsible for — Designated Areas: Wanchai (South) and Wanchai (North) (ASD Contract No. TC R021)</i>	Architectural Services Department
2009	Outstanding Environmental Management & Performance Silver Award 2008 <i>Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) is responsible for — Designated Areas: Wanchai (South) and Wanchai (North) (ASD Contract No. TC R021)</i>	WBDB
2009	Green Contractor Award 2008 <i>Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) is responsible for — Designated Areas: Wanchai (South) and Wanchai (North) (ASD Contract No. TC R021)</i>	Architectural Services Department

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Year of Grant	Description	Awarding organization/ institution
2008	Outstanding Environmental Management & Performance Gold Award 2007 <i>The Construction of a Primary School in Area 31, Sheung Shui (Programme No. 302EP) (Contract No. SS R308)</i>	WBDB
2008	Green Contractor Bronze Award 2007 <i>The Construction of a Primary School in Area 31, Sheung Shui (Programme No. 302EP) (Contract No. SS R308)</i>	Architectural Services Department
2007	Hong Kong 2007 Construction Environmental Award, Environmental Merit Award 2007 — Outstanding Environmental Performance (1/7/2005–30/6/2007)	WBDB, Environmental Protection Department, Hong Kong Construction Association
<i>In recognition of our Group’s safety practice</i>		
2011	Quality Public Housing Construction & Maintenance Awards 2011 — Best Site Safety Contractor (Building Works)	Hong Kong Housing Authority
2010	Safety Merit Award for the year 2009 (12.5/1000)	Hong Kong Construction Association
2009	Considerate Contractors Site Award Scheme Gold Award 2008 <i>Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) is responsible for — Designated Areas: Wanchai (South) and Wanchai (North) (ASD Contract No. TC R021)</i>	WBDB
2009	Safety Gold Award 2008 (less than 10/1000)	Hong Kong Construction Association

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Year of Grant	Description	Awarding organization/ institution
2009	Safety Merit Award for the year 2008 (13/1000)	Hong Kong Construction Association
2008	Considerate Contractors Site Award Scheme Silver Award 2007 <i>The Construction of a Primary School in Area 31, Sheung Shui (Programme No. 302EP)</i>	WBDB
2008	Safety Merit Award for the year 2007 (14/1000)	Hong Kong Construction Association
2006	Safety Achievement Target (22.5/1000) for the year 2005	Hong Kong Construction Association
2005	Safety Achievement Target (25/1000) for the year 2004	Hong Kong Construction Association
2003	Safety Achievement Target (40/1000) for the year 2002	Hong Kong Construction Association
2002	Safety Achievement Target (45/1000) for the year 2001	Hong Kong Construction Association
2001	Safety Achievement Target (50/1000) for the year 2000	Hong Kong Construction Association
2000	Low Accident Achievement Target (100/1000) for the year 1999	Hong Kong Construction Association
1999	Low Accident Achievement Target (80/1000) for the year 1998	Hong Kong Construction Association

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Year of Grant	Description	Awarding organization/ institution
1998	Low Accident Achievement Target (83/1000) for the year 1997	Hong Kong Construction Association
1997	Low Accident Achievement Target (83/1000) for the year 1996	Hong Kong Construction Association
1996	Low Accident Rate Achievement Target (90/1000) for the year 1995	Hong Kong Construction Association
1996	Safety Week 1995 — Low Accident Rate Target (155/1000)	Hong Kong Construction Association
1995	Safety Week 1994 — Low Accident Rate Target (140/1000)	Hong Kong Construction Association
1995	Certificate of Merit — in recognition of the enthusiasm and participation in operating of a Safety & Health Committee	Occupational Safety & Wealth Council
1994	Safety Week 1993 — Low Accident Rate Target (200/1000)	Hong Kong Construction Association
1993	Safety Week 1992 — Good Safety Standard	Hong Kong Construction Association

Notes:

1. Wan Chung Construction was first accredited with ISO 9000 compliance certifications in 1994. Further ISO accreditations were obtained by Wan Chung Construction in 1999, 2002, 2003, 2006 and 2009. The current certificate will expire on 17 July 2012.
2. Wan Chung Construction was first accredited with ISO 14001 compliance certifications in 2002. Further ISO accreditations were obtained by Wan Chung Construction in 2005, 2008 and 2011. The current certificate will expire on 29 September 2014.
3. Wan Chung Construction was first accredited with OHSAS 18001 compliance certifications in 2009. The current certificate will expire on 21 January 2012.

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4. The accreditation body conducts an external audit to assess the relevant management system is in conformity of the standards in place every three years. Such external audit is normally conducted before the expiry of the relevant ISO certificate. Upon satisfaction in regards to the relevant management system, a renewal certificate will be issued.

LABOUR

The Minimum Wage Ordinance came into effect on 1 May 2011 and the current statutory wage level is fixed at HK\$28 per hour. According to the 2010 Report on Annual Earnings and Hours Survey by the Census and Statistics Department of the Government, the median hourly rate of employees in the construction industry is HK\$62.7. Furthermore, as confirmed by our Directors, the prevailing market rate for workers in the construction industry are well above the current minimum statutory wage level. As such, our Directors confirm that as at the Latest Practicable Date, there is no material operational and financial impact to our Group as a result of the implementation of the new law at the current wage level and our Group has been in compliance with the requirement under the Minimum Wage Ordinance since its enactment.

During the Track Record Period, the construction industry in Hong Kong encountered a strike action by steel benders and fixers. Our Directors confirm that none of our construction sites encountered any strike action by steel benders and fixers during the Track Record Period and up to the Latest Practicable Date.

CREDIT MANAGEMENT

We normally secure our business through competitive tender process. Before deciding whether to submit a tender proposal, we normally consider factors such as the creditworthiness of the relevant customers, the key contract terms (including deposits, progress payments and retention money) stipulated in the relevant tender document. For details of the key contract terms relating to deposits, progress payments and retention money, please refer to the paragraph headed “Key contract terms” of this section. We will closely monitor the payments from the customers pursuant to the terms of each respective contract.

We normally pay our subcontractors on a monthly basis with reference to the value of the works completed. Each of the subcontractors is required to submit a request for payment to us every month. Once we have verified the subcontractor’s request against the actual works completed, we will release the relevant portion of the subcontracting amounts netting off the relevant retention money. When we act as subcontractor, we will seek payment on the same basis. During the Track Record Period, we generated all of our revenue acting as a main contractor.

For each of the three years ended 31 March 2011 and the three months ended 30 June 2011, our average trade receivable turnover days were 70.9 days, 58.5 days, 56.0 days and 69.7 days respectively which had been quite consistent without any material change recorded.

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For each of the three years ended 31 March 2011 and the three months ended 30 June 2011, the provisions for impairment of trade and retention money receivables amounted to approximately HK\$nil, HK\$3.8 million, HK\$nil and HK\$nil respectively. The HK\$3.8 million provision in 2010 was recognized in relation to a customer in Macau who was in financial difficulties with significant net liabilities. Since then, there have not been any further business dealings between the Group and such customer.

QUALITY ASSURANCE

The primary objective of the Group is to fulfill the needs of the customer by providing a quality service that meets both contractual and regulatory requirements. From tender to post-contract stage, we clearly define objectives and directions, utilize resources in a planned, systematic, efficient, safe and cost effective manner, and through continuous evaluation, assessment and review of each department’s management functions, increase the quality and ability of both management and front line staff and thus achieving our objective with continuous improvement in area of quality, safety and customer service.

To achieve the above objectives, our Group has established and maintained a quality management system (“QMS”) for implementing in both our head office and all the site offices, and with active involvement from staff, regular departmental review of objectives, proposal of effective improvement methods, our Directors believe that the Group’s QMS shall maintain effective and be improving continuously.

Quality control measures implemented by our Group under the QMS include, among other things, the follows:

- Identifying and reviewing customer’s requirements specified in contracts and ensuring the relevant requirements could be met by us
- Ensuring the quality of works and purchased materials through inspection and/or testing
- Reviewing work progress and finished projects to identify any existing or potential non-conformities and determining whether any corrective/preventive action is necessary accordingly
- Providing training to staff through both internal and external seminars and maintaining staff training record

In the operation level, a project team will be established on project basis upon award of contracts. The number of project team members assigned to different project varies from 3 to 40, depending on, among other things, complexity of the projects, contract sum, requirements regarding qualifications and experience of project team members specified in the relevant contract. Mr. Wong (our executive Director), Mr. So Kwok Lam (our executive Director), Mr. Yip Chi Chong (our executive Director) and Mr. Wong Chi Kin, Jesse (the commercial director of Wan Chung Construction) are in general responsible for the final decision on allocating staff with relevant qualifications and experience to projects so that specific requirements in the relevant contract could be met by us. After a project team has

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been established for a particular project, the contract manager/project manager will hold a project initiation meeting with project team members to formulate an inspection and test plan under which project team members are assigned different quality control/assurance responsibilities with regards to their qualification and work experience such as materials ordering, works execution, inspection and testing during a construction process. In general, regular inspection will be conducted by the project team members to ensure that the work completed conforms to the specifications and requirements set out in the contract.

Mr. So Kwok Lam (one of our executive Directors) is primarily responsible for overseeing and reviewing our Group’s QMS and update the Group’s quality manual whenever necessary. In regards to the daily operation, Ms. Lee Wai King (the project services manager of Wan Chung Construction) is the assistant to Mr. So in monitoring the effective implementation of the QMS. For details of their qualification and experience, please refer to the section titled “Directors, Senior Management and Staff” in this document.

To ensure delivery of quality work to our customers, our project team members are well trained in implementing our quality control measures which comprise monitoring, verifying and validating the construction, installation works and materials before delivery of completed project works to our customers. In general, regular inspection will be conducted by our project team members to ensure that the work completed conforms to the specifications and requirements set out in the contract.

In recognition of our quality service, the Group has received a number of awards from different departments of the Government and professional accreditation organizations. Further details are set out in the paragraph headed “Awards and Accreditation” of this section.

There was no significant delay in the delivery of the projects and no major complaints from customers regarding quality of our works during the Track Record Period and up to the Latest Practicable Date.

CONTROL OVER SUBCONTRACTORS

For any action regarding claims for outstanding wages instituted by the employees of the Group’s sub-contractors or further sub-contractors down the tiers, the Group, as the principal contractor, would always be named as one of the defendants due to its liability to settle the outstanding wages on the direct employer’s behalf pursuant to S.43C of the Employment Ordinance even without any fault on its part. Such payment of wages is recoverable from the Group’s sub-contractors pursuant S.43F of the Employment Ordinance.

Pursuant to S.24 of the Employees’ Compensation Ordinance, when an employee of a sub-contractor is injured at work, the principal contractor shall be liable for any claim of compensation made by the injured employee under the Employees’ Compensation Ordinance. The principal contractor may take action to recover from the sub-contractor any payment which he is required to make. Therefore for any action regarding personal injuries instituted by the employees of the Group’s sub-contractors or further sub-sub-

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contractors down the tiers, the Group, as the principal contractor, would always be named as one of the defendants due to its liability to settle the claim of compensation pursuant to S.24 of the Employees’ Compensation Ordinance even without any fault on its part. Such payment is recoverable from the Group’s sub-contractors pursuant to S.24 of the Employees’ Compensation Ordinance. Since either the Group or the direct employers of the employees in question should have taken out employee’s compensation insurance policy, the payment should be ultimately recoverable from the insurance companies.

In relation to criminal convictions against the Group due to non-compliance of applicable laws and regulations in relation to safety, health and environment by the workers of the subcontractors and/or further subcontractors down the tier, it is the Group’s policy that the Group will claim the settled amounts from the Group’s subcontractors. Under the relevant laws and regulations in relation to employees’ compensation claims and claims for outstanding wages instituted by the employees of the Group’s sub-contractors or further sub-contractors down the tiers, our Group, in the capacity as a principal contractor, is entitled to be indemnified by our sub-contractors for the compensation/wages paid. As a further safeguard, our Group would ensure the subcontracting contracts to be entered into between our Group and its subcontractors to provide for our Group’s right to claim the amounts settled by our Group, which arise due to non-compliance of applicable laws and regulations in relation to safety, health and environment by the workers of the subcontractors and/or further subcontractors down the tier, from its subcontractors.

The implementation of the following measures for ensuring subcontractors’ compliance with the contract terms and the relevant laws, rules and regulations is overseen by the safety, health and environmental committee which is chaired by Mr. So Kwok Lam, our executive Director. For details of such committee, please refer to the paragraph headed “Safety Policy” of this section.

In view of the measures currently in place as below, the Directors are of the view that there are adequate and effective measures to ensure subcontractors’ compliance with the Group’s policies and relevant laws and regulations.

Safety guidelines issued by our Group to employees of subcontractors of all tiers

Our Group issues safety guidelines for the employees of our subcontractors of all tiers to follow. Such safety guidelines cover different aspects such as the followings:

- safe operation and maintenance of plants, machineries and equipments (including maintenance methods of the said items and accessories, checking procedure before operation and safety steps in operation of such items)
- provision, use and maintenance of personal protective equipment (including requirement to use safety helmet inside construction site and requirement to use suitable welding mask, ear protector, respirator mask, safety harness in relevant tasks)

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- safety procedures for working at height (including requirement on the size, materials and design of working platform and requirement to use safety harness or safety net if no working platform could be built)
- provision, use and maintenance of safe access (including traffic arrangement, speed control of vehicles, dressing requirement for traffic controller and proper driving manner of vehicles inside construction site)
- fire precautionary measures (including proper storage of flammable materials, prohibition of smoking in storage areas, clearance of evacuation route, conduction of fire drill and maintenance of fire fighting equipments)
- safe handling and movement of materials (including proper posture in moving heavy items and safety use of lifting appliances and lifting gears)
- safety procedures for chemical processes and for the handling, transporting and storage of chemicals (including risks posed to health because of contamination by chemicals, first-aid methods, handling methods for leakage of chemicals, protective measures of handling chemicals and proper storage of chemicals)
- safety procedures for emergency (including precautionary measures under typhoon warnings, rainstorm warnings, landslide warnings and flooding)
- duties and procedures for reporting hazards, incidents, accidents and diseases
- good housekeeping of workplaces (including noise control, dust control and proper placing of tools)

Such safety guidelines are in general displayed at construction sites in prominent places and also communicated by our project team members to the employees of our subcontractors of all tiers via training sessions which are generally held every two weeks.

Internal control measures to monitor the performance of subcontractors

Furthermore, in order to monitor the performance of the subcontractors and to ensure that the subcontractors comply with the contract terms and the relevant laws, rules and regulations, the Group has put in place the following internal control measures:

- our project team members communicate with subcontractors of all tiers by having monthly meetings to ensure their understanding on our requirements and concerns, particularly in relation to compliance with safety and environmental standards and prohibition of employment of illegal workers
- our project team members conduct inspection and testing on subcontractors' works in accordance with the manuals of our quality management system which stipulate that an inspection and test plan has to be prepared. Such plan in general

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sets out the schedule for the aspects of works to be physically inspected and the construction materials to be tested by the relevant project team members of our Group and the customer’s representatives

- our project safety officers from the SHE Department assigned to the project team conduct weekly inspection and our project managers conduct monthly inspection at workplaces to ensure employees of subcontractors follow the safety guidelines issued by the Group

- in case of non-compliance of our safety guidelines by a subcontractor, a predetermined charge will be imposed on such subcontractor and its employees may be prohibited from entering our construction site. If a major safety deficiency is found, a work suspension notice may be issued by the relevant project team to relevant subcontractor and its work will be suspended until the deficiency is rectified to the satisfaction of both the project manager and the SHE Department. The Group may even, if the relevant subcontracting agreement prescribes, terminate the relevant subcontracting agreement when the subcontractors are found to be in repeated non-compliance with safety and other relevant laws and our safety guidelines.

- upon completion of project works, our project team members review the performance of subcontractors in terms of a number of criteria such as technical resources, work force sufficiency and quality of works by filling in performance appraisal forms

- our contracts manager and project manager (or designated personnel) constantly review and update the approved list of subcontractors of the Group based on the following criteria:
 - reputation in the industry
 - past performance (including the frequency and severity of non-compliance with safety laws, and our safety guidelines)
 - financial position
 - management capability
 - technical resources background
 - result of interview (if any)

- in cases of major non-performance by an approved sub-contractor, the contract manager or chief quantity surveyor review on its suitability to remain on the approved list of the Group.

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Training courses attended by the Group’s employees about behaviour observation of construction workers

With an aim to further promote safety culture and to ensure the compliance of the relevant safety rules by subcontractors at our construction sites, between November 2009 and January 2011, out of 163 employees in Hong Kong as at 30 June 2011, around 60 of our employees, (mainly including managerial and supervisory staff) had attended a training course arranged by the SHE Department. The course is tailor-made for managerial and supervisory staff provided by an independent consultant company in which our employees are taught the behaviour observation approach, in particular, the follows:

- identify misbehaviour of construction workers such as violating safety rules, taking unsafe access, inconsiderate behaviour to others, etc and causes of such misbehaviour by observation and communication; and
- correct such misbehaviour by individual coaching.

The other employees, who are mainly administrative and supporting staff, do not assume the role of supervising and monitoring subcontractors at construction sites and thus the Directors consider it is not necessary for them to attend such training course.

Such behaviour observation approach had been adopted since November 2009 in a property maintenance project as pilot scheme. The Board is of the opinion that such approach is effective in controlling the work misbehaviour of the employees of subcontractors and thus such approach has been adopted in our large scale projects of all three business segments since June 2011.

Going forward, it is expected that our Group will continue providing internal safety training and arranging for external safety training relating to the latest safety laws, rules and regulations of the construction industry to our employees.

SAFETY POLICY

We take workplace safety very seriously. We are committed to providing a safe and healthy working environment by managing risks by ways of preventing damages, injury, harm to health, fire, environmental pollution performance interruptions, and give a full attention on security and insurance arrangement for the benefit of our staff and the subcontractors. It is also our concern not to put the general public in hazards.

The Group’s safety management system currently in place has been certified compliance with OHSAS 18001 by Hong Kong Quality Assurance Agency (“HKQAA”) since 2009.

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In the daily operation of our projects, the major duties of our project team members relating to work safety is as below:

- individual coaching by our project team members who have received training on the behaviour observation approach will be arranged to correct the misbehaviour of construction workers;
- our project safety officers conduct weekly inspection and our project managers conduct monthly inspection at workplaces to ensure employees of subcontractors follow the safety guidelines issued by our Group; and
- our project team members communicate with subcontractors of all tiers by having monthly meetings to ensure their understanding on our requirements and concerns, particularly in relation to compliance with safety and environmental standards and prohibition of employment of illegal workers.

To ensure a safe and healthy working environment, the SHE Department is responsible for implementing our safety measures by performing the following major duties:

- promote occupational health and safety (“OHS”) awareness of workers in the workplace such as organizing safety quiz;
- identify hazards and evaluation of risks at work;
- safety officers from the SHE Department assigned to the project team conduct weekly safety inspections and require subcontractors to rectify any deficiencies found;
- safety officers from the SHE Department assigned to the project investigate occupational accidents and incidents and recommend remedial measures to prevent recurrence; and
- report OHS performance quarterly to the safety, health and environmental management committee (the “SHE management committee”).

The SHE Department is headed by Mr. So Kwok Lam (the executive Director of the Group). As at the Latest Practicable Date, there are 17 staff in the SHE Department. Most of them are either registered safety officers approved by the Labour Department of the Government or attained diploma in the OHS discipline. For details of the qualification of Mr. So, please refer to the section headed “Directors, Senior Management and Staff” in this document.

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The SHE management committee has been set up in 2008 to oversee the Group’s safety management system and to ensure the Group’s compliance of the relevant safety, health and environmental requirements and standards. The SHE management committee in general holds meeting quarterly and is assigned with the following major responsibilities:

- (i) formulate and recommend amendments to the occupational health and safety (“OHS”) policy of the Group;
- (ii) develop and review the OHS strategies of the Group; and
- (iii) oversee the internal audit conducted by the Group on its safety management system.

Such committee consists of Mr. So Kwok Lam (our executive Director), Mr. Wong Chi Kin, Jesse (the commercial director of Wan Chung Construction), Ms. Ma Pik Fung (the commercial director of Wan Chung Construction), Mr. Tang Wai Hung (the assistant director of Wan Chung Construction), Ms. Leung Yim Ngan (the accounting manager of the Group) and Ms. Lau Sau Fan (the human resources manager of the Group) and is chaired by Mr. So Kwok Lam. For details of their qualification and experience, please refer to the section titled “Directors, Senior Management and Staff” in the document.

Each half year, HKQAA conducts external audit to the Group’s safety management system. In the course of an external audit conducted by the HKQAA, the HKQAA auditor in general conducts physical inspection on selected sites to check if the condition is in conformity with the Group’s established management system, conducts interview with our employees and our customers to verify information and obtains documents for review. If non-conformity is discovered in the course of the audit, we will be required to adopt corrective and preventive measures within the timeframe agreed upon between the HKQAA auditor and us. HKQAA concluded that Wan Chung’s safety management system continually fulfilled the OHSAS 18001 certification requirements in the audit reports for the past three years.

In addition to the external audit conducted by HKQAA as above, internal audit on the Group’s safety management system is in general conducted once a year by an internal occupational health & safety auditor (the “internal OHS auditor”), who has attained relevant training courses conducted by the HKQAA. In an internal audit conducted by the Group, our internal OHS auditor in general conducts physical inspection on selected sites to check if the condition is in conformity with the Group’s established management system, conducts interview with selected personnel in a project and obtains documents for review. The internal OHS auditor shall deliver the internal audit report to the SHE management committee within 14 days after the completion of the abovementioned internal audit procedures.

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The major safety measures which have been implemented by the Group include the follows:

- provide around 5 safety training courses each year to promote safety awareness of the employees
- issue in-house safety rules for better guidance to employees
- conduct internal audit on the safety management system once a year
- require its subcontractors to comply with its safety policy by holding regular meetings with them to discuss safety issues during the course of a project
- organize regular activities such as behaviour observation, individual coaching and instruction in order to develop a safety culture in construction site

In recognition of our safety policy, the Group has received a number of HKCA Safety Merit Awards from the Hong Kong Construction Association since 1992. Please refer to the paragraph headed “Awards and accreditations” of this section for further details of our safety awards.

Contractors qualified or licensed by the WBDB are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management, environmental and safety are maintained by contractors which carry out Government works. For example, if a qualified/licensed contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the Government may take regulatory actions against the responsible contractor. Regulating actions include removal, suspension (which means a contractor is prohibited from tendering for public works of the relevant category during the suspension period), downgrading (which includes downgrading or demoting the contractor’s qualification/licence to a lower status or class in all or any specified category), depending on the seriousness of the incident triggering the regulatory actions.

During the Track Record Period and up to the Latest Practicable Date, we have not encountered any fatal construction accident on construction sites for which we were responsible as main contractor and have not suffered from any removal, suspension, downgrading or demotion of our qualifications or licences.

INSURANCE

It is a practice in the construction industry of Hong Kong that the main contractor of a project will take out and maintain employees’ compensation insurance and contractor’s all risks insurance for the entire project. The insurance policy generally covers the entire contract period, including the defect liability period following completion of the project. For details of the relevant statutory requirements in relation to insurance, please refer to the “Laws and Regulations” section in this document.

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Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, the Group has taken out and maintained insurance policies in respect of employees’ compensation and contractors’ all risks for the projects in which members of the Group act as main contractors in accordance with the applicable laws and regulations and relevant contractual terms and the Group’s insurance coverage is in line with industry practice. Our Directors confirm that the insurance policies in respect of employees’ compensation maintained cover the employees of the Group’s subcontractors and further subcontractors down the tiers.

During the Track Record Period, the total insurance cost for projects amounted to approximately HK\$3.5 million, HK\$6.7 million, HK\$4.5 million and HK\$0.3 million respectively. Our Directors confirm that the Group has obtained adequate insurance coverage for the operation of its business.

ENVIRONMENTAL MATTERS

It is the belief of the Directors that environmental protection is a management responsibility and our Group has a strong commitment to complying with legal requirements and with other requirements to which our Group subscribes relating to its environmental aspects, prevention of pollution and resources saving. We are committed to having a minimum adverse impact on the environment of the community resulting from our business activities.

We have established an environmental management system and was accredited by HKQAA with ISO 14001 certification in 2002. Our environmental management committee is responsible for overall policymaking, organizing, planning, implementing, measuring performance as well as reviewing all environment-related matters. The principles adopted to achieving our objectives are as follows:

- **Source Reduction:** to consider a priority in overall planning, design, use and development of environmental friendly products and processes.
- **Recycling and Reuse:** to encourage and develop modes of recycling/reuse which recover a useable material from waste material or reuse a waste for beneficial purposes.
- **Control:** to save resources, save energy, reduce overall emissions and waste generation.
- **Disposal:** to dispose and discharge in a proper manner and to the greatest extent possible.
- **Continual Improvement:** to establish and conduct periodic review of measurable goals and actual performance against the goals.
- **Continual Training:** to educate, train, and motivate employees to conduct their operations in an environmentally responsible manner and encourages suggestions from them for improvements in the field of environmental protection.

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We also require our subcontractors to comply with our environmental protection policy. Any potential sub-contractor will be informed of the environmental requirements, standard, specifications, consequences of non-compliance with the relevant provisions in the sub-contract.

We have obtained a number of awards for our environment management system from different departments of the Government. Further details are set out in the paragraph headed “Awards and Accreditation” of this section.

During the Track Record Period, the annual cost of compliance with applicable environmental laws and regulations in Hong Kong were approximately HK\$1.5 million, approximately HK\$3.3 million, approximately HK\$3.9 million and approximately HK\$0.6 million respectively which was mainly attributable to the levy imposed by the Government on waste disposal and the salary expenses for the Group’s environmental officers. The Group expects such cost going forward would be slightly above the annual cost for the year ended 31 March 2011 due to inflation.

In 2011, Wan Chung Construction was convicted of an offence under sections 6(1)(b) and 6(5) of the Noise Control Ordinance relating to noise from construction sites. The enforcement has taken by the Environmental Protection Department. A fine of HK\$30,000 was imposed and such fine was subsequently recovered from the relevant subcontractor. During the Track Record Period and as at the Latest Practicable Date, to the best knowledge of the Directors, save as disclosed above, there have been no material violations of applicable environmental laws and regulations in Hong Kong, nor any material claims against our Group involving non-compliance with any applicable environmental laws or regulations.

COMPETITION

We consider all the construction companies actively operating in Hong Kong that have been approved by the WBDB as Group C contractors under the Buildings category, to be our competitors in the provision of building construction services.

The competition in the Hong Kong construction industry has been fierce in the past few years. We believe that the reasons that we are able to withstand the intense competition are due to our competitive strengths as follows:

- Established operating history and proven track record
- Diversified experience and capabilities
- Penetration into potential overseas construction market
- Good relationships with customers, consulting companies, subcontractors and construction materials suppliers
- Experienced management team

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For details, please refer to the paragraph headed “Competitive Strengths” of this section.

In Singapore, we are facing competition against the well established firms in the public sector tender. Having said that, we believe that we would be able to establish ourselves in this business by our commitment in getting the project delivered on a timely basis and to the satisfaction of our customers. Our work carried out for an international casino gaming resort has attracted compliments from its project management team and this affirms our ability to achieve the required standards by our customers.

COMPLIANCE WITH RELEVANT REQUIREMENTS

In the provision of building construction service in Hong Kong, Wan Chung Construction may be required to provide the buildings with certain ancillary service including internal fitting-out works, interior decoration works and accommodation facilities such as provisions of building services, electrical and mechanical installation, plumbing and drainage discharge systems, external landscaping hard and soft works, underground utilities services and community services.

As at the Latest Practicable Date, Wan Chung Construction has not applied for and does not have licence relating to the provision of plumbing and drainage discharge systems service in Hong Kong. Wan Chung Construction will engage subcontractors with relevant licence in the provision of the abovementioned ancillary services which it does not have a licence.

Our Directors confirm that the Group has never provided any plumbing and drainage discharge systems services without engaging subcontractors with the relevant licence.

Our Directors confirm that, save as disclosed above, each of Wan Chung Construction and Wan Chung Interior Design has obtained all relevant permits/registrations for their existing operations.

In addition, Wan Chung Construction has complied with the minimum number and qualifications of full time management and technical personnel for retention on the Contractor List; and Wan Chung Construction is able to meet the financial criteria for its retention on the Contractor List and for acceptance of a tender during the Track Record Period and up to the Latest Practicable Date, and has secured sufficient amount of minimum working capital and employed capital in accordance with the requirements under the ETWB Handbook during the Track Record Period and up to the Latest Practicable Date.

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In order to ensure the ongoing compliance with the applicable requirements, laws and regulations, a project services division has been established in 2001 and shall be responsible for the followings:

- (i) to identify and review any approvals, permits, licenses and certificates required for the Group’s operations and to ensure compliance with relevant laws and regulations periodically;
- (ii) to check relevant requirements and to make necessary submission to upkeep the Group’s licensing status;
- (iii) to identify any information shall be provided for application/submission such as company profile, job experience, resources, financial information, management systems and certificates, technical proposal, schedule, customer satisfaction etc;
- (iv) to designate suitable personnel/department to follow up the submission of the financial information to Development Bureau and Hong Kong Housing Authority within the time stipulated under the prevailing laws and regulations;
- (v) to keep update those information to our clients when necessary;
- (vi) to identify the new requirements, operation and control procedures under statutory and regulations; and
- (vii) to brief the senior management for the news/update/revised requirements to ensure senior management keep update of the industry characteristic.

Such division consists of Mr. So Kwok Lam (our executive Director), Ms. Lee Wai King (the project services manager of Wan Chung Construction), both of whom are key personnel of such division and five other supporting staff, three of whom have received attained relevant training courses conducted by the HKQAA. For details of the qualification and experience of Mr. So and Ms. Lee, please refer to the section titled “Directors, Senior Management and Staff” in this document.

Apart from preparation of financial statements on a yearly basis for submission to WBDB to demonstrate that Wan Chung Construction has sufficient employed capital and working capital for retention on the Contractor List, the chief financial officer of the Group will also assess its level of employed capital and working capital every time prior to the submission of a tender for new project.

LITIGATION, ARBITRATION AND POTENTIAL CLAIMS

During the Track Record Period and as at the Latest Practicable Date, our Group had been or is involved in a number of claims, litigations, arbitrations and potential claims against our Group which can be categorised into (i) wage claims by employees of subcontractors; (ii) employees’ compensation claims and personal injuries claims against our Group by the subcontractors’ employees and our Group was joined as a defendant in the capacity as a main contractor; (iii) subcontractors’ claims against our Group; (iv) miscellaneous claims against our Group and (v) criminal convictions. Set out below are the

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details of the outstanding and potential claims, litigations, arbitration claims against our Group as at the Latest Practicable Date (the “Claims”) and the material claims and litigations against our Group settled (whether by way of court judgment or settlement) during the Track Record Period and up to the Latest Practicable Date:

I. Outstanding claims, litigations, arbitration claims against our Group as at the Latest Practicable Date

Please see the table below summarising the outstanding claims against our Group as at the Latest Practicable Date:

Category of claims	No. of claims	Total amount involved for the outstanding claims (approximately HK\$)	Covered by insurance or recovered from subcontractors
Employees’ compensation claims & personal injuries claims by the subcontractors, employees and our Group was joined as a defendant in the capacity as a main contractor	4	Not available (Note)	All the claims are covered by insurance
Subcontractors’ claims	3	22,299,000	None of the claims is covered by insurance or recoverable from subcontractors
Miscellaneous claim	1	940,000	Not covered by insurance

Note: The employees’ compensation claims and personal injuries claims under this category were covered by insurance. The claims are dealt with and handled by the insurers and our Group does not have the amount involved under the claims.

During the Track Record Period, the outstanding claims have made us to expend legal costs of approximately HK\$112,800, HK\$3,600,000, HK\$1,093,850 and HK\$nil for the three years ended 31 March 2011 and the three months ended 30 June 2011, respectively. The amount expended during each reported accounting period over the Track Record Period represented approximately 4.3%, 7.1%, 1.6% and nil% respectively, of our audited profit before taxation for the respective periods.

(1) *Employees’ compensation claims and personal injuries claims by the subcontractors’ employees and our Group was joined as a defendant in the capacity as a main contractor*

As at the Latest Practicable Date, there were four outstanding personal injuries cases made against our Group. All claims were related to bodily injuries made by the employees of our subcontractors who alleged to have suffered from injuries on the ground that our Group (the deemed employer of those employees of our subcontractors by operation of law) failed to provide a safe working condition or environment or to provide suitable tools or equipment to them during their course of employment in our construction sites. Our Directors confirm that these injuries

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generally arose from two major causes, (1) accidents; and (2) failure by subcontractors to take adequate steps to ensure safety of employees. For the safety guidance issued by our Group, please refer to the paragraph headed “Control Over Subcontractors — Safety guidelines issued by the Group to employees of subcontractors of all tiers” in this section.

(2) Subcontractors’ claims

These claims comprised of three outstanding claims. In these claims, our Group counterclaimed a total sum of approximately HK\$6,689,000. None of these claims is covered by insurance or recoverable from the subcontractors, the Controlling Shareholders will indemnify our Group against any settlement of those claims, if any.

These three claims against our Group were related to works done and delivered by our subcontractors and arisen from the fact that parties had different views and interpretation of certain documents exchanged e.g. work orders, invoices etc. or agreements entered between the parties.

Two of the said three subcontractors’ claims are inactive. The aggregate amount claimed (excluding interest and cost) is approximately HK\$19.99 million and our Group counterclaimed at approximately HK\$5.65 million in total.

One of the claim has been inactive since 2001 (which the plaintiff is in liquidation), the legal advisers to our Company as to litigation in Hong Kong have written to the official receiver appointed for the liquidation of the plaintiff to seek its consent to dismissal or discontinuation of the claim and the official receiver required certain information and documents of the action to facilitate its consideration as at the Latest Practicable Date. The legal advisers to our Company as to litigation in Hong Kong advised that, in view of the excessive delay on the proceedings of the claim, there was reasonable chance that, on our application, the Court would dismiss the claim for want of prosecution (i.e. the plaintiff had unreasonably neglected to proceed in the action or otherwise delayed the prosecution of an action) or undue delay.

The other claim has been inactive since 2002 (which the plaintiff was struck off the register of companies), the legal advisers to our Company as to litigation in Hong Kong advised that, since the plaintiff was already struck off the register of companies, to proceed to apply for dismissal, the plaintiff has first to be restored to the register. However, pursuant to s.291(7) of the Companies Ordinance, the application of restoration of struck-off companies have to be made to the court by the company itself or its creditors or members feeling aggrieved by the company being struck off. As such, the application for dismissal cannot be made.

In relation to the remaining subcontractor’s claim, the subcontractor claimed for costs of construction work done for the Group in the sum of approximately HK\$2.31 million (excluding interest and cost). The Group filed a defence and counterclaim for approximately HK\$1.04 million being costs of materials and subcontractors supplied to the plaintiff and for rectifying the defective works of the plaintiff. The parties tried to resolve the dispute through mediation on 5 August 2011 but with no success. The

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parties will then exchange provisional without-prejudice reports. The legal advisers to our Company as to litigation in Hong Kong advised that we have a good chance to contest the plaintiff’s claim and succeed in our counterclaim and recover our cost in the claim.

(3) Miscellaneous claims

In respect of the outstanding miscellaneous claim against the Group, it relates to a claim brought by the plaintiff as employer and the Group as contractor for wrongful occupation of the site. The plaintiff claimed approximately HK\$0.94 million as damages for trespass and damages for delay caused to the development and costs. As at the Latest Practicable Date, the plaintiff has not proceeded further since 1997. Furthermore, the plaintiff has been dissolved in 2007. Wan Chung Construction has instructed the legal advisers to our Company as to litigation in Hong Kong to proceed with dismissal. The legal advisers to our Company as to litigation in Hong Kong advised that, since the plaintiff was already dissolved and the liquidator had already ceased to act for it, the court documents cannot be served on the plaintiff and thus the dismissal cannot be made. This claim is not covered by insurance, the Controlling Shareholders will indemnify the Group against any settlement of this claim, if any.

The Directors advised that the dispute arose because of the parties’ different interpretation of the terms of a termination agreement in relation to deadline for evacuation of the Group’s subcontractors equipments on the construction site.

II. Potential claims, litigations, arbitration claims against the Group as at the Latest Practicable Date

(1) Employees’ compensation claims and personal injuries claims by the subcontractors’ employees and the Group was joined as a defendant in the capacity as a main contractor

As confirmed by the Directors, as at the Latest Practicable Date, there are currently eleven potential claims which the injured employees of the sub-contractor are still on sick leave for their injuries and one potential claim which a third party was injured on premises that the Group was the contractor which might attract liabilities under common law and/or occupiers’ liability (as the Group is in charge of the project going on at the premises). These twelve injured have not yet commenced their claims for employee’s compensation or personal injuries claims under common law against the Group as at the Latest Practicable Date, which cases are within the limitation period of 3 years from the date of the relevant incidents. As such injured person have not yet filed claims with particulars and the claims, when filed will be handled by solicitors appointed by the insurers, we are not in a position to assess the likely quantum of such potential claims. In any event, the Group has insurance cover for its liabilities of all these incidents and as at the Latest Practicable Date, notices of the accidents have been given to the insurers. For the eleven cases which the injured were deemed employees of the Group, they would be fully covered by the mandatory insurance. For the other case involving a third party, it would be covered by the insurance subject to a policy excess.

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Our Directors confirm that these injuries generally arose from two major causes, (1) accidents; and (2) failure by subcontractors to take adequate steps to ensure safety of employees. For the safety guidance issued by the Group, please refer to the paragraph headed “Control Over Subcontractors — Safety guidelines issued by the Group to employees of subcontractors of all tiers” in this section.

(2) *Miscellaneous claims*

As confirmed by the Directors, as at the Latest Practicable Date, there are three potential miscellaneous claims against the Group, which are covered by insurance subject to a policy excess.

In one potential claim, which Wan Chung Construction is the main contractor for the reprovision work for the Government. Water was flooded into the construction site and properties/works in the construction site due to a rainstorm in 2011 which was completed by a reprovision sub-contractor and was part of the permanent works under the contract were damaged (the “Damage”). Our Directors confirm that the Damage is under the coverage of the Insurance Policy, subject to a policy excess of HK\$300,000.

In relation to the other two potential miscellaneous claims against the Group, they relate to loss of cables due to theft and damage of the wall by using hand-held electric breaker. The Group has insurance cover for its liabilities of such incidents and as at the Latest Practicable Date, notices of incidents have been given to the insurers.

Our Directors confirm that these incidents arose either because of acts of god or accidents.

For details of the outstanding and potential claims against the Group as at the Latest Practicable Date, please refer to the paragraph headed “2. Litigation” under the sub-section headed “E. Other Information” of Appendix V in this document.

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

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, all claims, payments, suits, damages, settlements payments and any associated costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature against any member of our Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of our Group on or before the [●]. As at the Latest Practicable Date, assuming all the outstanding claims against the Group as referred to in this document (excluding the employees’ compensation/personal injuries claims against the Group which are covered by insurance and the amounts claimed are not available as the claims are dealt with by the insurers) are successfully made against the Group at the amount so claimed, which mainly consist of three claims inactive with a total amount involved of approximately

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HK\$20.93 million since 1997, 2001 and 2002 respectively, the Directors estimate that the maximum liabilities in respect of such outstanding claims against the Group is approximately HK\$23.24 million.

In view of: (1) for employees’ compensation claims & personal injuries claims by the subcontractors’ employees and the Group was joined as a defendant in the capacity as a main contractor, all the claims are covered by insurance; (2) for the subcontractor claims, the cases are either (i) in view of the excessive delay on the proceedings of the claims there was reasonable chance that, on our application, the Court would dismiss the claims for want of prosecution (i.e. the plaintiff had unreasonably neglected to proceed in the action or otherwise delayed the prosecution of an action) or undue delay; or (ii) dismissal cannot be made; or (iii) having a good chance to contest the plaintiff’s claim and succeed in our counterclaim and recover our cost in the claim; (3) for miscellaneous claims, the cases are either dismissal cannot be made or covered by insurance; and (4) the Controlling Shareholders will indemnify the Group against any settlement of those claims as set out in the table above which are neither covered by insurance nor recoverable from subcontractors, the Directors are of the view that the Claims have no material financial and operational impact on our Group. No provisions were made during the Track Record Period for the Claims.

III. Material claims and litigations against the Group settled (whether by way of court judgment or settlement) during the Track Record Period and up to the Latest Practicable Date

Please see the table below summarising the settled claims against the Group during the Track Record Period and up to the Latest Practicable Date:

Category of claims	No. of claims	Nature/reason of claims	Total amount settled <i>(approximately HK\$)</i>	Covered by insurance or recovered from subcontractors
Wage claims by employees of subcontractors	3	These claims were claims by employees for outstanding wages	441,000	None of the claims was covered by insurance or recovered from subcontractors
Employees’ compensation claims & personal injuries claims	20	Sixteen claims were common law claims/employees’ compensation claims by the subcontractors’ employees for personal injuries and four claims for personal injuries which were settled before commencement of the legal proceedings	7,644,000	Among the total amount of approximately HK\$7,644,000 settled approximately HK\$33,000 was recovered from the subcontractors and approximately HK\$7,611,000 was fully covered by insurance
Subcontractors’ claim	1	One claim for costs of construction work done by the subcontractor	Nil	Not applicable as the claim was dismissed by court

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained herein is incomplete and subject to change and it must be read in conjunction with the section headed “Warning” on the cover of this Web Proof Information Pack.

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Category of claims	No. of claims	Nature/reason of claims	Total amount settled <i>(approximately HK\$)</i>	Covered by insurance or recovered from subcontractors
Miscellaneous claims	3	One claim for compensation for repainting costs, the other claim for damages due to water leakage and the remaining claim for damages to a private car respectively	71,000	All the claimed amounts were recovered from subcontractors
Criminal convictions	15	Thirteen convictions were made against the Group pursuant to the Construction Sites (Safety) Regulations, one conviction was made against the Group pursuant to the Fixed Penalty (Traffic Contravention) Ordinance and one conviction was made against the Group pursuant to the Noise Control Ordinance	124,000	Except for a conviction under the Fixed Penalty (Traffic Contravention) Ordinance which was not related to subcontractor, all fines were recovered from the subcontractors

During the Track Record Period, we have paid approximately HK\$442,120, HK\$nil, HK\$48,000 and HK\$nil respectively in respect of the litigations and arbitrations of the Group for settlement and these claims have made us to expend legal costs of approximately HK\$126,000, HK\$4,492,000, HK\$1,522,000 and HK\$nil for the three years ended 31 March 2011 and the three months ended 30 June 2011, respectively.

(1) Wage claims by employees of subcontractors

During the Track Record Period and up to the Latest Practicable Date, there were three wage claims which were settled by the Group at an aggregate sum of approximately HK\$441,000. As advised by the Directors, the settlement sums were not recovered from the subcontractors because of the financial difficulties of the relevant subcontractors.

Our Directors confirm that these wage claims arose due to outstanding wages of workers by the sub-contractors of the Group and the Group were sued because of its capacity as the main contractor. These wage claims generally arose from two major causes, (1) financial liquidity issue of the relevant sub-contractors; and (2) disagreements as to the amount of wages between the workers and the sub-contractors of the Group.

(2) Employees' compensation claims and personal injuries claims by the subcontractors' employees and the Group was joined as a defendant in the capacity as a main contractor

During the Track Record Period and up to the Latest Practicable Date, there was one worker's personal injuries claim and one personal injuries claim by a third party settled by the Group at the aggregate sum of approximately HK\$33,000, which was recovered by the Group from the sub-contractors.

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Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, there were 18 employees’ compensation/personal injuries claims settled (whether by way of court order or settlement) which were fully covered by insurance and insurer’s confirmations have been obtained that the relevant cases have been fully settled without any claim against the Group.

Our Directors confirm that these injuries generally arose from two major causes, (1) accidents; and (2) failure by subcontractors to take adequate steps to ensure safety of employees. For the safety guidance issued by the Group, please refer to the paragraph headed “Control Over Subcontractors — Safety guidelines issued by the Group to employees of subcontractors of all tiers” in this section.

(3) Subcontractors’ claim

During the Track Record Period and up to the Latest Practicable Date, there was one subcontractors’ claim which had been inactive since 1997. The claim was dismissed by the court upon the Company’s application for want of prosecution (i.e. the plaintiff had unreasonably neglected to proceed in the action or otherwise delayed the prosecution of an action) and/or abuse of process of the court on 23 November 2011.

Our Directors confirmed that the claim was related to work done and delivered by our subcontractor and arisen from the fact that parties had different views and interpretation of certain documents exchange e.g. work orders, invoices etc.

(4) Miscellaneous claims

During the Track Record Period and up to the Latest Practicable Date, there were three miscellaneous claims which were settled by the Group at the total sum of approximately HK\$71,000. The said sum was later recovered by the Group from the subcontractors. The three cases were related to (i) compensation for repainting costs due to dropped off paints from the ceiling; (ii) leakage of water into claimant’s shop; and (iii) damage to the claimant’s car due to dropped off paints.

Our Directors confirm that these cases generally arose because of accidents.

(5) Criminal convictions

During the Track Record Period and up to the Latest Practicable Date, Wan Chung Construction were convicted for fifteen criminal litigations, which include, inter alia, failure to take adequate steps to prevent a person on the site from falling and failure to ensure workmen to wear suitable safety helmets. The criminal convictions were all monetary penalty and such convictions were made against the Group but not against the Directors nor the senior management of the Group personally. Our Group was fined approximately HK\$124,000 in total, among which, except for a conviction under the Fixed Penalty (Traffic Contravention) Ordinance which was not related to the Group’s sub-contractors, all fines had been recovered by the Group from the subcontractors. Our Directors confirm that all these convictions, except for the conviction under the Fixed Penalty (Traffic Contravention) Ordinance were made against the Group in its capacity as a main contractor. It is the Group’s policy that the

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Group will claim the relevant subcontractor for the settled amount in case of non-compliance of the relevant safety, health and environmental standards by workers of sub-contractor.

Our Directors confirm that these convictions generally arose because of the relevant workers not following the safety guidance issued by the Group. For the safety guidance issued by the Group, please refer to the paragraph headed “Control Over Subcontractors — Safety guidelines issued by the Group to employees of subcontractors of all tiers” in this section.

For details of the settled claims during the Track Record Period and up to the Latest Practicable Date, please refer to the paragraph headed “2. Litigation” under the sub-section headed “E. Other Information” of Appendix V in this document.

IV. Precautionary and rectification measures taken by the Group in respect of each category of claims

With an aim to continuously reduce the number of claims against the Group, the Group has taken the following precautionary and rectification measures in respect of each category of claims.

(1) Wage claims by employees of subcontractors

Our Group formally adopted a wages monitoring plan in 2006 which sets out the following major measures.

An electronic recording system is in general installed at the entrance/exit gate of construction sites to record the attendance of each worker at construction sites (including employees of subcontractors of all tiers) in order to avoid dispute between our subcontractors and us in respect of amount of wages paid to employees of subcontractors. If such electronic device is not installed at construction sites, a logbook will be used for recording the attendance of each worker.

We take a pro-active approach in identifying potential wage claim at early stage. Enquires/complaint hotline is in general displayed at the construction sites in prominent places such that wages dispute could be resolved without resort to court procedures. Our project team members in general conduct surprise visit monthly to construction sites to interview employees of subcontractors to check if there is any incident of outstanding wages accrued by the relevant subcontractors. If complaints are frequently made against a particular subcontractor, we may consider removing such subcontractors from our approved list of subcontractors.

We also require our subcontractors to submit the proofs of actual wages payment at the time of their submitting the application for payment of works done to make sure that they pay their employees punctually.

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(2) *Employees’ compensation claims & personal injuries claims by the subcontractors’ employees and our Group was joined as a defendant in the capacity as a main contractor*

At operation level, there is a SHE Department which consists of 17 staff as at the Latest Practicable Date. Most of them are either registered safety officers approved by the Labour Department of the Government or attained diploma in discipline of the occupational health and safety discipline.

We also display safety guidelines in prominent places of construction sites and communicate such guidelines to the employees of our subcontractors of all tiers via training sessions which are generally held every two weeks.

Our project safety officer from the SHE Department will in general carry out weekly safety inspection. Also, the project manager will in general carry out monthly safety inspection at the construction sites. Once deficiency is found, the relevant subcontractors are required to rectify them within our specified time and we will record it accordingly. Such record will be taken into account when determining whether such subcontractor could be retained on our approved list of subcontractors. Depending on the seriousness of the deficiency, a warning notice or work suspension notice may be issued to relevant subcontractors.

If a work suspension notice is issued to a subcontractor, the project safety officer will notify the incident to Mr. So Kwok Lam, our executive Director and Mr. Tang Wai Hung, the assistant director of Wan Chung Construction immediately. Works to be performed by such subcontractor will be suspended until the deficiency is rectified to the satisfaction of the SHE Department.

If an accident occurs at construction sites, our project safety officer will in general carry out investigation and prepare an incident investigation report setting out the direct causes of the accident, the underlying causes of the accident, the corrective action plan and the status of the follow-up actions. The record of accident will be taken into account when determining whether such subcontractors could be retained of our approved list of subcontractors.

At the policy formulation level, a safety, health and environmental management committee has been set up in 2008 to oversee the Group’s safety management system and to ensure our Group’s compliance of the relevant safety, health and environmental requirements and standards. Such committee in general holds meeting quarterly.

(3) *Subcontractors’ claims*

The Group has put in place a subcontractor management plan since 2006 pursuant to which we select subcontractors following a number of objective criteria including but without limitation the subcontractor’s reputation in the construction industry, its past performance in projects with us, its financial status based on its latest audited financial report, bank statement or documents registered with the Hong Kong Registrar of Companies, its management capability and technical resources

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background. The Directors believe that engaging subcontractors with good reputation in the construction industry and satisfactory performance in projects with the Group is one of the means to avoid subcontractors’ claims against the Group.

Most of the subcontractors’ claims are related to costs of subcontracting works done by subcontractors. The Directors believe that the best precautionary measure is to enter into subcontracting agreements which set out clearly, among other things, the subcontracting rates/price and rights and obligations of the parties. We strive to avoid uncertainty or ambiguity in contract terms to avoid arguments or disputes. When necessary, we seek legal advice in the preparation of the subcontracting agreement.

If we are aware of any potentials dispute with subcontractors, our senior project team members will in general have meetings with the senior members of the relevant subcontractors with an aim to resolve the potential disputes at early stage. Given the aforesaid approach in handling potentials disputes with subcontractors, the Group has been able to avoid subcontractors’ claims in recent years. As confirmed by the Directors, there is no subcontractors’ claims taken against the Group during the Track Record Period.

(4) Criminal convictions

The criminal convictions against the Group generally arose because of the relevant workers of subcontractors not following the safety guidelines issued by the Group. These criminal convictions were all monetary penalty and such convictions were made against our Group but not against the Directors nor senior management of our Group personally. The Directors believe that the most effective way to ensure their compliance of the safety guidelines issued by our Group is to change their working attitude and behaviour.

In such connection, a behaviour observation approach has been adopted in a property maintenance project as pilot scheme since late 2009 with an aim to identify and correct the misbehaviour of construction workers. Training courses on behaviour observation had been provided to managerial and supervisory staff for adopting such approach.

Under such approach, once misbehaviour of a construction worker such as failure to wear safety helmets, taking unsafe access, etc is found, individual coaching by our project team members who have received training on the behaviour observation approach will be arranged to correct such misbehaviour.

(5) Miscellaneous claims

As confirmed by the Directors, the cause of miscellaneous claims in general arose because of accidents or acts of god, which are beyond the control of the Group.

As such, the Group does not put in place any specific precautionary measures against unforeseeable or individual incidents.

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V. Overview of litigations against us and our measures in place

A. Legal landscape of the construction industry in Hong Kong

Our Group is principally engaged in the provision of (a) building construction services in Hong Kong, Macau and Singapore, (b) property maintenance services in Hong Kong, (c) alterations, renovation, upgrading works and fitting-out works services in Hong Kong, Macau and Singapore. As a main contractor, it is not uncommon for a main contractor in the construction industry in Hong Kong to face a relatively large number of litigation cases.

B. Decreasing trend of litigation cases in the recent three years

Our Directors have reviewed all the litigation cases against Wan Chung Construction and after reasonable inquires and best effort on the classification of cases by year of commencement of action, it is found that there is in general a decreasing trend regarding the number of litigation search records of Wan Chung Construction in recent three years.

As confirmed by our Directors, our Group has not encountered any fatal construction accident on construction sites for which it is responsible as main contractor during the Track Record Period and as at the Latest Practicable Date.

C. Internal control measures over subcontractors

Pursuant to Section 24 of the Employees’ Compensation Ordinance, a principal contractor shall be liable to pay compensation to sub-contractors’ employees who are injured in the course of their employment to the sub-contractor. Most of the civil litigation cases were claims relating to personal injuries and unpaid wages against subcontractors of Wan Chung Construction because Wan Chung Construction was joined as defendants only by virtue of its capacity as main contractor. In order to monitor the performance of our subcontractors and to ensure that our subcontractors comply with the contract terms and the relevant laws, rules and regulations, Wan Chung Construction has put in place a number of internal control measures which include, amongst other things, attending regular meetings with subcontractors, conducting inspection and testing on subcontractors’ works, constantly reviewing the list of subcontractors. The Group also issues safety guidelines to employees of subcontractors of all tiers. For details, please refer to the paragraph headed “Control over subcontractors — Safety guidelines issued by the Group to employees of subcontractors of all tiers” of this section.

D. Insurance policies taken out by Wan Chung Construction

The Group has taken out and maintained insurance policies in respect of employees’ compensation and contractors’ all risks for the projects in which members of the Group act as main contractors in accordance with the statutory requirements and relevant contractual terms. The Group’s insurance coverage is in line with the industry practice.

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The subcontracting agreements in general contain, among other things, undertaking by subcontractors to indemnify the Group against any loss, expense or claim arising from negligence, misconduct, or failure to comply with subcontracting agreement by the subcontractors and/or their employees.

All those employees’ compensation claims and personal injuries claims, both already settled during the Track Record Period and up to the Latest Practicable Date and those still outstanding as at the Latest Practicable Date, were/are covered by insurance or recovered from subcontractors.

E. Indemnity from the Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, all claims, payments, suits, damages, settlements payments and any associated costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature against any member of our Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of our Group on or before the [●]. This would further protect our Group from any material adverse consequence due to any claims incurred on or before the [●]. As at the Latest Practicable Date, assuming all the outstanding claims against our Group as referred to in this document (excluding the employees’ compensation/personal injuries claims against our Group which are covered by insurance and the amounts claimed are not available as the claims are dealt with by the insurers) are successfully made against our Group at the amount so claimed, which mainly consist of three claims inactive with a total amount involved of approximately HK\$20.9 million since 1997, 2001 and 2002 respectively, our Directors estimate that the maximum liabilities in respect of such outstanding claims against our Group is approximately HK\$23.2 million.

F. Successful renewal of licences of the Group

In Hong Kong, our Group holds the General Building Contractor Licence, the Electrical Contractor Licence and qualifications approved by the Housing Authority and WBDB. Many of these licences and qualifications have been obtained by our Group for more than 10 years.

As Wan Chung Construction has been granted the renewal of the general building contractor licence issued by the Buildings Department and the electrical contractor licence issued by the Electrical and Mechanical Services Department both in September 2011, our Directors are of the view that the validity of such licences would not be affected by the litigations and convictions against our Group.

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To the best knowledge, information and belief of the Directors, Wan Chung Construction has never been:

- refused to renew its General Building Contractor Licence and the Electrical Contractor Licence;
- subject to any regulatory action brought by the Housing Authority for the past ten years, i.e. since 2001; and
- subject to any regulatory action brought by the WBDB for the past ten years, i.e. since 2001.

Wan Chung Construction received several awards from WBDB since 2007. For details, please refer to the paragraph headed “Awards and Accreditation” of this section. Based on the above, the Directors believe that regulators including WBDB, the Housing Authority, the Buildings Department, the Electrical and Mechanical Services Department are in general satisfied with the quality of works and safety measures implemented by Wan Chung Construction.

G. Measures/systems in place

The Group has put in place measures/systems for its work safety, quality control, environmental protection and internal control. We believe that such measures/systems are adequate for the following reasons:

Work safety

The Group has put in place a safety management system, which has been certified compliance with OHSAS18001 by HKQAA since 2009. HKQAA is a non-profit-distributing organization established by the Government to provide quality system certification services.

Wan Chung Construction’s work safety measures include, amongst other things, the followings:

- establishment of a safety, health and environmental management committee since 2008;
- yearly internal and external audit on the safety management system by an internal occupational health & safety auditor and HKQAA auditor; and
- safety training to employees.

For details, please refer to the paragraph headed “Safety Policy” of this section.

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In recognition of the Group’s safety policy and performance, the Group has been awarded a number of awards since 1993 from Hong Kong Construction Association. For details of the Group’s awards relating to its safety practice, please refer to the paragraph headed “Awards and Accreditations — In recognition of the Group’s safety practice” of this section.

A table comparing the construction industry average rate against Wan Chung Construction in regards to accident rate per 1,000 workers and fatality rate per 1,000 workers is reproduced as follows:

	2007	2008	2009	2010
Accident rate per 1,000 workers of construction industry in Hong Kong <i>Note 1</i>	60.6	61.4	54.6	52.1
Accident rate per 1,000 workers of Wan Chung Construction	$<14^{Note\ 2}$	$<10^{Note\ 3}$	$<12.5^{Note\ 4}$	$11^{Note\ 5}$
Fatality rate per 1,000 workers of construction industry in Hong Kong <i>Note 5</i>	0.379	0.405	0.376	0.163
Fatality rate per 1,000 workers of Wan Chung Construction	0	0	0	0

Sources:

- 1,5. Occupational Safety and Health Statistics 2009 and Occupational Safety and Health Statistics Bulletin Issue No. 11 (July 2011) (October 2010) by Occupational Safety and Health Branch Labour Department
2. Safety Merit Award for the year 2007 (14/1000), by Hong Kong Construction Association
3. Safety Gold Award 2008 (less than 10/1000), by Hong Kong Construction Association
4. Safety Merit Award for the year 2009 (12.5/1000), by Hong Kong Construction Association
5. Safety management audit conducted for Wan Chung Construction on 31 January 2011 by an independent safety consultant.

Quality control

The Group has put in place a quality management system, which has been certified compliance with ISO 9000 since 1994.

Wan Chung Construction’s quality management system includes, amongst other things, the followings:

- identification and review of customers’ requirements;
- inspection and/or testing of the quality of works and purchaser materials; and

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- training to employees.

For details, please refer to the paragraph headed “Quality Assurance” of this section.

In recognition of the Group’s quality service, the Group has received a number awards from different departments of the Government and professional accreditation organizations. For details of the Group’s awards relating to its quality service, please refer to the paragraph headed “Awards and Accreditations — In recognition of the Group’s quality service” of this section.

Environmental protection

The Group’s environmental management system currently in place has been certified compliance by HKQAA with ISO14001 since 2002. For details of the Group’s environmental management system, please refer to the paragraph headed “Environmental matters” of this section.

In recognition of the Group’s commitment to environmental protection, the Group has obtained a number of awards for its environment management system from different departments of the Government. For details of the Group’s awards relating to its environmental protection practice, please refer to the paragraph headed “Awards and Accreditations — In recognition of the Group’s environmental protection practice” of this section.

Internal control

The Group in general conducts internal audit on its quality management system twice a year whereas on its occupational health and safety management system and environmental management system once a year.

The internal audit carried out by the quality control personnel includes, among other things, interviewing the persons-in-charge of projects, physical inspection at construction sites and reviewing documents as required under the manuals of our quality management system, safety management system and environmental management system which is prepared by persons-in-charge of projects. The findings of the internal audit and the remedial actions taken will be reviewed at the meeting by the board of directors of Wan Chung Construction.

H. The management’s dedication to work safety

Our Directors take workplace safety very seriously and are committed to providing a safe and healthy working environment. Our Directors are also dedicated to continuous learning on work safety. Mr. So Kwok Lam, who is one of our executive Directors and also the chairman of the safety, health and environmental management committee obtained a professional diploma in occupational safety and health from the School of Continuing Education of Hong Kong Baptist University in 2008.

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Mr. So Kwok Lam is the head of the SHE Department and also the chairman of the safety, health and environmental management committee (the “SHE management committee”) of the Group. Our project safety officer from the SHE Department will in general carry out weekly safety inspection. Also, the project manager will in general carry out monthly safety inspection at the construction sites. The SHE management committee in general holds meeting quarterly to discuss and review the Group’s occupational, health and safety policy. All major safety incidents (if any) will be reported to the monthly senior management meeting for follow-up actions by the members of the SHE Department. The Directors are of the view that the decreasing trend regarding the number of litigation cases against the Group in recent three years and that the Group has not encountered any fatal construction accident on construction sites for which is it responsible as main contractor during the Track Record Period and as at the Latest Practicable Date are attributable to the measures taken by the SHE Department and the SHE management committee.

Furthermore, both Mr. Wong and Mr. So Kwok Lam attended the training course provided by an independent consultant company about the behaviour observation approach in 2009. Mr. Yip Chi Chong, another executive Director of the Group, attained a safety management training course for managers provided by the Occupational Safety & Health Management Institute in 2004.

All our executive Directors in general attend the monthly meeting amongst senior management of Wan Chung Construction. Throughout such meetings, major safety incidents of the Group and the latest development and strategies of the Group’s occupational, health and safety strategies will be reported to our executive Directors for their review.

Our Directors will keep an eye on the latest training courses about work safety. Our Directors also believe that their dedication to continuous learning on work safety will keep them abreast of the latest safety measures undertaken by the peer companies in the construction industry.

Going forward, it is expected that our Group will continue providing internal safety training and arranging for external safety training relating to the latest safety laws, rules and regulations of the construction industry to our Directors.

Having considered the factors as follows:

- (i) that it is not uncommon for a main contractor in the construction industry in Hong Kong to face a relatively large number of litigation cases;
- (ii) that there is in general a decreasing trend regarding the number of litigation search records of Wan Chung Construction in recent three years;
- (iii) the internal control measures over subcontractors taken by Wan Chung Construction;
- (iv) that the Group has taken out insurance policies in line with the industry practice;

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- (v) the successful renewal of licences by Wan Chung Construction;
- (vi) that Wan Chung Construction has never been subject to any regulatory action by WBDB and the Housing Authority for the past ten years, i.e. since 2001;
- (vii) that the accident rate and fatality rate of Wan Chung Construction are lower than that of the Hong Kong construction industry average, and in particular that the Group has not encountered any fatal construction accidents during the Track Record Period and up to the Latest Practicable Date;
- (viii) the work safety control, quality control, environmental management system and internal control of the Group which are currently in place, and
- (ix) the management’s dedication to work safety,

the Directors are of the view that the measures and systems of the Group in place for its work are adequate and effective.

PROPERTY INTERESTS

Property interests in Hong Kong

Our Group’s head office and principal place of business in Hong Kong is located at Flat A on 2nd Floor, Fuk On Building, 1123 Canton Road, Mongkok, Kowloon, Hong Kong with a saleable area of approximately 456.83 sq.m (categorised as a property in Group I in Appendix III in this document).

Apart from our Group’s head office and principal place of business in Hong Kong, our Group has leased the following four properties for office use (categorised as properties in Group II in Appendix III in this document):

- an office unit with gross floor area of approximately 157.93 sq.m at Factory Unit B2 on 12th Floor, Fuk On Factory Building, No. 1123 Canton Road, Kowloon, Hong Kong
- an office unit with gross floor area of approximately 83.61 sq.m at Factory Unit B3 on 12th Floor, Fuk On Factory Building, No. 1123 Canton Road, Kowloon, Hong Kong
- an office unit with gross floor area of approximately 130.06 sq.m at Unit No. 2 on 7th Floor, Henley Industrial Centre, Nos. 9–15 Bute Street, Kowloon, Hong Kong
- an office unit with gross floor area of approximately 275.92 sq.m at Unit No. 5 on 8th Floor, Fu Hang Industrial Building, No. 1 Hok Yuen Street, Kowloon, Hong Kong

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The two leased properties at Unit No. 2 on 7th Floor, Henley Industrial Centre, Nos. 9–15 Bute Street, Kowloon, Hong Kong and Unit No. 5 on 8th Floor, Fu Hang Industrial Building, No. 1 Hok Yuen Street, Kowloon, Hong Kong were, and still are, subject to mortgage.

The relevant consent of the mortgagee for the grant of the tenancy in relation to Unit No. 5 on 8th Floor, Fu Hang Industrial Building, No. 1 Hok Yuen Street, Kowloon, Hong Kong has been obtained.

The relevant consent of the mortgagee for the grant of the tenancy in relation to Unit No. 2 on 7th Floor, Henley Industrial Centre, Nos. 9–15 Bute Street, Kowloon, Hong Kong has not been obtained. The Group tried to obtain the authorization from the landlord so that the Group could make the request to the relevant bank for the consent directly. However, the landlord rejected our request. The legal advisers of the Company as to Hong Kong laws advised that the lack of mortgagee consent may result in the mortgagee obtaining possession of the property with the Group having no security of tenure as against the mortgagee. As the said property is not the main office of the Group and in view of the easy relocation of the said office to alternate premises and the Directors’ estimation of the cost of re-location (if any) to be less than HK\$100,000, the Directors do not anticipate any relocation of such office to have any material potential operational and financial impact of the Group. The Controlling Shareholders have entered into a deed of indemnity to indemnify the Group for all relocation costs, loss of profit and business, penalties and fines and all losses and damages which may be suffered by the Group as a result of any relocation due to the non-obtaining of the mortgagees’ consents.

Wan Chung Construction owned a parcel of land registered in the Land Registry as Sections A to C, H to K and R of Lot No. 931, Lot No. 930, Lot No. 932 and Lot No. 934 in D.D. 111, Yuen Long, New Territories, Hong Kong (the “**Land**”), which was originally acquired by the Group for storage purpose, during the Track Record Period. The Directors advised that as the Land shall only be used for dry cultivation purpose but not for storage purpose, the Land was disposed of on 25 July 2011 to a company wholly-owned by Mr. Wong Law Fai, an executive Director, at HK\$8,200,000. The Land was left idle immediately before the Group entered into the memorandum of sale.

However, the Director of Planning issued enforcement notices against, inter alia, the owner of the Land, Wan Chung Construction on the following occasions, all related to unauthorized development on the Land caused by trespassers independent of the Group:

1. On two occasions in June 2007 and May 2009, the Director of Planning issued notices requiring unauthorized development by the Group on the Land to be discontinued. After taking the remedial actions upon receipt of the said respective notices as confirmed by the Directors by requesting the trespassers to cease to occupy and use the Land and remove all the structures and/or items and articles brought to the Land, notices of satisfaction were issued by the Director of Planning in October 2007 and June 2010 respectively. As such, the said respective notices will not affect or encumber the title of the Land.

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2. By a notice dated 27 June 2011 (“**Enforcement Notice 2011**”) issued pursuant to Section 23(1) of the Town Planning Ordinance (the “**Ordinance**”), the Director of Planning required the use of the land for workshop and storage (including deposit of containers) constituting unauthorized development to be discontinued by 27 September 2011.

Our Directors confirm that, upon receipt of the Enforcement Notice 2011, the Group has been taking necessary action to rectify the situation by requesting the trespassers to cease to occupy and use the Land and remove all the structures and/or items and articles brought to the Land. and as at the date of this submission, all the structures and/or items and articles on the Land have been removed and Wan Chung Construction has already informed the Director of Planning to make an inspection to confirm that the Enforcement Notice 2011 has been complied with.

The company wholly-owned by Mr. Wong Law Fai has purchased the Land subject to the Enforcement Notice 2011 on 25 July 2011 and has agreed to be liable for the Enforcement Notice 2011 and has agreed to indemnify Wan Chung Construction in respect of any loss caused to Wan Chung Construction as a result of any non-compliance of the Enforcement Notice 2011. Based upon and subject to the foregoing and any matters not disclosed to the legal advisers to the Company as to Hong Kong laws, the legal advisers to the Company as to Hong Kong laws are of the opinion that:

- (a) assuming that Wan Chung Construction has complied with the Enforcement Notice 2011 as required by the Enforcement Notice 2011, the Director of Planning would issue a notice under Section 23(4A) of the Ordinance confirming that he is satisfied that the relevant matters required by the Enforcement Notice 2011 have been discontinued, the Enforcement Notice 2011 would be considered to have been complied with and Wan Chung Construction would have no further liability thereunder; and
- (b) pursuant to Section 23(6) of the Ordinance, a person who is served with the notice under Section 23(1) of the Ordinance commits an offence and is liable, in the case of a first conviction, to a fine of HK\$500,000; and in addition, to a fine of HK\$50,000 for each day, after the date in the notice, during which the person continues to fail to so comply. Due to the fact that the company wholly-owned by Mr. Wong Law Fai has purchased the Land subject to the Enforcement Notice 2011 and has agreed to indemnify Wan Chung Construction in respect of any loss caused to Wan Chung Construction as a result of any non-compliance of the Enforcement Notice 2011, shall the Director of Planning be not satisfied that the relevant matters required by the Enforcement Notice 2011 have been discontinued and impose any fines on Wan Chung Construction pursuant to Section 23(6) of the Ordinance, Wan Chung Construction would be able to claim for any fines to be imposed by the Director of Planning on it from the purchaser i.e. the company wholly-owned by Mr. Wong Law Fai.

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Our Directors confirm that no penalty was imposed on the Group pursuant to the aforesaid enforcement notices.

Property interests in Macau

As at the Latest Practicable Date, we leased a property with a gross floor area of approximately 157.93 sq.m. as office in Macau (categorised as a property in Group III in Appendix III in this document).

Property interests in Singapore

As at the Latest Practicable Date, we leased two properties with a total gross floor area of approximately 136.57 sq.m. as office and staff accommodation in Singapore (categorised as properties in Group IV in Appendix III in this document).

Further information about the Group’s property interests are disclosed in Appendix III in this document.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Mr. Wong and BVI Holding Company will control more than 30% of our issued share capital, or Mr. Wong and BVI Holding Company are our Controlling Shareholders. Each of Mr. Wong and BVI Holding Company confirms that it/he does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

INDEPENDENCE OF OUR GROUP

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

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. The non-trade related amounts due to or from Mr. Wong or companies controlled by him, had been fully settled. Our Group has procured the release of all guarantees provided to us by Mr. Wong and his associates before the [●]. We have a sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations.

(ii) Operational independence

We have established our own organisational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with the Controlling Shareholders and/or their associates.

(iii) Management independence

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

Our Board consists of 6 Directors, comprising 3 executive Directors and 3 independent non-executive Directors. Mr. Wong, our Controlling Shareholder, is an executive Director.

Each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

and his or her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum.

(iv) Independence of major suppliers

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective associates, have any relationship with the major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

(v) Independence of major customers

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective associates, have any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

NON-COMPETITION UNDERTAKING

Mr. Wong and BVI Holding Company (collectively the “Covenantors”), have entered into the Deeds of Non-competition in favor of our Company. Pursuant to the Deeds of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for ourselves and for the benefit of our subsidiaries) that, save and except that disclosed in this document, during the period that the Deeds of Non-competition remain effective, he/it shall not, and shall procure that his/its associates (except any member of our Group) would not, directly or indirectly, engage in, participate or hold any rights or interests in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group save for the holding of not more than 5% shareholding interests (individually or with his/its associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with his/her/its associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with his/its associates).

Each of the Covenantors further undertakes that if he/it or his/its associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/it shall and he/it shall procure that his/its associates will notify us in writing and our Group shall have a right of first refusal to take up such business opportunities. Our Group shall, within 30 days after receipt of the written notice (which shall be extendable to a further 30 days if requested by all of our independent non-executive Directors, or such longer period if our Group is required to complete any approval procedures as set out under the [●] from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal or not.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Group shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such proposed transactions). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Our Company will adopt the following procedure to monitor that the Deeds of Non-competition are being observed:

- (a) our independent non-executive Directors shall annually review and decide whether our Company shall exercise the right of first refusal and provide the opinion, basis and reason in exercising the judgment relating to the exercise of the right of first refusal in our Company’s annual report;
- (b) each of the Covenantors undertakes to provide, upon our Company’s request, any information to our Company or the committee comprising our independent non-executive Directors, as a basis to decide whether to exercise the right of first refusal by our Company from time to time; and
- (c) each of the Covenantors undertakes to provide, upon the request of the committee comprising our independent non-executive Directors, all information necessary for the execution of the Deeds of Non-competition, and to provide an annual confirmation in relation to the compliance of the non-competition undertaking in the annual report of our Company, such disclosure shall correspond with the [●].

[●]

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

Our Board consists of three executive Directors and three independent non-executive Directors. Sets forth below is the information regarding our Directors.

Name	Age	Position in the Company
WONG Law Fai (黃羅輝)	51	Chairman, Chief Executive Officer and executive Director
YIP Chi Chong (葉志昌)	68	Executive Director
SO Kwok Lam (蘇國林)	51	Executive Director
LAM Siu Lo, Andrew <i>JP</i> (林筱魯)	50	Independent non-executive Director
LI Ying Ming (李英明)	48	Independent non-executive Director
TAM Tak Kei, Raymond (譚德機)	48	Independent non-executive Director

EXECUTIVE DIRECTORS

Mr. Wong Law Fai (黃羅輝), aged 51, is our Chairman, Chief Executive Officer and an executive Director. Mr. Wong was appointed as our Director on 31 May 2011 and redesignated as our executive Director on 19 December 2011. He is also the managing director of Wan Chung Construction and he is the director of all the subsidiaries of our Group. Mr. Wong is responsible for the overall strategic development and management of our Group.

Mr. Wong has over 21 years of experience in the building construction industry of Hong Kong. Prior to joining our Group in 1990, he had been working in other construction companies including Leighton Contractors (Asia) Co. Ltd.

Mr. Wong is a registered professional engineer (building) in Hong Kong, a registered professional surveyor (quantity surveying) in Hong Kong, a member of The Hong Kong Institution of Engineers, a member of The Hong Kong Institute of Surveyors, a member of The Chartered Institute of Building (the United Kingdom) and a member of The Royal Institution of Chartered Surveyors (the United Kingdom).

Mr. Wong was awarded an associateship in Building Technology and Management in 1982 and obtained a higher diploma in Building Technology and Management from The Hong Kong Polytechnic (now renamed The Hong Kong Polytechnic University) in 1981.

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DIRECTORS, SENIOR MANAGEMENT AND STAFF

A defunct, solvent private company which meets the statutory requirements may be dissolved by way of a summary procedure called deregistration under section 291AA (Application to Registrar for deregistration of defunct private company) of the Companies Ordinance. Mr. Wong was the director of the following companies which were incorporated in Hong Kong and were deregistered and the relevant details are as follows:

Company Name	Nature of Business	Date of Submission of Application for Deregistration	Date of Deregistration
Hong Kong Wan Chung Yuk Hing Housing and Lands Development Company Limited 香港宏宗旭興房地產開發有限公司	Never commenced business	23 September 2002	30 January 2003
Manba Power Contracting Company Limited 曼巴動力有限公司	Never commenced business	12 September 2000	19 January 2001
Milleni-A (HK) Limited 民康集團(香港)有限公司	Never commenced business	28 June 2005	4 November 2005
Milleni-A Corporation Limited 美亞建設有限公司	Never commenced business	7 July 2005	11 November 2005
Wang Ying Construction Company Limited 宏英建築有限公司	Never commenced business	18 Jun 2002	25 October 2002

It is confirmed by Mr. Wong that all the above deregistration was voluntary by way of submitting an application to the Companies Registry of Hong Kong because these companies had never commenced business.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Striking off is an action initiated by the Registrar of Companies of Hong Kong to strike the name of a company off the register of the Company Registry where he has reasonable cause to believe that the company is defunct and the company shall be dissolved when its name is struck off from the register of companies. Mr. Wong was the director of the following companies which were incorporated in Hong Kong and were struck off under s.291 (Registrar may strike defunct company off register) of the Companies Ordinance and the relevant details are as follows:

Company Name	Nature of Business	Date of Commencement of Striking off	Date of Struck Off
Saint Leonard & Company Limited 利諾有限公司	Inactive	22 November 2002	4 April 2003
Wan Chung Chun Yip Company Limited 宏宗振業有限公司	Never commenced business	22 March 2002	9 August 2002
Wan Chung Garment Company Limited 宏宗針織製衣有限公司	Never commenced business	29 December 2000	18 May 2001
Wan Chung Power Company Limited 宏宗動力有限公司	Never commenced business	27 September 2002	21 February 2003
Wan Chung Property Services Limited 宏宗物業服務有限公司	Inactive	10 January 2003	9 May 2003

Mr. Yip Chi Chong (葉志昌), aged 68, was appointed as our executive Director on 19 December 2011. He is a director of Wan Chung Construction. He is also the technical director of Wan Chung Construction and is responsible for formulating our Group’s strategic planning, corporate business development, management of construction projects in Hong Kong, and expansion opportunities in overseas markets.

Mr. Yip has over 46 years of extensive experience in the building construction industry, which involved projects in Hong Kong, Macau and China. Prior to joining our Group in 2000, he had been working in other construction companies including Gammon (Hong Kong) Limited and China Link Construction & Engineering Ltd.

Mr. So Kwok Lam (蘇國林), aged 51, was appointed as our executive Director on 19 December 2011. He is also the project director of Wan Chung Construction and is a director of Wan Chung Construction, Wan Chung Interior Design and Wan Chung Property. Mr. So is responsible for formulating our Group’s strategic planning, business development, reviewing and improving the internal management systems, management of construction projects in Hong Kong.

Mr. So has over 26 years of experience in the building construction industry of Hong Kong. He is a member of the Contractors Registration Committee Panel and is also a member of the Contractors Registration Committee of the Buildings Department under the Buildings Ordinance from January 2009 to December 2012.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Prior to joining our Group in 1993, he had been the project manager of Chevalier (Construction) Co Ltd from 1990 to 1993. He had also been working in Hsin Chong Construction Co Ltd from 1985 and left as an assistant contracts manager in 1990.

Mr. So is a professional member of The Royal Institution of Chartered Surveyors (the United Kingdom), a member of The Hong Kong Institute of Construction Managers, a corporate member of the Chartered Institute of Building (the United Kingdom) and a member of the Chartered Institute of Arbitrators (the United Kingdom).

Mr. So obtained a professional diploma in occupational safety and health from the School of Continuing Education of Hong Kong Baptist University in 2008, a postgraduate diploma in arbitration and dispute resolution from City University of Hong Kong in 2004, a master of arts in English for the professions from The Hong Kong Polytechnic University in 2007, and an associateship in building technology and management from Hong Kong Polytechnic (now renamed the Hong Kong Polytechnic University) in 1984.

Mr. So was the director of the following companies which were incorporated in Hong Kong and were deregistered and the relevant details are as follows:

Company Name	Nature of Business	Date of Submission of Application for Deregistration	Date of Deregistration
Hong Kong Wan Chung Yuk Hing Housing and Lands Development Company Limited 香港宏宗旭興房地產開發有限公司	Never commenced business	23 September 2002	30 January 2003
Milleni-A (HK) Limited 民康集團(香港)有限公司	Never commenced business	28 June 2005	4 November 2005
Milleni-A Corporation Limited 美亞建設有限公司	Never commenced business	7 July 2005	11 November 2005
Wang Ying Construction Company Limited 宏英建築有限公司	Never commenced business	18 Jun 2002	25 October 2002

It is confirmed by Mr. So that all the above deregistration was voluntary by way of submitting an application to the Companies Registry because these companies had never commenced business.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Siu Lo, Andrew, JP (林筱魯), aged 50, was appointed as our independent non-executive Director on 19 December 2011.

Mr. Lam is a registered professional planner and also a fellow of the Hong Kong Institute of Planners.

Mr. Lam is a member of the Zhejiang Provincial Committee of the Chinese People’s Political Consultative Conference (浙江省政協委員), a member of The West Kowloon Cultural District Authority, a member of Hong Kong Antiquities Advisory Board, a member of Barristers Disciplinary Tribunal Panel. He had also been the President of The Hong Kong Institute of Planners from 1999 to 2001.

Mr. Lam obtained a bachelor degree of science from the State University of New York, College at Buffalo in 1987 and a master of science (urban planning) from the University of Hong Kong in 1989.

Mr. Lam was the director of the following companies which were incorporated in Hong Kong and were deregistered and the relevant details are as follows:

Company Name	Nature of Business	Date of Submission of Application for Deregistration	Date of Deregistration
Apia Limited	Inactive	17 April 2003	29 August 2003
Artena Limited	Inactive	12 March 2003	18 July 2003
Double Tracks Limited	Inactive	17 April 2003	29 August 2003
Glory On Limited 嘉利安有限公司	Inactive	14 April 2003	22 August 2003
Lewanna Limited	Inactive	26 May 2003	3 October 2003
Max Brighter Limited 駿合有限公司	Inactive	29 September 2010	11 February 2011
Ulsan Limited	Inactive	19 March 2003	25 July 2003

It is confirmed by Mr. Lam that all the above deregistration was voluntary by way of submitting an application to the Companies Registry because these companies had ceased to carry on business or operation for more than 3 months immediately before the relevant application.

Mr. Li Ying Ming (李英明), aged 48, was appointed as our independent non-executive Director on 19 December 2011.

Mr. Li obtained a bachelor degree in social science from the Chinese University of Hong Kong in 1986 and a master degree in management (Executive MBA) from the Peking University in 2005.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Li was admitted as a solicitor of the High Court of Hong Kong in 1999. He has since practiced in Lee Chan Cheng Solicitors specializing in matters including construction laws and China-related business, until he was retired in 2007. He was partner of the firm from 2001 to 2007.

Mr. Tam Tak Kei, Raymond (譚德機), aged 48, was appointed as our independent non-executive Director on 19 December 2011.

Mr. Tam holds a bachelor of arts degree in accounting with computing from University of Kent at Canterbury, England and is an associate member of the Institute of Chartered Accountants in England and Wales. He is also an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Tam was the financial controller of each of Blank Rome Solicitors & Notaries from June 2010 to September 2011 and Barlow Lyde & Gilbert from December 2002 to May 2010 and has over 20 years of professional accounting experience. He is also an independent non-executive director of Sun Innovation Holdings Limited (stock code: 547) and Tianjin Tianlian Public Utilities Company Limited (stock code: 1265), whose shares are listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. Ho Wai Chuen (何惠泉), aged 58, is the construction director of Wan Chung Construction and is responsible for corporate business development and management of construction projects in Hong Kong as well as expansion opportunities in overseas markets.

He had worked in our Group in a number of positions, left and rejoined our Group. Previously he had worked as the construction director from 1991 to 1996. He rejoined Wan Chung Construction again as the construction director in 2010.

Mr. Ho has over 36 years and 4 years of building construction industry experience in Hong Kong and Macau respectively.

Mr. Ho obtained a higher certificate in building studies from Hong Kong Polytechnic (now renamed The Hong Kong Polytechnic University) in 1982.

Mr. Wong Chi Kin, Jesse (王志健), aged 48, is the commercial director of Wan Chung Construction and is responsible for the Group’s strategic planning, corporate business development and management of construction projects in Hong Kong. He has been the representative of our Group in the Hong Kong Construction Association since 1999.

Mr. Wong has over 29 years of experience in the building construction industry of Hong Kong. Prior to joining our Group in 1996, he had held various positions in quantity surveying, including senior quantity surveyor of H.A. Brechin & Co between 1990 and 1994, quantity surveyor of Franklin & Andrews Construction Cost Management Consultants between 1989 and 1990 and trainee of Kumagai Gumi (H.K.) Limited between 1982 and 1985.

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Mr. Wong is a registered professional surveyor (Quantity Surveying) in Hong Kong and a fellow member of The Hong Kong Institute of Surveyors. He obtained a bachelor degree of science in quantity surveying from Southbank Polytechnic of London in 1989. He also received a master degree of business administration (executive) from the City University of Hong Kong in 2010.

Ms. Ma Pik Fung (馬碧鳳), aged 48, is the commercial director of Wan Chung Construction and is responsible for the Group’s strategic planning, corporate business development, and management of construction projects in Hong Kong. She is also a director of Wan Chung (Macau) and a director of Wan Chung (Singapore). Between 2006 and 2009, she was performing the project directing role in the Group’s business expansion into Macau and Singapore.

Ms. Ma has over 29 years of experience in the building construction industry of Hong Kong. Prior to joining our Group in 1998, she had worked in Ngo Kee Construction Co., Ltd. as quantity surveyor, Bain D’or Co., Ltd. as manager of construction section, Taisei Corporation as contracts manager, Fong Wing Shing Construction Co., Ltd. as quantity surveyor between 1982 and 1998.

Ms. Ma is a registered professional surveyor (Quantity Surveying) in Hong Kong, a member of Hong Kong Institute of Surveyors and a professional associate of the Royal Institution of Chartered Surveyors (the United Kingdom). She obtained a bachelor degree of science in quantity surveying from Robert Gordon’s Institute of Technology in United Kingdom in 1990 and a higher certificate in building studies from Hong Kong Polytechnic (now renamed The Hong Kong Polytechnic University) in 1985.

Mr. Tang Wai Hung (鄧偉雄), aged 46, is the assistant director of Wan Chung Construction and is responsible for the safety, health and environmental management planning for the Group.

Mr. Tang has over 25 years of experience in the building construction industry of Hong Kong. Prior to joining our Group in 1991, he had worked in Leighton Contractors (Asia) Limited between 1986 and 1991, initially as technician apprentice, and subsequently as assistant foreman.

Mr. Tang is a chartered member of the Institution of Occupational Safety and Health (the United Kingdom), a chartered professional member of the Safety Institute of Australia, a member of The Hong Kong Institute of Occupational and Environmental Hygiene, a registered safety auditor under the Factories and Industrial Undertakings (Safety Management) Regulation and a registered safety officer under the Factories and Industrial Undertakings (Safety Officers & Safety Supervisors) Regulations in Hong Kong.

Mr. Tang obtained a second bachelor degree in Chinese law from Tsinghua University in 2006, a master of applied science in safety management from The University of Western Sydney, Hawkesbury in 1999, a certificate of proficiency in advanced industrial safety (Construction) in 1991 and a higher certificate in civil engineering in 1988, both from Hong Kong Polytechnic (now renamed The Hong Kong Polytechnic University).

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Wong Yiu Wai (黃耀威), aged 49, is the financial controller of our group and responsible for all corporate finance, banking, accounting, company secretarial and information technology matters of the Group.

Mr. Wong has over 23 years of experience in the accounting field of Hong Kong. Prior to joining our Group in 2000, he had been a finance and administration manager for a number of companies and had worked in Ernst and Young from 1987 to 1991.

He is an associate of The Hong Kong Institute of Certified Public Accountants and obtained a bachelor degree of commerce from The University of Melbourne in 1987.

Mr. Chng Kang Hai (庄江海), aged 35, is the finance and administration manager of Wan Chung (Singapore) and is responsible for the financial accounting, financial management and administration function of Wan Chung (Singapore).

Mr. Chng has over 10 years of experience in financial accounting and financial management. He is currently a non-practising member with the CPA Australia. Prior to joining our Group in 2008, he had worked in KPMG in Singapore from 2006 to 2008.

Mr. Chng obtained a bachelor of business (accountancy) from Queensland University of Technology in 2001 and a diploma in electronic & computer engineering from Ngee Ann Polytechnic in Singapore in 1996.

Ms. Lau Sau Fan (劉秀芬), aged 45, is the human resources manager of our Group. Ms. Lau joined our Group in 2007 and has over 19 years of experience in human resources management.

Ms. Lau is a professional member of The Hong Kong Institute of Human Resource Management. She obtained a master of science in human resource management from The Hong Kong Polytechnic University in 2005 and a bachelor degree of arts in business administration & management from De Montfort University in 2001.

Ms. Leung Yim Ngan (梁艷顏), aged 58, is the accounting manager of our Group. Ms. Leung joined our Group in 1998 and has over 40 years of experience in the accounting field of Hong Kong.

Ms. Leung is a fellow member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of International Accountants.

Mr. Lau Yu Kwan (劉與坤), aged 59, is the contracts manager of Wan Chung Construction. Mr. Lau joined our Group in 2007. He has worked in the building industry for over 35 years, 25 of which were in managing and administering various types (residential, commercial, institutional, industrial & multi-functional) of building projects.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Lau is a fellow of the Chartered Institute of Building (the United Kingdom), a fellow of the Hong Kong Institute of Construction Managers, a member of the Hong Kong Institution of Engineers and a professional member of the Royal Institution of Chartered Surveyors. He is a registered professional engineer (building) in Hong Kong and a chartered environmentalist in the United Kingdom.

Mr. Lau obtained a master of science in construction management (building) from Heriot-Watt University in 1986. He had been awarded an associateship in building technology & management from Hong Kong Polytechnic (now renamed The Hong Kong Polytechnic University) in 1983. He had received an endorsement certificate in building law from Hong Kong Polytechnic (now renamed The Hong Kong Polytechnic University) in 1983.

Mr. So Siu Cheong (蘇少章), aged 43, is the contracts manager of Wan Chung Construction. He joined our Group in 2006 and has over 13 years of experience in the construction industry of Hong Kong. He also has 7 years of experience of the construction industry in Taiwan from 1999 to 2006.

Mr. So is a member of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors (the United Kingdom). He obtained a bachelor degree of laws from the University of Wolverhampton in 2006 and a bachelor degree of science in quantity surveying from The University of Hong Kong in 1991.

Mr. Yan Kum Seng (甄錦勝), aged 58, is the contracts manager of Wan Chung (Singapore) and is responsible for the tender submissions, the management and review of project costs and budget, key material procurement and the award of contract to sub-contractors. He joined our Group in 2010.

Mr. Yan has over 27 years of professional, management and technical experience in the construction industry, in particular in areas of construction, contracts and cost management. He is a member of the Singapore Institute of Surveyors and Valuers, a member of the Royal Institution of Chartered Surveyors (the United Kingdom) and a registered adjudicator of the Singapore Mediation Centre.

Mr. Yan obtained a technician diploma in building from Singapore Polytechnic in 1979.

Mr. Tam Tak Fuk, Patrick (譚德福), aged 53, is the estimating manager of Wan Chung Construction. Mr. Tam joined our Group in 2010 and has over 34 years of experience in the construction industry of Hong Kong. He also has 6 years of experience in the construction industry of Macau from 2004 to 2010. Mr. Tam obtained a higher certificate in building studies from Hong Kong Polytechnic (now renamed The Hong Kong Polytechnic University) in 1981.

Ms. Lee Wai King (李慧瓊), aged 35, is the project services manager of Wan Chung Construction. Ms. Lee joined our Group in 1998 and has over 12 years of experience in the construction industry of Hong Kong. Ms. Lee obtained a professional diploma in

DIRECTORS, SENIOR MANAGEMENT AND STAFF

occupational safety & health from the School of Continuing Education of Hong Kong Baptist University in 2010 and a bachelor degree of arts from The Chinese University of Hong Kong in 1998.

COMPANY SECRETARY

Ms. Lam Yuen Ling Eva (林婉玲), aged 45, was appointed as our company secretary on 19 December 2011. Ms. Lam is a director of BMI Corporate Services Limited with over 18 years of experience in company secretarial services and commercial solutions. Ms. Lam obtained a higher certificate in company secretaryship and administration from Hong Kong Polytechnic (now renamed the Hong Kong Polytechnic University) in 1993.

Ms. Lam is an associate of The Hong Kong Institute of Chartered Secretaries and also an associate of The Institute of Chartered Secretaries and Administrators.

Ms. Lam is currently the joint company secretary of China Suntien Green Energy Corporation Limited (stock code: 956) and company secretary of China Bio-Med Regeneration Technology Limited (stock code: 8158), whose shares are listed on the Stock Exchange.

DIRECTORS' REMUNERATION

Our Directors' remuneration is determined with reference to the prevailing market practice, our Company's remuneration policy and his/her duties and responsibilities with our Group. For each of the three years ended 31 March 2011 and for the three months ended 30 June 2011, the aggregate of the remuneration paid and benefits in kind granted to our Directors by our Group was approximately HK\$2,401,000, HK\$2,554,000, HK\$3,191,000 and HK\$791,000 respectively.

Each of our executive Directors has entered into a service agreement with our Company for an initial term of three years commencing from the [●] until terminated by not less than six months written notice to the other party and subject to the early termination provisions contained therein. Each of our executive Directors is entitled to a basic salary. Under the service agreements, the basic annual remunerations payable by our Company to our executive Directors after [●] are set out below:

Executive Directors	Basic Annual Remunerations <i>(HK\$)</i>
Mr. Wong Law Fai	938,646
Mr. Yip Chi Chong	1,066,768
Mr. So Kwok Lam	935,524

The salary of each of our executive Directors shall be reviewed at the discretion and decided by the remuneration committee of the Company after the relevant Director has completed 12 months of service or at such other time as the Board (or its designated committee) deems appropriate.

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DIRECTORS, SENIOR MANAGEMENT AND STAFF

Each of our independent non-executive Directors has entered into a service agreement with our Company for an initial term of two years commencing from the [●] until terminated by not less than six months written notice to the other party and subject to the early termination provisions contained therein. Under the service agreements, the directors’ fee payable by our Company to our independent non-executive Directors after [●] are as follows:

Independent non-executive Directors	Basic Annual Remunerations (HK\$)
Mr. Lam Siu Lo, Andrew <i>JP</i>	120,000
Mr. Li Ying Ming	120,000
Mr. Tam Tak Kei, Raymond	120,000

The director’s fee for each of our independent non-executive Directors during the two year term is initially fixed, subject to the Board’s review from time to time in its discretion after taking into account the recommendation of the remuneration committee of our Company.

The remuneration of each Director is determined by reference to market terms, seniority, his/her experiences, duties and responsibilities within our Group. Our Directors are entitled to statutory benefits as required by law from time to time such as pension. Under the present arrangement, the aggregate of our Directors’ remuneration in cash and benefits in kind for the year ending 31 March 2012 is estimated to be approximately HK\$2,740,950.

STAFF

Staff

As at 30 June 2011, our Group had employed a total of 218 staff in Hong Kong, Macau and Singapore. A breakdown of which by function is as follows:

	Hong Kong	Macau	Singapore	Total
Management	13	0	6	19
Administration and Finance	10	1	5	16
Project development and management	126	0	8	134
Tender & Estimating	6	0	4	10
Skilled Labour	8	0	31	39
Total	163	1	54	218

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DIRECTORS, SENIOR MANAGEMENT AND STAFF

Staff benefits

During the Track Record Period, our Group complies in all material aspects with all statutory requirements on retirement contribution in the jurisdictions where our Group operates.

Relationship with staff

During the Track Record Period, we did not experience any disruption to our operations due to labour disputes nor did we experience any difficulty in the recruitment and retention of experienced staff. Our Directors believe that we have maintained a good working relationship with our employees.

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FINANCIAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Our Group is principally engaged as a main contractor in the provision of (a) building construction services in Hong Kong, Macau and Singapore, (b) property maintenance services in Hong Kong, (c) alteration, renovation, upgrading works and fitting-out works services in Hong Kong, Macau and Singapore. Our Group has expanded its business to Macau in 2006 and further expanded its business to Singapore in 2008 as a fitting-out main contractor in the provision of alteration, renovation, upgrading works and fitting-out works services.

We became a Group C contractor for building works, which are the highest ranking contractor in terms of tenders limits, and can tender for public works contracts of any value exceeding HK\$75 million, in July 1992. Such licence is not subject to renewal. But in order to retain itself as a Group C contractor, the Group has to ensure the fulfilment of minimum financial criteria and other requirements. For details, please refer to the paragraph titled “HONG KONG C. Contractor Licensing Scheme” of the section titled “Laws and Regulations” in this document. Since then, we have accumulated vast experience in a wide variety of projects including construction of schools and sports ground, conversion and extension works of schools, revitalisation of historical buildings, renovations of shopping centres, fitting-out works, interior design works and civil engineering works including foundation, site formation and slope works. Our customers in Hong Kong include both the public sector customers (Government and institutional bodies) such as Hong Kong Housing Authority and the private sector customers including a major transit railway company. We believe that our proven construction and fitting-out works track records in Hong Kong position us well to expand our business in Macau and Singapore. We engaged in a number of fitting-out works for an international casino gaming resort in Macau. In 2010, we became one of the Grade A2 contractors for general building works granted by the Singapore Building and Construction Authority. During the years of operations, our Group has received numbers of letters of appreciation from Government departments, public establishments, private organizations and commercial companies. Our Group has established its reputation of being able to execute works of satisfactory quality under tight budget and time constraint.

FINANCIAL INFORMATION

We generally secure our project works through a competitive tendering process. Once awarded the project, a project management team would be held responsible for the overall management of the project including procurement of materials and equipment (if necessary), delegation of works to subcontractors, and the coordination between the customers or its consultant and our subcontractors and suppliers. Progress payments are received from our customers periodically according to the stage of completion of the project work, and in general the corresponding subcontracting fees payable to subcontractors are settled on a monthly basis with reference to the value of work completed.

Benefited from our success in accumulating diversified experience and capabilities, maintaining close and long-standing relationships with our customers and subcontractors; retaining the experienced and dedicated management team, we have seen a general robust growth in our revenue and gross profit during the Track Record Period. We are set to achieve sustainable growth by not only solidifying our position in Hong Kong but also by further expanding our business into Macau, Singapore and other potential markets.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are subject to the influence of numerous factors, the principal of which are set out below:

- **The level of investment in respect of tenders in public sector**

A significant portion of our revenue was generated from the projects in the public sector. The Government was the largest customer of the Group in each of the three years ended 31 March 2011 and the three months ended 30 June 2011 during the Track Record Period accounting for approximately 61.4%, 76.1%, 68.9% and 69.2% respectively of our total revenue. Our business therefore depends to a certain extent on the level of investment in the public sector. In the event that the expenditures are substantially reduced in the public sector, our business, financial condition and results of operation, our profitability and future growth in revenue may be adversely affected.

- **Pricing of our projects**

The majority of our revenue during the Track Record Period is derived from our projects generally obtained by means of tender. The tender price of our projects is based on our estimated project costs plus a mark-up margin. We have to strike a balance between pricing our projects competitive enough and maintaining adequate profit margin. Pricing is particularly important for private sector projects since once the tender price is fixed, the contractor will have to bear for any possible cost increment due to inflation whereas following the global financial crisis in 2008, government projects generally allow cost adjustments as a result of inflations and deflations. Also, in relation to some of strategic projects that we wish to undertake to enhance our corporate profile, we may submit a more competitive tender price with a lower profit margin. In case of strategic projects and inflations, the lower profit margin poses adverse effect on our profitability.

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- **Fluctuations in our subcontracting fees**

The main component of our cost of sales is subcontracting fees, which include material and staff costs. During the Track Record Period, our subcontracting fees amounted to approximately HK\$385.4 million, HK\$456.1 million, HK\$516.4 million and HK\$67.7 million, respectively and accounted for approximately 87.3%, 82.8%, 82.7% and 74.1% of our cost of sales, respectively. As a result, our profitability heavily depends on our ability to control and manage our subcontracting fees. In addition, our contract price is based on our estimated project costs (which mainly include subcontracting fees) plus a mark-up margin at the time when we submit our tender for projects or our initial proposals to our potential customers but the actual subcontracting fees will not be determined until after we have entered into agreements with our subcontractors/suppliers. Any fluctuations in the subcontracting fees during this period will affect our profitability. Before a subcontracting agreement is entered into, our Group invites relevant subcontractors to provide a quotation for the subcontracting works and our Group, having regards to their tender prices, previous experience and qualification, determines who is selected as the subcontractor. The subcontracting fee payable by our Group to the relevant subcontractor once determined, is a fixed sum or a fixed percentage of the contract value or works order issued by the customer, unless there is variation order or additional works to be performed by the subcontractors with our prior consent. The subcontracting fee is in general paid by our Group to the relevant subcontractor by instalment on a monthly basis in accordance with works done.

- **Progress to complete projects according to specifications, quality standards, safety measures or time frame**

Our projects must be completed in accordance with customers’ specifications, quality standards, safety measures and the time frame. Failure to comply with any of these requirements, we will be liable to pay penalties or damages, which would not only tarnish our reputation but also drag down our profitability. With our commitment to excellence, we will continue to give full effort to ensure our current and future projects are completed in accordance with all the requirements.

- **Global economic developments**

The recent global economic developments and credit crunch have adversely affected the global economy. Under such deteriorating global economy and with the continual weak economic sentiment, the investment in residential, commercial and industrial property sectors may decrease and there may be delay or suspension with respect to construction including fitting-out projects. As such, these factors may affect our profitability and revenue growth. Moreover, banks may tighten credit which may aggravate the interest expenses on our bank borrowings, or banks may even reduce the amount of or discontinue the banking facilities. If the economic downturn and the weak economic sentiment continue, our business, financial condition and results of operations may be adversely affected.

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FINANCIAL INFORMATION

BASIS OF PRESENTATION

The discussion and analysis of our financial position and results of operations as included in this document is based on the combined financial statements prepared in accordance with the significant accounting policies set forth in note 3 in section A to the Accountants’ Report set out in Appendix I in this document, which conform with the HKFRS. The principal accounting policies are set out below.

CRITICAL ACCOUNTING POLICIES

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business and net of discounts.

Revenue from construction contracts in relation to building construction or upgrade of services of the infrastructure included in the segment of alternations, renovation, upgrading and fitting-out works is recognised by reference to the stage of completion of the contract activity at the end of the reporting period, where the outcome of a construction contract including building construction or upgrade services of the infrastructure can be estimated reliably.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Revenue from property maintenance, alterations, renovation, upgrading and fitting-out works other than upgrade of services of the infrastructure are recognised when services are provided.

Rental income is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset 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.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Leasehold land held for undetermined future use is regarded as held for capital appreciation purpose and classified as an investment property, and carried at fair value. Changes in fair value of the leasehold land are recognised directly in profit or loss for the period in which changes take place.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Investment property that is classified as held for sale is measured at its fair value at the end of the reporting period.

Construction contracts

Where the outcome of a construction contract in relation to building construction or upgrade services of the infrastructure can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus (which mainly represent the amount not yet billed to customers) is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses (which mainly represent the amount billed with services to be performed), the surplus is shown as amount due to customers for contract work. Amounts received before the related work is performed are included in the combined statements of financial position as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the combined statements of financial position under trade and other receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of our Group’s accounting policies, our Directors are required to make judgements, 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the critical judgement, apart from those involving estimations (see below), that our Directors have made in the process of applying the entity’s accounting policies and that have the most significant effect on the amounts recognised in combined financial statements.

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Critical judgement in applying the entity’s accounting policies

Contingent liabilities in respect of legal claims

Our Group has been engaged in a number of legal claims in respect of certain construction work. Contingent liabilities arising from these legal claims have been assessed by management with reference to legal advice. Our directors considered that no provision for the contingent liabilities in respect of the litigation is necessary after due consideration of each case and with reference to legal opinion.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Construction contracts revenue recognition

Our Group recognised contract revenue and profit of a construction contract according to the management’s estimation of the total outcome of the project as well as the percentage of completion of construction works. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Property maintenance revenue recognition

When services are provided, property maintenance income is recognised based on management’s estimation of the value of each works order. Thereafter, customers would undertake detailed assessment of all completed works orders before finalisation of a property maintenance contract which normally lasts for two to three years. During the assessment process, the actual value of completed works orders assessed by the customers may be higher or lower than the estimates and this will affect the revenue from property maintenance recognised.

Fair value of investment properties and investment property classified as held for sale

Investment properties are carried in the combined statements of financial position at fair value of approximately HK\$7.5 million, HK\$9.0 million and HK\$26.7 million at 31 March 2009, 2010 and 2011 respectively. Investment property classified as held for sale is carried in the combined statements of financial position at fair value of approximately HK\$8.2 million at 30 June 2011. The fair values were based on valuations on the properties conducted by independent firms of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable

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changes to these assumptions would result in changes in the fair value of the Group’s investment properties and corresponding adjustments to the amount of gain or loss reported in the combined statements of comprehensive income.

Impairment loss recognised in respect of available-for-sale investments

We classify certain investments in listed securities as available-for-sale and recognised movements of its fair value in other comprehensive income and accumulated in revaluation reserve. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised. When there is objective evidence that the investment is impaired, impairment loss is recognised in the combined statements of comprehensive income. As at 31 March 2011 and 30 June 2011, the carrying value of listed securities classified as available-for-sale investments is approximately HK\$9.5 million and HK\$11.6 million respectively (net of accumulated impairment loss of approximately HK\$3.3 million and HK\$1.7 million respectively).

Impairment loss recognised in respect of trade receivables

We perform ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer’s current credit-worthiness, as determined by the review of their current credit information. Our Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has been identified. Credit losses have historically been within our expectations and we will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. As at 31 March 2009, 2010 and 2011 and 30 June 2011, the carrying value of trade receivables are approximately HK\$94.7 million, HK\$109.2 million, HK\$116.1 million and HK\$70.4 million respectively (net of accumulated impairment loss of nil, HK\$3.8 million, HK\$3.8 million and HK\$3.8 million as at 31 March 2009, 2010 and 2011 and 30 June 2011 respectively).

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Results of operations

The following table presents selected financial data from our combined statements of comprehensive income and combined statements of changes in equity during the Track Record Period, details of which are set out in the Accountants’ Report in Appendix I to this document. The financial information contained herein and in the accountants’ report in the Appendix I to this document is prepared in accordance with HKFRS and is presented as if our current group structure had been in existence throughout the periods presented.

	For the year ended 31 March			For the three months ended 30 June	
	2009	2010	2011	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Turnover	459,455	636,651	734,719	225,127	121,706
Cost of sales	<u>(441,186)</u>	<u>(550,825)</u>	<u>(624,261)</u>	<u>(180,021)</u>	<u>(91,368)</u>
Gross profit	18,269	85,826	110,458	45,106	30,338
Other income	3,679	3,754	7,715	1,026	10,441
Administrative expenses	(16,205)	(33,956)	(44,375)	(8,341)	(11,102)
Fair value (decrease) increase in investment properties	(340)	1,500	(1,294)	(1,200)	—
Impairment loss recognised in respect of available-for-sale investments	—	—	(3,303)	—	—
Impairment loss recognised in respect of trade receivables	—	(3,837)	—	—	—
Finance costs	(2,804)	(2,254)	(1,290)	(305)	(351)
Gain on disposal of a subsidiary	—	—	—	—	459
Share of loss of an associate	<u>—</u>	<u>—</u>	<u>(761)</u>	<u>(140)</u>	<u>(117)</u>
Profit before taxation	2,599	51,033	67,150	36,146	29,668
Taxation	<u>(409)</u>	<u>(8,159)</u>	<u>(12,404)</u>	<u>(6,067)</u>	<u>(4,614)</u>
Profit for the year/period attributable to owners of the Company	<u>2,190</u>	<u>42,874</u>	<u>54,746</u>	<u>30,079</u>	<u>25,054</u>

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	For the year ended 31 March			For the three months ended 30 June	
	2009	2010	2011	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income:					
Exchange differences arising on translation of foreign operations	6	802	8,018	627	719
Reclassification adjustment for the cumulative exchange difference included in profit or loss upon disposal of foreign operation	—	—	—	—	39
Fair value gain on available-for-sale investments	—	—	12	—	1,885
	<u>6</u>	<u>802</u>	<u>8,030</u>	<u>627</u>	<u>2,643</u>
Other comprehensive income for the year/period					
	<u>6</u>	<u>802</u>	<u>8,030</u>	<u>627</u>	<u>2,643</u>
Total comprehensive income for the year/period attributable to owners of the Company	<u>2,196</u>	<u>43,676</u>	<u>62,776</u>	<u>30,706</u>	<u>27,697</u>
Dividends	<u>—</u>	<u>—</u>	<u>105,160</u>	<u>—</u>	<u>—</u>
Earnings per share					
— Basic and diluted (HK cents)	<u>0.9</u>	<u>17.2</u>	<u>22.0</u>	<u>12.1</u>	<u>10.1</u>

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PRINCIPAL STATEMENT OF COMPREHENSIVE INCOME LINE ITEMS

Turnover

The following table sets out our revenue from different business segments during the Track Record Period:

	2009		Year ended 31 March				Three months ended 30 June			
	HK\$'000	%	2010		2011		2010		2011	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Building construction	87,530	19.0	179,016	28.1	268,345	36.5	83,409	37.0	45,848	37.7
Property maintenance	251,580	54.8	316,230	49.7	236,374	32.2	72,657	32.3	38,423	31.6
Alterations, renovation, upgrading and fitting-out works	120,345	26.2	141,405	22.2	230,000	31.3	69,061	30.7	37,435	30.7
	<u>459,455</u>	<u>100.0</u>	<u>636,651</u>	<u>100.0</u>	<u>734,719</u>	<u>100.0</u>	<u>225,127</u>	<u>100.0</u>	<u>121,706</u>	<u>100.0</u>

Overall turnover derived from our business has increased from approximately HK\$459.5 million for the year end 31 March 2009 to approximately HK\$636.7 million for the year ended 31 March 2010 and further increased to approximately HK\$734.7 million for the year ended 31 March 2011, representing an overall CAGR of approximately 26.5% per annum. However, the overall turnover decreased from approximately HK\$225.1 million for the three months ended 30 June 2010 to approximately HK\$121.7 million for the three months ended 30 June 2011.

Our building construction revenue has shown an gradual increase from approximately HK\$87.5 million for the year ended 31 March 2009 to approximately HK\$179.0 million for the year ended 31 March 2010 and further increased to approximately HK\$268.3 million for the year ended 31 March 2011, representing approximately 36.5% of the total turnover as compared to approximately 19.0% and 28.1% in 2009 and 2010 respectively. Such increase was attributable to increasing construction work volume particularly upon the launch of a series of financial stimulus packages by the Government after the outbreak of the financial tsunami to boost job opportunities by expediting construction and infrastructure projects. During the said period, for example, we have been granted a number of sizable construction projects including two schools projects and a reprovisioning project at the Wo Hop Shek Crematorium from the Government. In addition, the securing of a construction project for an apartment building in Singapore is also a marked success to our business expansion into the Singapore market. Our building construction revenue, however, decreased from approximately HK\$83.4 million for the three months ended 30 June 2010 to approximately HK\$45.8 million for the three months ended 30 June 2011 when two major school conversion and construction projects were completed in May and August 2010 respectively. As a result, revenue for the three months ended 30 June 2011 was mainly derived from the one reprovisioning project at the Wo Hop Shek Crematorium as opposed to three major construction projects during the three months ended 30 June 2010 including the two school conversion and construction projects and the reprovisioning project.

Our property maintenance revenue increased from approximately HK\$251.6 million for the year ended 31 March 2009 to approximately HK\$316.2 million for the year ended 31 March 2010, representing approximately 54.8% and approximately 49.7% of total turnover

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respectively. However, the revenue decreased to approximately HK\$236.4 million for the year 31 March 2011, representing approximately 32.2% of the total turnover because the two government property maintenance term contracts were in full swing during the year ended 31 March 2010 and was substantially completed in March and May 2010 respectively, therefore, only a small portion of revenue from these projects was reflected during the year ended 31 March 2011.

Our revenue from this segment decreased from HK\$72.7 million for the three months ended 30 June 2010 to approximately HK\$38.4 million for the three months ended 30 June 2011 because there were three major property maintenance term contracts in progress during the three months ended 30 June 2010. However, upon the completion of two major term contracts in March and May 2010, there was only one major property maintenance term contract in progress during the three months ended 30 June 2011.

Our alterations, renovation, upgrading and fitting-out revenue increased from approximately HK\$120.3 million for the year ended 31 March 2009 to approximately HK\$141.4 million for the year ended 31 March 2010 and further increased to approximately HK\$230.0 million for the year ended 31 March 2011. Such increasing trend was primarily attributable to our successful expansion strategies into the fitting-out sector. In 2009, we were engaged in two fitting-out projects for an international casino gaming resort in Singapore. Upon the substantial completion of the two major fitting-out projects in early 2011, revenue from this segment decreased from approximately HK\$69.1 million for the three months ended 30 June 2010 to approximately HK\$37.4 million for the three months ended 30 June 2011.

As a main contractor, our revenue is generated from a variety of existing contracts with our customers. The main reason for the fluctuation in our revenue mix and our revenue generated from different geographic locations during the Track Record Period was that the Group continuously secured new contracts and completed existing contracts of different business segments and geographic locations. Going forward, we shall continue to concentrate on not only Hong Kong, but also the two other existing markets, namely Macau and Singapore, by closely keeping track of the tender availability in all three locations. In deciding whether or not to bid for any specific tender, we would take into consideration several principal factors including but not limited to profitability of the contract, availability of suitable contract, our capacity during the contract period and the timing of project. Our Directors are of the opinion that no specific geographic location is particularly more profitable than the others. As such, our Directors believe that the fluctuation in our results of operations during the Track Record Period does not in any way indicate our intention to change our business model or to shift our focus to any one specific market.

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An analysis of the impact of certain major projects undertaken by us and the corresponding revenue recognised during the Track Record Period is set out in the following table:

	Year ended 31 March			Three months ended 30 June	
	2009	2010	2011	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Building construction					
The Construction of a Direct Subsidy Scheme School (Secondary-cum-Primary) in Area 13, Yuen Long	23,733	111,725	89,402	58,803	—
Reprovisioning of Wo Hop Shek Crematorium at Kiu Tau Road, Wo Hop Shek, Fanling, N.T.	—	19,526	157,016	20,091	31,917
Conversion of a Primary School to a Secondary School in Area 104, Tin Shui Wai	11,423	45,144	18,725	4,515	—
Property Maintenance					
Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) — Wanchai (South) is responsible for and Wanchai (North)	102,443	151,347	26,421	27,467	(1,389)
Term Contract for the Design and Construction of Fitting-out Works to Buildings and Lands and Other Properties for which the Architectural Services Department is responsible (Designated Contract Area: Kowloon and New Territories)	65,103	108,970	20,755	13,761	(2,118)
Term Contract for the Alterations, Additions, Maintenance and Repair of Buildings and Lands and Other Properties for which the Architectural Services Department (Property Services Branch) is responsible for — Wanchai (South) and Wanchai (North)	—	—	134,483	13,188	34,674
Alteration, renovation, upgrading and fitting-out works					
Marina Bay Sands Integrated Resort, Development Trade Contract No. 4203–BoH Main Finishers North Podium	316	92,126	104,453	50,885	11,380
Renovation and Repartitioning at Tin Yiu Shopping Centre at Tin Shui Wai, New Territories	25,999	3,901	45	—	1,428
Major Renovation at Maritime Square, 33 Tsing King Road, Tsing Yi, New Territories	—	—	26,314	1,578	—

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The following table sets out our revenue from different geographic locations during the Track Record Period:

	2009		Year ended 31 March				Three months ended 30 June			
	HK\$'000	%	2010		2011		2010		2011	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)									
Hong Kong	435,759	94.8	532,362	83.6	606,105	82.5	171,021	76.0	100,834	82.9
Macau	23,381	5.1	8	0.0	3,698	0.5	—	0.0	1,254	1.0
Singapore	315	0.1	104,281	16.4	124,916	17.0	54,106	24.0	19,618	16.1
Total:	<u>459,455</u>	<u>100.0</u>	<u>636,651</u>	<u>100.0</u>	<u>734,719</u>	<u>100.0</u>	<u>225,127</u>	<u>100.0</u>	<u>121,706</u>	<u>100.0</u>

Our revenue derived from Hong Kong increased from approximately HK\$435.8 million for the year ended 31 March 2009 to approximately HK\$532.4 million for the year ended 31 March 2010 and further increased to approximately HK\$606.1 million for the year ended 31 March 2011. The increase was mainly due to the fact that a number of sizeable projects recognised significant amount of revenue during the Track Record Period such as the reprovisioning of Wo Hop Shek Crematorium project and several property maintenance contracts.

Our revenue derived from Hong Kong decreased from approximately HK\$171.0 million for the three months ended 30 June 2010 to approximately HK\$100.8 million for the three months ended 30 June 2011 when a number of major construction and property maintenance projects came to a close in 2010. As a result, revenue for the three months ended 30 June 2011 was mainly derived from the one remaining reprovisioning project at Wo Hop Shek Crematorium and the one government property maintenance term contract in Wan Chai as opposed to three government property maintenance term contracts and the three major construction projects in progress during the three months ended 30 June 2010.

Our revenue derived from Macau, however, decreased significantly from approximately HK\$23.4 million for the year ended 31 March 2009 to only approximately HK\$8,000 for the year ended 31 March 2010 due to the financial crisis in late 2008 which caused many casino operators to suspend works on their multi-million-dollar investment projects. As a result, projects putting up for tenders were significantly reduced such that only minimal works were performed in Macau during the financial year ended 31 March 2010. Subsequently, the revenue increased to approximately HK\$3.7 million for the year ended 31 March 2011 after recovery of Macau’s economy, and secured several fitting-out projects from an international casino gaming resort.

Our revenue derived from Macau increased from approximately HK\$nil for the three months ended 30 June 2010 to approximately HK\$1.3 million for the three months ended 30 June 2011 after securing two new fitting-out projects.

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Despite a gradual growth in revenue in Hong Kong during the three years ended 31 March 2011, the percentage of revenue derived from Hong Kong to our total revenue dropped from approximately 94.8% in 2009 to approximately 83.6% in 2010 and then to approximately 82.5% in 2011. This opposing trend reflected our success in materializing our expansion plan into the Singapore market. Our revenue derived from Singapore increased drastically from approximately HK\$0.3 million for the year ended 31 March 2009 to approximately HK\$104.3 million for the year ended 31 March 2010 after being engaged by an international casino gaming resort for two high-end fitting-out projects in the resort. Our revenue increased further to approximately HK\$124.9 million for the year ended 31 March 2011 because of the increase in number of variation orders from the fitting-out projects resulting in more revenue being recognized.

Upon the substantial completion of the two major fitting-out projects in Singapore, our revenue decreased from approximately HK\$54.1 million for the three months ended 30 June 2010 to approximately HK\$19.6 million for the same period in 2011.

Cost of sales

Cost of sales mainly represents subcontracting fees, staff costs and others. During the Track Record Period, breakdown of our cost of sales were as follows:

	For the year ended 31 March			For the three months	
	2009	2010	2011	ended 30 June	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)				
Subcontracting fees ⁽¹⁾	385,353	456,147	516,388	155,217	67,668
Staff costs	33,484	38,874	43,510	11,265	9,401
Site facilities	7,393	7,292	4,798	1,635	1,094
Site insurance	3,545	6,726	4,539	405	344
Consultancy fee ⁽²⁾	2,220	4,916	5,046	1,312	844
Material cost	9	7,356	5,369	4,658	5,678
Others	<u>9,182</u>	<u>29,514</u>	<u>44,611</u>	<u>5,529</u>	<u>6,339</u>
Total:	<u><u>441,186</u></u>	<u><u>550,825</u></u>	<u><u>624,261</u></u>	<u><u>180,021</u></u>	<u><u>91,368</u></u>

Note:

1. Some material purchase costs and labour costs were included in the subcontracting fees and they could not be segregated as the terms of subcontracting contracts would sometimes include provision of both services.
2. Consultancy fee mainly includes designer's fee and quality surveyor's fee.

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Gross profit

During the Track Record Period, our gross profit and gross profit margin by business segments were as follows:

	For the year ended 31 March			For the three months ended 30 June	
	2009	2010	2011	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
<i>Gross profit</i>	<u>18,269</u>	<u>85,826</u>	<u>110,458</u>	<u>45,106</u>	<u>30,338</u>

	For the year ended 31 March			For the three months ended 30 June	
	2009	2010	2011	2010	2011
	(%)	(%)	(%)	(%)	(%)
				(Unaudited)	
<i>Gross profit margin</i>					
Building construction	0.9	9.6	6.1	9.8	25.7
Property maintenance	3.1	5.1	6.9	16.1	13.9
Alterations, renovation, upgrading and fitting-out works	8.1	37.2	33.9	36.5	35.3
Overall	4.0	13.5	15.0	20.0	24.9

Overall gross profit margin increased from approximately 4.0% for the year ended 31 March 2009 to approximately 13.5% for the year ended 31 March 2010 and then to approximately 15.0% for the year ended 31 March 2011. The trend of rising profit margin continued at approximately 20.0% and approximately 24.9% for the three months ended 30 June 2010 and 2011 respectively. The fluctuation was primarily contributed by the fitting-out projects in Singapore.

Gross profit margin of our building construction business increased significantly from approximately 0.9% in 2009 to approximately 9.6% in 2010. The particularly low gross profit margin in 2009 was primarily due to the fact that the project cost for a school construction project was exceptionally high in the first half of 2008. Prior to the global financial crisis in 2008, construction activity and demand for materials were at a peak during the blooming economy. As a result, steel prices, reinforcing metals prices and many other construction material prices were driven to a climax in the first half of 2008. Gross profit margin subsequently decreased to approximately 6.1% as a result of the additional cost incurred on the more complicated reprovisioning of Wo Hop Shek Crematorium project.

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For the three months ended 30 June, our gross profit margin in our building construction segment increased from 9.8% in 2010 to 25.7% in 2011. In 2001, our management was unable to agree on the final contract amount for a construction project completed with one of our customers. Such disputes were eventually concluded in 2011 such that our Group was able to recover HK\$10.6 million revenue in relation to works completed for the construction contract. In view of the fact that all expenses in relation to the construction project was fully reflected in the years incurred, the recovery of HK\$10.6 million net income has therefore drove up the overall gross profit margin. Upon the conclusion of the proceeding, it is expected that the gross profit margin would decrease subsequently.

Our property maintenance business demonstrated a rising gross profit margin during the three years ended 31 March 2011. The gross profit margin increased steadily from 3.1% in 2009 to 5.1% in 2010 and then to 6.9% in 2011. The pattern was mainly attributable to the increase in number of work orders from property maintenance term contracts as a result of (i) the general increase in the number of property maintenance term contracts during the three years ended 31 March 2011; and (ii) the recovery of economy after the financial tsunami, which took its toll on the globe in late 2008, such increase enabled us to dilute the overhead cost of operating the management team. However, when comparing gross profit margin of approximately 16.1% for the three months ended 30 June 2010 with approximately 13.9% for the same period in 2011, the drop is attributable to the reduced number of work orders from the one major property maintenance term contract in progress during the three months ended 30 June 2011 as opposed to three major term contracts during the same period in 2010.

Gross profit margin was generally higher during the three months ended 30 June 2010 and 30 June 2011 when compared with the three years ended 31 March 2011 mainly because more work orders happened to be completed in the first half of 2010 and 2011, which allowed the Group to dilute the fixed cost of sales, including mainly the operation of the management team for each project. As a result, the Group was able to obtain a higher margin for these work orders.

Gross profit margin for our business of alterations, renovation, upgrading and fitting-out works rocketed from approximately 8.1% in 2009 to approximately 37.2% in 2010 and approximately 33.9% in 2011 primarily benefited from several luxurious and high-end fitting-out projects for an international casino gaming resort in Singapore which were in full swing during the two years ended 31 March 2011. In general, these contracts required us to complete the contract work under tight project schedule. We were therefore in a better position to bargain for higher margin. The gross profit margin remained high at 36.5% for the three months ended 30 June 2010 and 35.3% for the three months ended 30 June 2011. In addition to the tight project schedule, the major project in progress during the year ended 31 March 2009 required us to provide renovation and repartitioning works in shopping arcade located in a housing estate in the New Territories as opposed to luxurious fitting-out works for an international casino gaming resort in Singapore. Therefore, the lower complexity of renovation and fitting-out works involved in the major project in 2009 results in a lower profit margin.

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Other income

Other income represents mainly interest income, recovery of litigation fee, and gain on disposal of property, plant and equipment. During the Track Record Period, breakdown of our other income is as follows:

	Year ended 31 March						Three months ended 30 June			
	2009		2010		2011		2010		2011	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Bank interest income	817	22.2	110	2.9	461	6.0	10	1.0	124	1.2
Interest income from sub-contractors	2,210	60.1	2,525	67.3	2,634	34.1	714	69.6	232	2.2
Other interest income	—	—	—	—	—	—	—	—	7,492	71.8
Recovery of litigation fee	—	—	—	—	3,704	48.0	—	—	—	—
Gain on disposal of property, plant and equipment	—	—	—	—	167	2.2	183	17.8	1,744	16.7
Other income	652	17.7	1,119	29.8	749	9.7	119	11.6	849	8.1
	<u>3,679</u>	<u>100.0</u>	<u>3,754</u>	<u>100.0</u>	<u>7,715</u>	<u>100.0</u>	<u>1,026</u>	<u>100.0</u>	<u>10,441</u>	<u>100.0</u>

Administrative expenses

Administrative expenses mainly include staff costs and other miscellaneous administrative expenses. During the Track Record Period, the administrative expenses amounted to approximately HK\$16.2 million, HK\$34.0 million, HK\$44.4 million for the three years ended 31 March 2011 respectively and HK\$11.1 million for the three months ended 30 June 2011.

The following table sets forth the breakdown of our administrative expenses during the Track Record Period:

	For the year ended 31 March						For the three months ended 30 June			
	2009		2010		2011		2010		2011	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff costs	10,543	65.1	22,728	66.9	32,065	72.3	6,240	74.8	7,077	63.7
Depreciation	717	4.4	789	2.3	1,333	3.0	146	1.8	236	2.1
Insurance	275	1.7	330	1.0	1,041	2.3	137	1.6	180	1.6
Legal and professional fees	786	4.9	4,773	14.1	705	1.6	90	1.1	517	4.7
Rental	619	3.8	1,123	3.3	1,648	3.7	534	6.4	438	3.9
Exchange difference	178	1.1	29	0.1	1,368	3.1	57	0.7	1,185	10.7
Education Subsidy	558	3.4	609	1.8	429	1.0	61	0.7	381	3.4
Entertainment	282	1.7	335	1.0	497	1.1	130	1.6	86	0.8
Transportation & travelling	391	2.4	475	1.4	843	1.9	208	2.5	171	1.5
Others	1,856	11.5	2,765	8.1	4,446	10.0	738	8.8	831	7.6
Total:	<u>16,205</u>	<u>100.0</u>	<u>33,956</u>	<u>100.0</u>	<u>44,375</u>	<u>100.0</u>	<u>8,341</u>	<u>100.0</u>	<u>11,102</u>	<u>100.0</u>

Staff cost primarily includes directors' fee, salaries and bonus, staff welfare, retirement benefit, as well as medical allowances.

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Insurance represents (i) employees’ compensation insurance, (ii) third-party insurance and (iii) key person insurance.

Legal and professional fees mainly include professional fees paid to our legal advisers in providing us with legal services or representing us in legal proceedings in which we were a party but have not been reimbursed to us under any insurance policy, audit fees and project consultancy and advisory fees.

Fair value (decrease) increase in investment properties

Fair value (decrease) increase are derived from the changes in fair value of our investment properties located in Hong Kong and Singapore. The fair values of our investment properties were arrived at on the basis of a valuation carried out by an independent professional valuer at each reporting period end.

Impairment loss recognised in respect of available-for-sale investments

Our available-for-sale investments are assessed for indicators of impairment at the end of each reporting period. The impairment loss was resulted from the decrease in fair value of the available-for-sale investments.

Impairment loss recognised in respect of trade receivables

Impairment loss recognised in respect of trade receivables represents provision for doubtful debts in relation to a customer in Macau who was in financial difficulties with significant net liabilities.

Finance costs

Finance costs represent interest on bank borrowings and bank overdraft wholly repayable within five years.

Gain on disposal of a subsidiary

The balance arose from the disposal of the entire equity interest of Wan Chung Investments on 3 June 2011.

Share of loss of an associate

Share of loss of an associate represents the loss arising from our equity interest in our associated company incorporated in Singapore. In March 2010, we acquired 20% equity interest in Castilia, which was incorporated in 2007 to engage in property development business.

Taxation

During the Track Record Period, our taxation amounted to approximately HK\$0.4 million, HK\$8.2 million, HK\$12.4 million and HK\$4.6 million, respectively.

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We are subject to income tax on an individual legal entity basis on profits arising in or deriving from the tax jurisdictions in which our companies are domiciled or operate. Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the Track Record Period.

Our subsidiaries located in Singapore were subject to Singapore Income Tax for the two years ended 31 March 2011, which was calculated at 17% of the normal chargeable income. However, no provision for Singapore Income Tax for the year ended 31 March 2009 has been made as we have no normal chargeable income arising in or deriving from Singapore.

During the Track Record Period, our subsidiary in Macau was subject to Macau Complementary Income Tax, which is calculated at the progressive rate on the estimated assessable profits for the year. The maximum tax rate is 12% for the Track Record Period.

The effective tax rates of our Group during the Track Record Period were 15.7%, 16.0%, 18.5% for the three years ended 31 March 2011 and 15.6% for the three months ended 30 June 2011.

Exchange differences arising on translation of foreign operations

For the purposes of presenting our Financial Information, the assets and liabilities of our foreign operations in Singapore are translated into our presentation currency (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year. During the Track Record Period, the exchange differences arising on translation of foreign operations were approximately HK\$6,000, HK\$0.8 million and HK\$8.0 million for the three years ended 31 March 2011 and approximately HK\$0.7 million for the three months ended 30 June 2011.

Period to period comparison of results of operations

Three months ended 30 June 2011 compared to three months ended 30 June 2010

Turnover

A decrease in turnover by approximately HK\$103.4 million, or approximately 45.9%, is seen from approximately HK\$225.1 million for the three months ended 30 June 2010 to approximately HK\$121.7 million for the three months ended 30 June 2011 mainly because of the decline of revenue in Hong Kong and Singapore when a number of sizable projects across all three segments were substantially completed in late 2010 to early 2011.

Our turnover derived from Hong Kong decreased by approximately HK\$70.2 million or approximately 41.1%, from approximately HK\$171.0 million in the three months ended 30 June 2010 to approximately HK\$100.8 million in the three months ended 30 June 2011. The significant decrease is largely contributed by the completion of two school construction and conversion projects which contributed a total of approximately HK\$63.3 million revenue to our Group during the three months ended 30 June 2010. Such decrease was offset

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by the reprovisioning project of Wo Hop Shek Crematorium, which was in full swing in 2011. Approximately HK\$11.8 million more revenue was recognised for the project during the three months ended 30 June 2011 as compared to the same period in 2010.

However, the drop in revenue was further exacerbated by the close of two significant property maintenance term contracts respectively in March and May 2010 which recorded total revenue of approximately HK\$41.2 million for the three months ended 30 June 2010. As a result, revenue for the three months ended 30 June 2011 was mainly derived from one major government property maintenance term contract in Wan Chai as opposed to three major government property maintenance term contracts in progress during the three months ended 30 June 2010. The negative revenue of a total HK\$3.5 million for the same period in 2011 was due to the difference between our estimation and the tentative offer from the customers. Property maintenance income is recognised based on management’s estimation of the value of each works order. Thereafter, customers would undertake detailed assessment of all completed works orders before finalisation of a property maintenance contract which normally lasts for two to three years. During the assessment process, the actual value of completed works orders assessed by the customers may be higher or lower than the estimates. Such difference will be recognised as revenue (or reversal) in the year of which the completed work order is assessed. In April 2010, we were able to secure a new property maintenance term contract, thereby contributing to an increase of HK\$21.5 million revenue in Hong Kong for the three months ended 30 June 2011.

Our turnover derived from Macau was approximately HK\$1.3 million in the three months ended 30 June 2011 as compared to approximately HK\$nil in the three months ended 30 June 2010, contributed by the commencement of two fitting-out projects for an international casino gaming resort in Macau.

Decrease of approximately HK\$34.5 million in turnover derived from Singapore was recorded from approximately HK\$54.1 million in the three months ended 30 June 2010 to approximately HK\$19.6 million in the three months ended 30 June 2011. The revenue was primarily driven by the high-end fitting-out projects for the international casino gaming resort in Singapore. However, upon their substantial completion in early 2011, revenue generated in Singapore decreased significantly to approximately HK\$19.6 million for the three months ended 30 June 2011.

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When comparing our revenue for the three months ended 30 June 2011 with that in the same period of 2010, the general decreasing trend was largely brought about by the timing difference of our project progress. Although several of our projects were completed in late 2010 to early 2011, our management continues to keep an eye on the development and opportunities in different business and geographical segments. During the year of 2011, we managed to secure a number of new sizable projects which would generate revenue for our Group in the second half of the year. The table below sets out the contracts awarded to us from 1 July 2011 to the Latest Practicable Date:

Particulars of the contract	Customer	Expected completion date ⁽¹⁾	Contract value (‘000)	Category/segment	Percentage of completion ⁽²⁾ as at 30 September 2011	Accumulated revenue recognised up to 30 September 2011 (HK\$’000) (unaudited)
Hong Kong						
Proposed A&A Works of WCC Entrance Lobby and G/F to 4/F Retail Expansion of Ocean Gallery (Phase I Works), Harbour City, Tsim Sha Tsui, Kowloon	Private customer	October 2012	HK\$106,018	Alteration, Renovation, Upgrading and Fitting-out works	10.84%	11,490
Renovation Work at G/F Toilet at Oi Kwan Road Baptist Church at 36 Oi Kwan Road, Wan Chai, Hong Kong	Private customer	August 2011	HK\$667	Alteration, Renovation, Upgrading and Fitting-out works	100% ⁽³⁾	616
A&A Works for Villa Lotto at No.18 Broadwood Road, Happy Valley, Hong Kong	Private customer	February 2013	HK\$189,679	Alteration, Renovation, Upgrading and Fitting-out works	0%	0
Redevelopment of Eu Yan Sang Centre at Yuen Long Industrial Estate	Private customer	October 2012	HK\$43,578	Alteration, Renovation, Upgrading and Fitting-out works	0%	0
Main Contract for Enabling Works at Wah Sum Shopping Centre, Fanling, New Territories	Private customer	February 2012	HK\$1,848	Alteration, Renovation, Upgrading and Fitting-out works	0%	0
Fire Safety Improvement Work for the Remaining Floor at Tai Yau Building at No. 181 Johnston Road, Wanchai, Hong Kong	Private customer	May 2013	HK\$79,406	Alteration, Renovation, Upgrading and Fitting-out works	0%	0
Singapore						
Building Works at Sengkang Neighbourhood 4 Contract 12 (total: 521 Dwelling Units)	Public sector customer in Singapore	January 2014	SGD69,500 (equivalent to approximately HK\$446,477)	Building Construction	1.90%	8,477
			<u>867,673</u>			<u>20,583</u>

Note:

- Expected completion date in general refers to the expected completion date as specified in the relevant contract, and if an application for extension of time has been submitted and approved by the customers, such extended completion date would be taken as the expected completion date. Where no expected completion date is specified in a contract, expected completion date refers to the completion date to the best estimation of the management of the Group.

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2. Percentage of completion is calculated based on revenue recognised divided by contract value.
3. The certificate of completion has been issued to our Group and is thus considered a completed contract. Since the project is completed, it would not be meaningful to calculate the percentage of completion based on the formula stated in note 2.

Cost of sales

Cost of sales decreased from approximately HK\$180.0 million for the three months ended 30 June 2010 to approximately HK\$91.4 million for the three months ended 30 June 2011, which was mainly contributed by the approximately HK\$87.5 million, or 56.4%, decrease in subcontracting fees. Such drop was in line with the approximately 45.9% decrease in our turnover when several sizable projects were substantially completed in late 2010 to early 2011. As a result, the volume of work required from subcontractors was lower during the three months ended 30 June 2011.

Gross profit and gross profit margin

Gross profit decreased by approximately HK\$14.8 million, or approximately 32.8% from approximately HK\$45.1 million for the three months ended 30 June 2010 to approximately HK\$30.3 million for the three months ended 30 June 2011.

Our gross profit margin increased from approximately 20.0% to approximately 24.9%, which is primarily contributed by our segment of building construction from approximately 9.8% in 2010 to 25.7% in 2011. In 2001, our management was unable to agree on the final contract amount for a construction project completed in 2001 with one of our customers. Such disputes were eventually concluded in 2011 such that our Group was able to recover HK\$10.6 million revenue in relation to works completed for the construction contract. In view of the fact that all expenses in relation to the construction project was fully reflected in the years incurred, the recovery of HK\$10.6 million net income has therefore drove up the overall gross profit margin. If such revenue is excluded, the gross profit margin for the three months ended 30 June 2011 would be reduced to 3.4%, which is lower than the 9.8% gross profit margin during the same period in 2010 because of the completion of the two major school conversion projects. During the three months ended 30 June 2011, revenue in building construction was primarily derived from the one major reprovisioning project of Wo Hop Shek Crematorium, which has been less profitable than other construction projects in light of the unique structure of the crematorium. Upon the conclusion of the proceeding, it is therefore expected that the gross profit margin would decrease subsequently.

Other income

For the three months ended 30 June 2011, our other income was approximately HK\$10.4 million, representing a substantial increase of HK\$9.4 million from approximately HK\$1.0 million for the same period in 2010. Such increase was dominated by the approximately HK\$7.5 million increase in other interest income yielded from a recovery proceeding in relation to a building construction project, which was incurred between the completion date of the project and the end of the reporting period.

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Administrative expenses

Administrative expenses increased by approximately HK\$2.8 million, or approximately 33.7%, from approximately HK\$8.3 million for the three months ended 30 June 2010 to approximately HK\$11.1 million for the three months ended 30 June 2011. The increase was primarily due to the HK\$1.1 million more exchange difference incurred on payables to our Singapore subsidiaries as a result of the appreciating trend of Singapore Dollars against Hong Kong Dollars.

Fair value decrease in investment properties

Fair value decrease was derived from the changes in fair value of our investment properties located in Hong Kong and Singapore. Fair value decrease of approximately HK\$1.2 million was recorded for the three months ended 30 June 2010 while such balance became nil for the three months ended 30 June 2011 because of the disposal of investment property located in Singapore on 3 June 2011.

Finance costs

Finance costs remained stable at approximately HK\$0.3 million for the three months ended 30 June 2010 and approximately HK\$0.4 million for the three months ended 30 June 2011.

Gain on disposal of a subsidiary

The balance arose from the disposal of the entire equity interest of Wan Chung Investments on 3 June 2011. The then subsidiary was disposed to Mr. Eng Boon Seng and Ms. Eng Mew Yong, being the spouse of Mr. Chng Kang Hai, a director of Wan Chung (Singapore), at a consideration of approximately SGD2 (or equivalent to approximately HK\$12). On the same date, Wan Chung (Singapore) entered into a deed of assignment with Mr. Eng Boon Seng and Ms. Eng Mew Yong (the “Purchasers”) pursuant to which Wan Chung (Singapore) assigned to the Purchasers a shareholder’s loan to Wan Chung Investments in the sum of approximately SGD3.1 million or equivalent to approximately HK\$19.4 million upon completion of the disposal of Wan Chung Investments. The balance, therefore, represents the net gain of approximately HK\$0.5 million between net liabilities disposed of, exchange reserve realised on disposal of a subsidiary and consideration received by the Group.

Share of loss of an associate

We had a 20% equity interest in Castilia, a property developer in Singapore. We recorded losses of HK\$0.1 million for the three months ended 30 June 2010 and 30 June 2011, representing losses from our equity interest because the property of the associated company was still under development as of 30 June 2010 and 30 June 2011. It is expected that the construction of the property will be completed in 2012.

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Taxation

Taxation decreased by approximately HK\$1.5 million, or approximately 24.6%, from approximately HK\$6.1 million for the three months ended 30 June 2010 to approximately HK\$4.6 million for the three months ended 30 June 2011. Such decrease was mainly attributable to the significant decrease in profit before taxation from approximately HK\$36.1 million for the three months ended 30 June 2010 to approximately HK\$29.7 million for the three months ended 30 June 2011.

The effective tax rate decreased from 16.8% in the three months ended 30 June 2010 to 15.6% in the three months ended 30 June 2011 because of the gain on disposal of property, plant and equipment of approximately HK\$1.7 million, which is not taxable for tax purpose.

Profit for the year

Based on the above factors, profit for the year decreased by approximately HK\$5.0 million, or approximately 16.6%, from approximately HK\$30.1 million for the three months ended 30 June 2010 to approximately HK\$25.1 million for the three months ended 30 June 2011. Net profit margin increased from approximately 13.4% for the three months ended 30 June 2010 to approximately 20.6% for the three months ended 30 June 2011 mainly due to the recovery of a total of HK\$18.1 million net income from the recovery proceeding upon its conclusion in 2011, among which HK\$10.6 million represents revenue in relation to works completed for the construction contract and the remaining HK\$7.5 million represents interest income.

Exchange differences arising on translation of foreign operations

Our exchange differences was approximately HK\$0.7 million for the three months ended 30 June 2011, representing an increase of approximately HK\$0.1 million from approximately HK\$0.6 million for the same period in 2010. Such slight increase was due to the appreciating trend of Singapore Dollars against Hong Kong Dollars, net off by the decline in the performance of our Singapore operations during the three months ended 30 June 2011 following the completion of the two high-end fitting-out projects for the international casino gaming resort.

Dividends

We have not declared dividends for the three months ended 30 June 2011.

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Year ended 31 March 2011 compared to year ended 31 March 2010

Turnover

An increase in turnover by approximately HK\$98.0 million, or approximately 15.4%, is seen from approximately HK\$636.7 million for the year ended 31 March 2010 to approximately HK\$734.7 million for the year ended 31 March 2011. We recorded unanimous growth in all three geographical areas as a result of the increase in work volume across all three segments.

Our turnover derived from Hong Kong increased by approximately HK\$73.7 million or approximately 13.8%, from approximately HK\$532.4 million in 2010 to approximately HK\$606.1 million in 2011. The significant increase is largely contributed by the reprovisioning project of Wo Hop Shek Crematorium which only commenced in July 2009 and was still in a preliminary stage as at 31 March 2010, resulting in only approximately HK\$18.0 million of revenue being recognized. As the project progressed into an advanced stage in the following year, the revenue recognized for the project increased drastically to approximately HK\$157.0 million. Such increase was partially offset by a property maintenance term contract for designated area in Kowloon and New Territories obtained from the Government, which was completed in May 2010. The majority of the revenue for the project was recognized during the year ended 31 March 2010, which amounted to approximately HK\$109.0 million as compared to only approximately HK\$20.8 million for the year ended 31 March 2011.

Our turnover derived from Macau was approximately HK\$3.7 million in 2011 as compared to approximately HK\$0.008 million in 2010, representing a growth of approximately HK\$3.7 million, contributed by the slight improvement in the availability of tenders for the international casino gaming resort. The phases of extension remained largely suspended throughout the first half of 2010 and were only gradually resumed since June 2010. We were then able to secure several fitting-out contracts from the resort amounting to a total of HK\$3.7 million revenue being recognized for the year ended 31 March 2011.

Considerable increase of approximately HK\$20.6 million in turnover derived from Singapore was recorded from approximately HK\$104.3 million in 2010 to approximately HK\$124.9 million in 2011. The increase was primarily driven by the high-end fitting-out project for the international casino gaming resort in Singapore. The revenue recognized for the project increased from HK\$92.1 million for the period ended 31 March 2010 to HK\$104.5 million for the period ended 31 March 2011 as a result of an increase in work volume completed.

Cost of sales

Cost of sales increased from approximately HK\$550.8 million for the year ended 31 March 2010 to approximately HK\$624.3 million for the year ended 31 March 2011. During the Track Record Period, subcontracting fees in general constituted over 80% of the total cost of sales. Such phenomenon was in line with our revenue growth from the increased contract volume, which resulted in more works being outsourced to subcontractors. The

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significant increase is largely contributed by the reprovisioning project of Wo Hop Shek Crematorium which reflected full-year impact of the project during the year ended 31 March 2011. However, the significant increase was partially offset by the property maintenance term contract for designated area in Kowloon and New Territories obtained from the Government when the project reached its peak during the year ended 31 March 2010 and was completed in May 2010.

Gross profit and gross profit margin

Gross profit increased by approximately HK\$24.7 million, or approximately 28.8% from approximately HK\$85.8 million for the year ended 31 March 2010 to approximately HK\$110.5 million for the year ended 31 March 2011.

The gross profit margin for the year ended 31 March 2010 was approximately 13.5%, whereas the gross profit margin for the year ended 31 March 2011 increased to 15.0%. The slightly improved gross profit margin was brought about by the increase in gross profit margin from approximately 5.1% in 2010 to 6.9% in our segment of property maintenance. With respect to the Government’s term contracts for property maintenance, the winning contractors would be responsible for the maintenance and repairs work in the lands and buildings located within the designated district and area. Work orders would be issued to us specifying the type and amount of maintenance works to be performed throughout the term contract period. Upon the winning of the term contract, a management team would then be established for the coordination of work orders received. The improved gross profit margin was due to more revenue being recognised resulting from the increase in the number of work orders received in 2011, which allowed us to dilute the fixed cost of operating the management team.

Other income

Other income increased by approximately HK\$3.9 million, or approximately 102.6%, from approximately HK\$3.8 million for the year ended 31 March 2010 to approximately HK\$7.7 million for the year ended 31 March 2011. The increase was primarily associated with the reversal of over provision of legal fees paid for legal advice for the recovery proceeding in relation to a construction contract. The litigation fees would be fully reimbursed to us after the conclusion of the recovery proceeding.

Administrative expenses

Administrative expenses increased by approximately HK\$10.4 million, or approximately 30.6%, from approximately HK\$34.0 million for the year ended 31 March 2010 to approximately HK\$44.4 million for the year ended 31 March 2011. This increase was due primarily to the increases in staff cost, rental expenses and transportation & travelling expenses, which were offset by decrease in legal and professional fees.

Our staff cost increased significantly to approximately HK\$32.1 million in 2011 compared to approximately HK\$22.7 million in 2010, due primarily to the increased number of administrative and finance staff we hired to support our business growth in Singapore.

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Our rental expenses increased to approximately HK\$1.6 million in 2011 compared to approximately HK\$1.1 million in 2010, due primarily to the set-up of the second office in Singapore to support our increasing work volume in Singapore.

Our legal and professional fee significantly decreased to approximately HK\$0.7 million in 2011 compared to approximately HK\$4.8 million in 2010 because legal & professional fee was incurred on a recovery proceeding in relation to a construction contract in 2010.

Our transportation & traveling expenses increased by approximately 60.0% from approximately HK\$0.5 million for the year ended 31 March 2010 to approximately HK\$0.8 million for the year ended 31 March 2011 because of the more frequent travels to overseas for business development and to Singapore for the monitoring of our Group’s major fitting-out project performed for an international casino gaming resort located in Singapore.

Fair value (decrease) increase in investment properties

Fair value (decrease) increase was derived from the changes in fair value of our investment properties located in Hong Kong and Singapore. Fair value decrease of approximately HK\$1.3 million was recorded in 2011, as opposed to a fair value increase of approximately HK\$1.5 million in 2010. The opposing trend was due to the depreciation of a parcel of land in Yuen Long (the “*Yuen Long Land*”) which was owned by Wan Chung Construction throughout the Track Record Period.

Impairment loss recognised in respect of available-for-sale investments

Impairment loss of HK\$3.3 million on available-for-sale investments was a result of the decrease in fair value of equity securities listed on the Singapore Stock Exchange, which was determined based on the quoted market bid prices available on the relevant stock exchange.

Impairment loss recognised in respect of trade receivables

No impairment loss was recognised in 2011 because no customers’ repayment ability was called into doubt.

Finance costs

Finance costs decreased by approximately HK\$1.0 million, or approximately 43.5%, from approximately HK\$2.3 million for the year ended 31 March 2010 to approximately HK\$1.3 million for the year ended 31 March 2011. The decrease was mainly attributable to the decrease in the monthly average borrowings balance from approximately HK\$87.7 million for 2010 to approximately HK\$62.1 million for 2011.

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Share of loss of an associate

We acquired 20% of equity interest in Castilia, a property developer in Singapore. We recorded a loss of approximately HK\$0.8 million in share of loss of an associate for the year ended 31 March 2011, representing losses from our equity interest because the property of the associated company was still under development as of 31 March 2011. It is expected that the construction of the property will be completed in 2012.

Taxation

Taxation increased by approximately HK\$4.2 million, or approximately 51.2%, from approximately HK\$8.2 million for the year ended 31 March 2010 to approximately HK\$12.4 million for the year ended 31 March 2011. Such increase was mainly attributable to the significant increase in profit before taxation from approximately HK\$51.0 million for the year ended 31 March 2010 to approximately HK\$67.2 million for the year ended 31 March 2011.

The effective tax rate increased from 16.0% in 2010 to 18.5% in 2011 because of (i) the increase in assessable profits subject to Singapore Income Tax, which was calculated at a higher rate of 17% and (ii) the overall increase in expenses not deductible for tax purposes as a result of the HK\$3.3 million of impairment loss recognized in respect of available-for-sale investments.

Profit for the year

Based on the above factors, profit for the year increased by approximately HK\$11.8 million, or approximately 27.5%, from approximately HK\$42.9 million for the year ended 31 March 2010 to approximately HK\$54.7 million for the year ended 31 March 2011. Net profit margin increased from approximately 6.7% for the year ended 31 March 2010 to approximately 7.5% for the year ended 31 March 2011 as a result of the improved gross profit margin and the increase of other income from the reversal of over provision of litigation fees, offset by the increase in administrative expense and the impairment loss recognized in available-for-sale investments.

Exchange differences arising on translation of foreign operations

Our exchange differences was approximately HK\$8.0 million for the year ended 31 March 2011, representing an increase of approximately HK\$7.2 million from approximately HK\$0.8 million for the same period in 2010. Such significant increase was due to the combined of (i) the appreciating trend of SGD against Hong Kong Dollars and (ii) the growth in our Singapore operations as a result of the two major high-end fitting-out projects.

Dividends

We declared dividends of HK\$105.2 million in aggregate for the year ended 31 March 2011. The dividends were fully paid in March 2011.

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Year ended 31 March 2010 compared to year ended 31 March 2009

Turnover

We recorded an increase of approximately HK\$177.2 million, or approximately 38.6%, in our turnover from approximately HK\$459.5 million for the year ended 31 March 2009 to approximately HK\$636.7 million for the year ended 31 March 2010. The increase was mainly driven by the growth in our businesses in both Hong Kong and Singapore.

Our revenue derived from Hong Kong was HK\$532.4 million for the year ended 31 March 2010, representing an approximate growth of HK\$96.6 million from approximately HK\$435.8 million for the year ended 31 March 2009. The increase was primarily contributed by the construction project of a direct subsidy scheme school in Yuen Long which demonstrated a revenue growth from approximately HK\$23.7 million to HK\$111.7 million because the project commenced in December 2008 and was in full swing during the year ended 31 March 2010.

Similar growth of approximately HK\$104.0 million was recorded in our business in Singapore from approximately HK\$0.3 million for the year ended 31 March 2009 to approximately HK\$104.3 million for the year ended 31 March 2010, which was principally attributable to the fitting-out projects obtained for an international casino gaming resort in Singapore, which contributed approximately HK\$92.1 million to revenue for the year ended 31 March 2010.

The growth in Hong Kong and Singapore was offset by the decrease in revenue by approximately HK\$23.4 million upon the completion of the project in Macau for an international casino gaming resort in 2009. The 2008 financial crisis adversely affected the economic sentiment in Macau. Many casino operators suspended or postponed works on their multi-million-dollar investment projects in times of economic downturn. A major international gaming casino resort group suspended the developments of site no. 5 and no. 6 of the casino and tourism project in the Cotai District of Macau. Thus, only limited new tenders were available in Macau during the year ended 31 March 2010.

Cost of sales

Our cost of sales increased approximately 24.8%, from approximately HK\$441.2 million for the year ended 31 March 2009 to approximately HK\$550.8 million for the year ended 31 March 2010. The increase of approximately HK\$109.6 million chiefly comprises approximately HK\$70.8 million increase in subcontracting fees, approximately HK\$10.0 million increase in consultancy fees and material cost and HK\$20.3 million increase in others expenses of cost of sales.

The increases in subcontracting fees of approximately HK\$70.8 million was contributed by the following projects: (i) the reprovisioning projects in Wo Hop Shek, which was still in a preliminary stage as at 31 March 2009 and (ii) the significant increase in cost of sales in respect of two fitting-out project for an international casino gaming resort in

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Singapore which were in full swing during the year ended 31 March 2010 and, (iii) additional works were outsourced to subcontractors in order to meet the exceptionally tight project schedule.

The increase in material cost is caused by the new fitting-out project for an international casino gaming resort in Singapore while the consultancy fees increased as a result of the professional engineering consultancy services needed for the new crematorium reprovisioning project in Wo Hop Shek and the property maintenance term contracts.

Other expenses include transportation, plant and equipment rental, safety and environmental cost, levelling, management and other miscellaneous expenses. The significant increase in other expenses is mainly driven by our constructions projects: (i) the two school constructions projects that only commenced in 2009 and were in full swing during the year ended 31 March 2010 and (ii) the new crematorium reprovisioning project in Wo Hop Shek. In light of the unique structure of a crematorium, additional expenses were incurred in the overall planning and the management of the project.

Gross profit and gross profit margin

Gross profit increased by approximately HK\$67.5 million, or approximately 368.9% from approximately HK\$18.3 million for the year ended 31 March 2009 to approximately HK\$85.8 million for the year ended 31 March 2010.

Overall gross profit margin for the year ended 31 March 2010 was approximately 13.5%, compared with approximately 4.0% for the year ended 31 March 2009. The significant increase was contributed by our building construction business and alteration, renovation, upgrading and fitting-out works business.

Gross profit margin for our business of building construction increased significantly from approximately 0.9% in 2009 to approximately 9.6% in 2010. The particularly low gross profit margin in 2009 was primarily due to the fact that the project cost for a school construction project was exceptionally high in the first half of 2008. Prior to the global financial crisis in 2008, construction activity and demand for materials were at a peak during the blooming economy. As a result, steel prices, reinforcing metals prices and many other construction material prices were driven to a climax in the first half of 2008.

Gross profit margin for our business of alteration, renovation, upgrading and fitting-out works rocketed from approximately 8.1% in 2009 to approximately 37.2% in 2010, which was largely contributed by our fitting-out projects in Singapore. Leveraging our track record of outstanding fitting-out works performed for the casino projects in Macau, we managed to win the tenders of two significant luxurious and high-end casino fitting-out projects in Singapore. In general, these contracts required us to complete the contract work under tight project schedule. We were therefore in a better position to bargain for higher prices, which in turn enhanced our profitability for such contracts.

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Other income

Other income remained stable with slight increase, from approximately HK\$3.7 million for the year ended 31 March 2009 to approximately HK\$3.8 million for the year ended 31 March 2010.

Administrative expenses

Administrative expenses for the year ended 31 March 2010 was approximately HK\$34.0 million, an 109.9% increase from approximately HK\$16.2 million for the year ended 31 March 2009. This increase was due primarily to the increases in (i) staff cost; (ii) legal and professional fees; and (iii) rental expense.

Our staff cost increased drastically to approximately HK\$22.7 million in 2010 compared to approximately HK\$10.5 million in 2009, due primarily to the significant amount of staff cost incurred as we expand our business into Singapore. Since we became the Grade A2 contractor in 2010, more administrative staff is hired in both Hong Kong and Singapore to help facilitate the tendering procedures and the preparation of project works as we penetrated into the Singapore market.

Our legal and professional fees increased to approximately HK\$4.8 million in 2010 compared to approximately HK\$0.8 million in 2009, due primarily to the legal fees paid for the legal advice on the recovery proceeding in relation to a construction contract, which was subsequently reversed in 2011 as the amount would be fully reimbursed to us after the conclusion of the recovery proceeding.

Our rental expenses increased to approximately HK\$1.1 million in 2010 compared to approximately HK\$0.6 million in 2009 because of the new office we set up in late 2009 in step with our expansion into the Singapore market. As a result, the rental expense include the full-year impact of the Singapore office.

Fair value (decrease) increase in investment properties

Fair value (decrease) increase was derived from the changes in fair value of our investment properties located in Hong Kong. Fair value decrease contributed by Yuen Long Land of approximately HK\$0.3 million was recorded in 2009 while the Yuen Long Land recorded a fair value increase of approximately HK\$1.5 million in 2010.

Impairment loss recognised in respect of available-for-sale investments

No impairment loss was recorded in both years because no available-for-sale investments were held by our Group for the two years ended 31 March 2010.

Impairment loss recognized in respect of trade receivables

Impairment loss represents provision for doubtful debt of approximately HK\$3.8 million considering the fact that one of our customers in Macau was in financial difficulties with significant net liability.

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Finance costs

Finance costs decreased slightly by approximately HK\$0.5 million, or approximately 17.9%, from approximately HK\$2.8 million for the year ended 31 March 2009 to approximately HK\$2.3 million for the year ended 31 March 2010.

Share of loss of an associate

We acquired 20% of equity interest in March 2010. During the two years ended 31 March 2010, no share of results was recorded.

Taxation

Taxation increased by approximately HK\$7.8 million, or approximately 1,950%, from approximately HK\$0.4 million for the year ended 31 March 2009 to approximately HK\$8.2 million for the year ended 31 March 2010. This is largely due to the significant increase in profit before taxation from approximately HK\$2.6 million in 2009 to approximately HK\$51.0 million in 2010. The effective tax rates remained steady at 15.7% in 2009 and 16.0% in 2010.

Profit for the year

Based on the above factors, profit for the year increased significantly by approximately HK\$40.7 million, or approximately 1,850%, from approximately HK\$2.2 million for the year ended 31 March 2009 to approximately HK\$42.9 million for the year ended 31 March 2010. Net profit margin increased from approximately 0.5% for the year ended 31 March 2009 to approximately 6.7% for the year ended 31 March 2010 as a result of the improved gross profit margin, offset by the increase in administrative expense and the impairment loss recognized in respect of trade receivables.

Exchange differences arising on translation of foreign operations

Our exchange differences was approximately HK\$0.8 million for the year ended 31 March 2010, representing an increase of approximately HK\$0.8 million from approximately HK\$0.006 million for the same period in 2009. Such significant increase was due to the combined of (i) the appreciating trend of SGD against Hong Kong Dollars and (ii) the growth in our Singapore operations after securing two major high-end fitting-out projects for an international casino gaming resort.

Dividends

No dividends were declared during the two years ended 31 March 2010.

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LIQUIDITY AND CAPITAL RESOURCES

Cash flows

Our Group has financed our operations and growth mainly through a combination of cash from operations and external borrowings and we applied our cash mainly to finance our operations and to repay our borrowings. The liquidity position is monitored centrally by our Group’s finance department in Hong Kong. We manage our cash flow primarily by closely monitoring the maturities of our assets and liabilities in an effort to ensure that we have sufficient funds to meet obligations as they become due. The main instruments for monitoring our liquidity are the daily cash movement reports for each company and the bi-weekly consolidated cash flow report, which is based on a one-month actual and two-month rolling cash forecast for our Group including each operating unit’s expected future cash flows and funding needs.

Specific considerations in determining our appropriate cash position include our forecast for working capital, capital expenditure needs and our liquidity ratios. We also aim to maintain a certain level of excess cash to meet unexpected circumstances. However, in the event of unexpected cash flow mismatches brought about by the timing differences between the receipts from customers and the payments to subcontractors, we have maintained several credit facilities from various banks, which we are able to draw upon to satisfy any needs of funds. During the Track Record Period, we have total credit facilities of HK\$157.0 million, HK\$176.0 million, HK\$189.7 million and HK\$189.4 million for the years ended 31 March 2009, 2010 and 2011 and the three months ended 30 June 2011 respectively, among which HK\$55.6 million, HK\$108.0 million, HK\$91.9 million and HK\$113.5 million remained unutilised. We have historically met our capital expenditures, working capital and other liquidity requirements principally from cash generated from our operations, bank borrowings and capital contributions from shareholders. Our Directors confirm that we did not experience any liquidity problems during the three years and the three months ended 30 June 2011.

As at 30 June 2011, save as disclosed in the section headed “Future plan” in this document, our Directors are not aware of any material change to the sources of cash of our Group and the use of cash by our Group.

Prior to the [●], we funded our operations principally from the revenue derived from contract work and through bank borrowings. Our principal liquidity and capital requirements were mainly related to the following:

- payment of dividends to their then shareholders;
- costs and expenses related to the operation of our business and procurement of materials; and
- capital expenditures for the purchase of equipment and investment properties.

After the [●], we expect to meet our liquidity needs from cash generated from our operations, and debt and equity financings, including [●].

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The following table is a condensed summary of our combined cash flow statements for the periods indicated:

	For the year ended 31 March			For the three months ended 30 June	
	2009	2010	2011	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Net cash generated from (used in) operating activities	(3,772)	83,495	29,901	27,039	16,640
Net cash generated from (used in) investing activities	19,035	(33,896)	20,190	(19,300)	21,623
Net cash generated from (used in) financing activities	(8,014)	(38,264)	(36,555)	6,119	(66,303)
Cash and cash equivalents as at the beginning of the financial year	32,410	39,673	51,092	51,092	64,849
Cash and cash equivalents as at the end of the financial year	39,673	51,092	64,849	65,201	36,832

Net cash generated from (used in) operating activities

Net cash generated from (used in) operating activities primarily consists of profit before taxation mainly adjusted for finance costs, fair value decrease (increase) of investment properties, depreciation of property, plant and equipment, gain on disposal of property, plant and equipment and the effect of changes in working capital.

Our Group derives its cash inflow from operating activities principally from the receipt of payments from contract work. Our Group’s cash outflow from operations mainly includes purchases of raw materials, as well as for staff costs and payment of subcontracting fees.

For the year ended 31 March 2009, we recorded net cash outflow from operating activities of approximately HK\$3.8 million, primarily as a result of (i) approximately HK\$3.8 million operating cash inflows before movements in working capital and (ii) increase in trade and other receivables of approximately HK\$25.9 million because of the new projects secured during the year ended 31 March 2009 including the maintenance projects of slopes for the Government and the several fitting-out projects for markets and shopping centres, (iii) the decrease in amounts due from customers for contract work of approximately HK\$8.0 million as a result of timing difference in billing. Such increase was further offset by (iv) the increase in trade and other payables of approximately HK\$7.6 million to our subcontractors in the new projects secured in Hong Kong during the year ended 31 March 2009.

For the year ended 31 March 2010, we recorded net cash inflows from operating activities of approximately HK\$83.5 million, primarily as a result of (i) approximately HK\$54.2 million operating cash inflows before movements in working capital, (ii) increase

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in amounts due to customer for contract work of approximately HK\$46.6 million as a result of timing differences in billing and coupled with (iii) the increase in trade and other payables of approximately HK\$41.6 million after the commencement of our new reprovisioning project for the Crematorium at Wo Hop Shek in July 2009. These inflows were partially offset by the increase in trade and other receivables of approximately HK\$59.8 million driven by the increase in unbilled revenue from the two major property maintenance term contracts.

For the three months ended 30 June 2010, we recorded net cash inflows from operating activities of approximately HK\$27.0 million, primarily as a result of (i) approximately HK\$37.2 million operating cash inflows before movements in working capital and (ii) decrease in amounts due from customers for contract work of HK\$11.1 million as a result of timing difference in billing; and (iii) increase in trade and other payables of approximately HK\$5.0 million. Such inflows were offset by the combined effects of (iv) increase in trade and other receivables of approximately HK\$22.8 million in response to the revenue growth; and (v) the decrease in amounts due to customers for contract work of HK\$3.2 million.

For the year ended 31 March 2011, we recorded net cash inflows from operating activities of approximately HK\$29.9 million, primarily as a result of (i) approximately HK\$68.2 million operating cash inflows before movements in working capital and (ii) the decrease in trade and other receivables of approximately HK\$40.1 million when two major property maintenance term contracts were substantially completed in March 2010 and May 2010 respectively and subsequently settled before 31 March 2011. These inflows were partially offset by (i) the increase in amounts due from customers for contract work of approximately HK\$11.8 million because the final billing of two completed school constructions projects was not yet finalized and made to customers as of 31 March 2011, (ii) the decrease in amounts due to customers for contract work of approximately HK\$32.0 million as a result of timing differences in billing; and (iii) the decrease in trade and other payables of HK\$29.9 million as the two school construction projects were completed in May and August 2010 respectively.

For the three months ended 30 June 2011, we recorded net cash inflows from operating activities of approximately HK\$16.6 million, primarily as a result of (i) approximately HK\$20.4 million operating cash inflows before movements in working capital and (ii) decrease in trade and other receivables of HK\$20.0 million in response to the decreased revenue upon the completion of several construction and property maintenance projects. Such cash inflow was offset by the combined effects of (iii) decrease in trade and other payables of HK\$15.3 million because less subcontracting fee was incurred; and (iv) the decrease of approximately HK\$8.5 million in amounts due to customers for contract works as a result of timing difference in billing.

Net cash (used in) generated from investing activities

Net cash generated from investing activities for the year ended 31 March 2009 amounted to approximately HK\$19.0 million, which was primarily attributable to the decrease in pledged bank deposits of approximately HK\$14.7 million.

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Net cash used in investing activities for the year ended 31 March 2010 amounted to approximately HK\$33.9 million, which was primarily attributable to the advance made to a director of approximately HK\$24.7 million, the advance made to an associate of approximately HK\$5.9 million and the purchase of property, plant and equipment of approximately HK\$1.5 million.

Net cash used in investing activities for the three months ended 30 June 2010 amounted to approximately HK\$19.3 million, which is primarily attributable to the advance made to a director of HK\$19.7 million.

Net cash generated from investing activities for the year ended 31 March 2011 amounted to approximately HK\$20.2 million, which was primarily attributable to the purchase of available-for-sale investments of approximately HK\$12.3 million, purchase of investment property of approximately HK\$18.0 million, netting off by the repayment of HK\$42.6 million from a director and the decrease in pledged bank deposits of approximately HK\$9.6 million.

Net cash from investing activities for the three months ended 30 June 2011 amounted to approximately HK\$21.6 million, which was mainly the combined effect of settlement from the assignment of loan of HK\$19.4 million, proceeds from disposal of property, plant and equipment of HK\$4.2 million and advance to a director of approximately HK\$1.6 million.

Net cash used in financing activities

Net cash used in financing activities for the year ended 31 March 2009 amounted to approximately HK\$8.0 million, which was mainly the combined effect of new bank borrowings raised of approximately HK\$964.0 million, repayment of bank borrowings of HK\$969.0 million and interest payment of HK\$2.8 million.

Net cash used in financing activities for the year ended 31 March 2010 amounted to approximately HK\$38.3 million, which was mainly the combined effect of new bank borrowings raised of approximately HK\$816.9 million, repayment of bank borrowings of approximately HK\$852.6 million, and an interest payment of approximately HK\$2.3 million.

Net cash generated from financing activities for the three months ended 30 June 2010 amounted to approximately HK\$6.1 million, which was mainly the combined of the new secured bank borrowings raised of approximately HK\$156.0 million and the repayment of secured bank borrowings of approximately HK\$149.5 million.

Net cash used in financing activities for the year ended 31 March 2011 amounted to HK\$36.6 million, which was mainly the combined effect of dividend payment of HK\$105.2 million, new bank borrowings raised of approximately HK\$720.0 million, advance of approximately HK\$40.7 million from a director and repayment of bank borrowings of approximately HK\$690.6 million.

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Net cash used in financing activities for the three months ended 30 June 2011 amounted to approximately HK\$66.3 million, which was mainly the combined effect of new bank borrowings raised of HK\$168.7 million, repayment to a director of HK\$40.7 million and repayment of secured bank borrowings of HK\$194.0 million.

MAJOR FINANCIAL RATIOS

	For the year ended 31 March			For the three months
	2009	2010	2011	ended 30 June 2011
Gearing ratio ⁽¹⁾	26.7%	11.9%	20.1%	16.0%
Current ratio ⁽²⁾	1.3	1.4	1.1	1.4
Return on equity ⁽³⁾	2.6%	39.6%	50.2%	98.6%

Notes:

1. The gearing ratio is calculated by dividing total borrowings with total assets as at the end of respective periods multiplied by 100%.
2. The current ratio is calculated by dividing current assets with current liabilities as at the end of the respective periods.
3. Return on equity equals the profit for each period (or annualised profit based on profit for the period) divided by the average balance of total equity as at the end of the respective periods.

Gearing ratio

Gearing ratio decreased from approximately 26.7% for the year ended 31 March 2009 to approximately 11.9% for the year ended 31 March 2010 because of the increase in total assets from approximately HK\$320.9 million in 2009 to HK\$421.2 million in 2010 as a result of the completion of a property maintenance project, which gave rise to a particularly large unbilled revenue of approximately HK\$102.4 million as at the 31 March 2010 as opposed to approximately HK\$54.7 million as at 31 March 2009.

The ratio increased to approximately 20.1% in the following year ended 31 March 2011 when an additional secured bank borrowings was obtained to finance project operations.

The ratio decreased to approximately 16.0% as at 30 June 2011 because of the reduced secured bank borrowings due to repayment made to banks.

Current ratio

Current ratio was maintained at a steady level above 1 throughout the Track Record Period. This is due to the success of our Group’s regular cash flow and treasury management to ensure the liquidity and the current ratio of our Group are maintained at a healthy level.

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Return on equity

Return on equity increased from approximately 2.6% for the year ended 31 March 2009 to 39.6% for the year ended 31 March 2010 because of the significantly higher net profit of approximately HK\$42.9 million for the year ended 31 March 2010 when compared with approximately HK\$2.2 million only for the year ended 31 March 2009 as a result of (i) the substantial profit contribution from fitting-out projects in Singapore and (ii) the increase in revenue recognised resulting from more work orders received from property maintenance projects which diluted the fixed cost of overhead incurred for the projects and thereby enhancing the gross profit. Return on equity further increased to approximately 50.2% for the year ended 31 March 2011 when the total equity was reduced from approximately HK\$130.2 million as of 31 March 2010 to approximately HK\$ 87.8 million as of 31 March 2011 after the dividend payment of approximately HK\$105.2 million in March 2011.

Our return on equity for the three months ended 30 June 2011 jumped to approximately 98.6%, which was mainly affected by the total settlement of approximately HK\$18.1 million from the legal proceeding in relation to a building construction project. However, our Directors consider that such settlement would be a one-off, non-recurring receipt, which should be excluded for a more appropriate calculation. Ignoring the effect of the settlement, our return on equity would be significantly reduced.

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the financial resources presently available to us, including the existing available banking facilities and other internal resources, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months commencing from the date of this document.

We strive to effectively manage our cash flow and capital commitments and to ensure that it has sufficient funds to meet its existing and future cash requirements. In addition to cash generated from our operations, we also seek bank borrowings to fund our working capital cash requirement. We have maintained long-term relationships with various commercial banks in Hong Kong, Macau and Singapore and it is believed that the existing short-term bank loans will be accepted for renewal upon their maturity, if necessary. Since the beginning of the global financial tsunami, we have neither encountered major difficulties in securing and/or renewing bank borrowings, nor being charged an exceptionally high interest rate on the bank borrowings. In addition, the credit facilities currently available to our Group would not be tightened nor cancelled as a result of the any unfavourable financial results of our Group, in accordance with terms and conditions of the relevant bank loan agreements.

We expect to finance our operations through a combination of operating cash inflows, [●] and/or bank borrowings.

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OFF-BALANCE SHEET TRANSACTIONS

As at the Latest Practicable Date, we did not enter into any material off-balance sheet transactions.

ASSOCIATE

Our Group acquired 20% equity interest in Castilia in March 2010, a company incorporated in Singapore. As such, our Group is able to exert significant influence over the associated company since then. Castilia is a private limited company incorporated in Singapore on 12 December 2007. As at the Latest Practicable Date, the principal activities of Castilia are that of property development and investments and real estate activities with own or leased property. Castilia held a parcel of land in Singapore with a site area of approximately 16,600 square feet which was intended to be developed into residential apartments. Our Directors considered that the development project of Castilia had good prospect and investing in Castilia would bring income to our Group upon completion of the development project of Castilia. As confirmed by our Directors, part of the residential apartments was already sold as at the Latest Practicable Date.

PROPERTY, PLANT AND EQUIPMENT

Our Group had steady level of property, plant and equipment at approximately HK\$13.1 million, HK\$13.4 million and HK\$13.5 million as at 31 March 2009, 2010 and 2011. However, our Group’s property, plant and equipment decreased to HK\$11.0 million as at 30 June 2011 chiefly as a result of the approximately HK\$2.7 million disposal in land and buildings.

INVESTMENT PROPERTIES

Our Group had investment properties of approximately HK\$7.5 million and HK\$9.0 million as at 31 March 2009, 2010 respectively, representing a land located in Hong Kong. The land was originally acquired by our Group for storage purpose. Investment property increased to approximately HK\$26.7 million as at 31 March 2011 upon the purchase of property located in Singapore. Our then directors of Wan Chung (Singapore) considered that the property market in Singapore had good prospect and therefore intended to acquire a property in Singapore to earn rental income. As such, our Directors confirm that we have not engaged in any speculative activities during the Track Record Period. However, considering that the (i) the land located in Hong Kong cannot be used for storage purpose; (ii) Wan Chung Investments being the company holding the property in Singapore is not engaged in other business and thus is not in line with our Group’s principal activities; and (iii) the need to improve our cash flow in anticipation of more construction projects undertaken by our Group, our management disposed all of the investment properties prior to the [●]. Therefore, investment properties classified as non-current assets was reduced to nil as at 30 June 2011 because of (i) the disposal of the entire interest in Wan Chung Investments on 3 June 2011 through which the investment property in Singapore was held; and (ii) the reclassification of the remaining investment property located in Hong Kong to investment property held for sale. On 30 May 2011, Wan Chung Construction entered into a memorandum of sale and purchase agreement with a related company, One Two Holdings

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Hong Kong Limited (“One Two Holdings HK”), pursuant to which Wan Chung Construction agreed to sell and One Two Holdings HK agreed to purchase an investment property at cash consideration of HK\$8.2 million which was determined with reference to market value. The transaction was completed on 25 July 2011. The fair value of the investment property held for sale at 30 June 2011 has been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited, an independent qualified professional valuer. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same location and conditions.

AVAILABLE-FOR-SALE INVESTMENTS

During the Track Record Period, our Group had available-for-sale investments of approximately HK\$9.5 million for the year ended 31 March 2011 and HK\$11.6 million for the three months ended 30 June 2011, which comprise primarily investment in the listed shares of a listed company in Singapore, HLH Group Limited. As at the Latest Practicable Date, our Group holds 59,600,000 shares of HLH Group Limited, representing approximately 2.11% of the issued share capital of HLH Group Limited. Investment decision of any amount would require approval of at least two executive Directors. Our Directors understand that HLH Group Limited and its subsidiaries are principally engaged in investment and development of commercial, residential and industrial properties and building construction in various countries including the Southeast Asia region. Our Directors considered that acquiring shares in HLH Group Limited and investing in Castilia (a property development company in Singapore as to 20% owned by the Group and 80% owned by HLH Group Limited) would help the Group’s expansion in Southeast Asia by leveraging the experience of HLH Group Limited in the construction business. The Group intends to hold such shares for long term investment purpose. As such, our Directors confirm that we have not engaged into any speculative activities during the Track Record Period.

As at the Latest Practicable Date, our Group had available-for-sale investments of approximately HK\$5.3 million, representing a HK\$6.3 million decline in fair value when compared with that as at 30 June 2011. Any changes in fair value of such financial assets would be recognised in other comprehensive income and accumulated in revaluation reserve, until such financial assets are disposed of or are determined to be impaired. At the end of each reporting period, such financial assets are assessed for impairment. When the fair value declines, management makes assumption about the decline in value to determine whether there is an impairment that should be recognised. When there is objective evidence that the investment is impaired, impairment loss is recognised in the combined statements of comprehensive income. The carrying amount of our available-for-sale investments at the statement of financial position would then be reduced by any impairment loss directly. Therefore, if the aforementioned decline persists until the end of the reporting period ending 31 March 2012, management would accordingly recognise an impairment loss in respect of such available-for-sale investments in the end of the reporting period ending 31 March 2012.

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NET CURRENT ASSETS AND INDEBTEDNESS

Net current assets as at 30 June 2011

The Group recorded net current assets of approximately HK\$67.8 million, HK\$108.1 million, HK\$38.9 million, HK\$93.9 million and HK\$99.1 million as at 31 March 2009, 2010, 2011, 30 June 2011 and 31 October 2011 respectively. The following table sets out the composition of our current assets and liabilities as at 31 March 2009, 2010, 2011, 30 June 2011 and 31 October 2011.

	As at 31 March			As at 30 June 2011	As at 31 October 2011
	2009	2010	2011	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
Current assets					
Trade and other receivables	189,430	246,899	219,642	207,694	239,486
Amounts due from customers for contract work	3,915	356	12,227	12,584	26,472
Amount due from a director	17,919	42,625	—	1,591	2,520
Other current assets	1	6,716	8,150	8,344	8,146
Pledged bank deposits	49,386	49,439	39,852	39,878	42,363
Bank balances and cash	39,673	51,683	64,849	36,832	23,391
Investment property held for sale	—	—	—	8,200	—
	<u>300,324</u>	<u>397,718</u>	<u>344,720</u>	<u>315,123</u>	<u>342,378</u>
Current liabilities					
Trade and other payables	140,994	180,463	149,231	133,926	148,011
Amounts due to customers for contract work	3,405	50,419	20,621	12,472	20,621
Amount due to a director	—	—	40,658	—	—
Secured bank borrowings	85,799	50,114	79,459	54,227	61,627
Tax payable	488	6,449	14,391	19,224	13,057
Other current liabilities	<u>1,820</u>	<u>2,175</u>	<u>1,476</u>	<u>1,414</u>	<u>—</u>
	232,506	289,620	305,836	221,263	243,316
Net current assets	<u><u>67,818</u></u>	<u><u>108,098</u></u>	<u><u>38,884</u></u>	<u><u>93,860</u></u>	<u><u>99,062</u></u>

Our net current assets increased by approximately HK\$5.2 million during the four months ended 31 October 2011 and the increase was mainly attributable to (i) the increase in trade and other receivables of HK\$31.8 million; (ii) the increase in amounts due from customers for contract work of HK\$13.9 million; (iii) the increase in trade and other payables of HK\$14.1 million; and (iv) the decrease in bank balances of HK\$13.4 million.

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Trade receivables and other receivables

Our trade and other receivables are primarily represented by trade receivables from customers, unbilled revenue, retention money receivables and advances, utility deposits and other receivables deposits. The following table sets out a summary of our trade and other receivables as of the dates presented:

	As at 31 March			As at
	2009	2010	2011	30 June
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Trade receivables	94,709	109,182	116,149	70,350
Unbilled revenue	54,721	102,400	55,403	69,373
Retention money receivables	11,954	15,077	18,082	19,343
Advances, utility deposits and other receivables	28,046	20,240	30,008	48,628
	189,430	246,899	219,642	207,694

Trade receivables

Our turnovers are generated through building construction contracts, property maintenance contracts and alteration, renovation, upgrading, and fitting-out contracts. Settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. The credit period of individual customer is considered on a case-by-case basis and set out in the relevant contracts, as appropriate. In general, an examination, which normally takes around 21 to 31 days, would be carried out. After that, it takes normally a few days to process the examination results before a payment certificate is issued by the architects. Normally, payments would be paid within 21 days from the date of issue of the payment certificate for the Government projects while it takes around a month for private sector projects.

We receive payments from our customers in the form of upfront payment, progress payment and the return of retention money. Our customers may pay an upfront payment of 10% to 20% of the total contract sum to us at the commencement of the fitting-out projects. It is a common practice in the industry that customers hold up a portion of progress payments as retention money. The retention money is normally 1% of the total contract sum for contracts with government and institutional bodies. As for contracts with private sectors customers, the retention money required ranges from 5% to 10% of the total contract sum of the projects. The remaining balance after the upfront payment and the retention money will mainly be in the form of progress payment to be billed periodically according to the stage of completion of the projects.

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The following table sets out for the periods presented the turnover of our average trade receivable:

	For the year ended 31 March			For the three months ended
	2009	2010	2011	30 June 2011
Trade receivable turnover (days) ⁽¹⁾	70.9	58.5	56.0	69.7

Note:

1. The trade receivable turnover is calculated based on the average of the beginning and ending balance of trade receivables, net of provision on impairment, for the year divided by revenue during the year and multiplied by 365 days for the years ended 31 March 2009, 2010 and 2011 and 91 days for the three months ended 30 June 2011.

Trade receivable turnover decreased significantly from 70.9 days for the year ended 31 March 2009 to 58.5 days for the year ended 31 March 2010 largely because of delayed and late payment by our private customers during the year ended 31 March 2009 as a result of the credit crunch in late 2008. As the economy started to recover in mid-2009, our trade receivable turnover days demonstrated significant improvement to approximately 58.5 days in 2010 and 56.0 days in 2011, primarily attributable to the Government’s attempt in speeding up both the examination and the payment process with an aim to reduce financial burden of enterprises in times of economic downturn.

Trade receivable turnover days remain stable and decreased only slightly to 56.0 days as a result of escalated efforts to strengthen our credit control by chasing our customers particularly in private sector for timely settlement.

Trade receivable turnover days increased to 69.7 days for the three months ended 30 June 2011 as a result of lower revenue recorded in the three months ended 30 June 2011 when several major projects were completed during late 2010 to early 2011 while the new projects would start significantly contributing revenue only in the second half of the year.

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The following is an aged analysis of trade receivables at each reporting dates:

	As at 31 March			As at 30 June
	2009	2010	2011	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	85,274	105,797	115,100	69,826
More than 30 days and within 90 days	3,803	1,964	—	268
More than 90 days	<u>5,632</u>	<u>1,421</u>	<u>1,049</u>	<u>256</u>
	<u><u>94,709</u></u>	<u><u>109,182</u></u>	<u><u>116,149</u></u>	<u><u>70,350</u></u>

Over 90% of our trade receivables are aged within 30 days at all four balance sheet dates, reflecting a healthy trade receivable aging analysis of our Group. Our directors confirm that trade receivables aged over 90 days during the Track Record Period was not due to disputes with relevant customers. Up to 22 November 2011, trade receivables of approximately HK\$54.6 million, which represented approximately 77.6% of the said trade receivables, has been subsequently settled.

Unbilled revenue

Unbilled revenue is mainly resulted from property maintenance contracts for services provided but not yet completely certified by customers. Major customers of these property maintenance projects are government and institutional bodies. Each property maintenance project is normally made up of a large amount of maintenance and repairs works orders on different properties of the customer within a certain period, which normally lasts for two to four years. Given the amount of works orders involved, sufficient amount of time is needed for the customer to undertake detailed assessment of all completed works orders before finalisation of a property maintenance contract. Between the completion of our service provision and the finalisation of the contract, property maintenance income is recognized based on management’s estimation of the value of each works order. In general, the sum of money we receive within 21 days after completion of the works order for a project varies from contract to contract. Such sum is in the range of approximately 75% to 85% of the works order amount. A sum of 5% to 10% of the works order amount will then be paid within 21 days after submission of detailed information to customers for finalisation of the accounts of the works order for the relevant project. During the assessment process, tentative offers would be issued to us until a consensus is reached between all parties. A final offer would then mark the end of the assessment process. The remaining balance will be paid within 21 days after the accounts are finalised. Unbilled revenue increased from approximately HK\$54.7 million as at 31 March 2009 to approximately HK\$102.4 million as at 31 March 2010 and then decreased to approximately HK\$55.4 million as at 31 March 2011, which was completely in line with the trend for revenue generated from property maintenance during the Track Record Period. However, unbilled revenue rose to HK\$69.4

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million as at 30 June 2011, which was mainly contributed by the new works orders completed for the property maintenance term contract in progress during the three months ended 30 June 2010.

As at 22 November 2011, approximately HK\$50.7 million, HK\$90.5 million, HK\$38.4 million and HK\$38.2 million, representing 92.7%, 88.4%, 69.3% and 55.1% of the unbilled revenue as at 31 March 2009, 2010 and 2011 and 30 June 2011 respectively, have been actually billed to the customers and with payments received.

The unbilled revenue as at 31 March 2011 comprised mainly four property maintenance term contracts, together they represent a total of approximately HK\$54.9 million. Three of the projects were completed in March 2010, May 2010 and March 2011 respectively but remained unbilled and unsettled as at 22 November 2011 because the assessment process would normally take around two to three years for all parties to arrive at the finalised amount. The other project was still in progress as at the Latest Practicable Date.

The unbilled revenue as at 30 June 2011 comprised mainly two property maintenance term contracts, together they represent a total of approximately HK\$61.2 million. One of the projects was completed in May 2010 but remained unbilled and unsettled as at 22 November 2011 because the assessment process would normally take around two years for all parties to arrive at the finalized amount. The latter project was still in progress as of the Latest Practicable Date.

A small portion of unbilled revenue as at 31 March 2009 and 2010 remained unbilled and unsettled as of the Latest Practicable Date. This is due to the combined effect of the followings: (i) the delay in the submission of detailed information to customers for finalization of accounts because additional amount of time was taken to obtain consent from end-users of the property for us to re-access the project site after the completion of works for measurement taking; and (ii) extended assessment process by the customers considering the significant number of work orders involved. In each of the maintenance contract, a large amount of work orders of varying values were involved because the main contractor is responsible for the maintenance works of all relevant building/areas within the designated area on the maintenance contract. As a result, the assessment processes of some work orders would normally take around two to three years to complete.

The unsettled unbilled revenue as at 31 March 2009, 2010, 2011 and 30 June 2011 were in relations to property maintenance projects for two of our top five customers, with whom we have been maintaining sound and enduring relationship during the Track Record Period, and expected to be maintained in the upcoming contacts. Our Directors confirmed that the extended process was not caused by any disputes or conflicts between us and the customers in relation to the work orders involved. As such, the Company advises no major discrepancy between the finalised amount and the estimates of the management in relation to property maintenance projects.

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Retention money receivables

	As at 31 March			As at
	2009	2010	2011	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2011
				<i>HK\$'000</i>
Retention money receivables which:				
— will be recovered within twelve months	7,108	11,316	13,936	14,392
— will be recovered more than twelve months after the reporting date	<u>4,846</u>	<u>3,761</u>	<u>4,146</u>	<u>4,951</u>
	<u><u>11,954</u></u>	<u><u>15,077</u></u>	<u><u>18,082</u></u>	<u><u>19,343</u></u>

Retention money receivables are recognised immediately when the customers hold up a portion of each progress payments since payment of the first progress payment rather than at the time when the certificate of completion is issued. Generally, half of the retention receivable would be released to us upon completion of the project while the remaining is released to us upon expiry of the defect liability period subject to customers’ satisfaction of works.

As at 30 June 2011, retention money receivables, which would be recovered within 12 months, amounted to be approximately HK\$14.4 million. Up to 22 November 2011, retention money receivable in the amount of approximately HK\$0.6 million, which represented approximately 4.2% of the said retention money receivables of HK\$14.4 million has been subsequently settled, leaving an amount of HK\$13.8 million remained outstanding. For the retention money receivables which will be recovered more than twelve months in the sum of approximately HK\$5.0 million as at 30 June 2011, our Directors confirmed that such outstanding amount is related to projects which are in progress or under the defect liability period and hence is not overdue.

Advances, utility deposits and other receivables

Advances, utility deposits and other receivables mainly consist of (i) advances made to sub-contractors, (ii) utility deposits and (iii) prepaid expenses. The advances made to sub-contractors were interest-bearing at an average of 9% in the range of 7% and 12% for the three years ended 31 March 2009, 2010 and 2011 and the three months ended 30 June 2011. In situations where subcontractors do not have sufficient funds to recruit additional workers or acquire the materials necessary to carry out their works, our Group may make advances to the subcontractors for such purposes to ensure smooth operation of the project. Interest-bearing advances would only be made upon assessment of the completion progress of the project and the performance of the sub-contractors.

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Our Directors have confirmed that during the Track Record Period, (i) the advances to subcontractors have only been made where subcontractors did not have sufficient funds to recruit additional workers or acquire the materials necessary to carry out their works and for the purpose of ensuring smooth operation of the project; (ii) interest-bearing advances have only been made upon assessment of the completion progress of the project and the performance of the subcontractors; and (iii) the effective interest rates of the advances to subcontractors were in the range of 7% and 12%. Based on the above, our legal advisers as to Hong Kong laws has confirmed that such interest-bearing advances to subcontractors of our Group during the Track Record Period did not violate the laws of Hong Kong.

Amounts due from customers for contract work

Amounts due from customers for contract work represent the surplus derived when the contract costs incurred to date plus recognized profits less recognized losses exceed progress billings. The significant increase from approximately HK\$0.4 million as at 31 March 2010 to HK\$12.2 million as at 31 March 2011 was mainly contributed by approximately HK\$8.5 million from a government school construction project in Tin Shui Wai and approximately HK\$2.5 million from a government school construction project in Yuen Long. The projects were completed in May and August 2010 respectively and the final billing was not yet made to customers as of 31 March 2011. Considering that sufficient amount of time is needed not only for our customer to undertake detailed assessment on the properties, but also for all parties to reach a consensus on the final account, it is normal that the finalisation process would take around two years to complete. As at 30 June 2011, there projects were not yet finalised. As such, amounts due from customers for contract work remained stable at HK\$12.6 million for the three months ended 30 June 2011. The final accounts of these two projects are expected to be completed by no later than January 2012.

Amount due from a director

The amount due from our director, Mr. Wong Law Fai, was unsecured, interest-free and repayable on demand. The amount due from a director were approximately HK\$17.9 million at 31 March 2009, approximately HK\$42.6 million at 31 March 2010, approximately HK\$nil at 31 March 2011 and HK\$1.6 million at 30 June 2011. The amount due from a director was fully settled prior to the [●].

Pledged bank deposits and bank balances and cash

Our pledged bank deposits primarily represent cash pledged as collateral to secure banking facilities for our Group. Our pledged deposits were approximately HK\$49.4 million at 31 March 2009 and 2010, HK\$39.9 million at 31 March 2011 and 30 June 2011. Included in the pledged bank deposits, approximately HK\$16.1 million in both 2009 and 2010, and approximately HK\$6.5 million as at 31 March 2011 and 30 June 2011 in 2011 were denominated in USD while the remaining are denominated in our Group’s functional currency. Cash and bank balances comprise cash held by our Group and short-term bank deposits with maturity within three months from initial inception.

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Trade payable

Our trade and other payables comprise mainly trade payables, retention money payables and other payables. The following table sets out a summary of our trade and other payables as of the dates presented:

	As at 31 March			As at 30 June
	2009	2010	2011	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	130,697	163,278	129,408	111,257
Retention money payables	8,433	11,532	16,226	17,508
Other payables	<u>1,864</u>	<u>5,653</u>	<u>3,597</u>	<u>5,161</u>
	<u><u>140,994</u></u>	<u><u>180,463</u></u>	<u><u>149,231</u></u>	<u><u>133,926</u></u>

Our trade payables are mainly related to subcontracting fee. Settlement is normally made in accordance with the terms specified in the contracts governing the relevant transactions.

The following table sets out for the periods presented the turnover of our average trade payable:

	For the year ended 31 March			For the three months ended
	2009	2010	2011	30 June 2011
Trade payable turnover (days) ⁽¹⁾	108.0	97.4	85.6	119.8

Note:

- The trade payable turnover is calculated based on the average of the beginning and ending balance of trade payables for the year divided by cost of sales for the year, and multiplied by 365 days for the years ended 31 March 2009, 2010 and 2011 and 91 days for the three months ended 30 June 2011.

Our average trade payables turnover days decreased from approximately 108.0 days in 2009 to approximately 97.4 days in 2010 and approximately 85.6 days in 2011. However, it increased to approximately 119.8 days for the three months ended 30 June 2011. Such trend is in line with that of trade receivable turnover days for the three years ended 31 March 2011 because it is our practice to match the cash received by us with the payment to be paid by us in order to better manage our cash flow. As a result, we usually settle the trade payables upon the settlement of the corresponding trade receivables.

Upon the settlement of the corresponding trade receivables from our Group's customers, additional amount of time is needed to process the payment of the trade payables to the subcontractors. Considering the fact that a project may comprise numerous

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work/variation orders and would involve a large amount of subcontracting contracts, sufficient amount of time is needed to not only identify the corresponding subcontractors and its work progress but also to match the settlement from customers with the payables of the corresponding subcontractors. Therefore, the payable turnover days are generally longer than the receivable turnover days.

Retention money payables

As at 31 March 2009, 2010 and 2011 and 30 June 2011, retention money payables of approximately HK\$4.4 million, HK\$7.2 million, HK\$5.4 million and HK\$5.6 million respectively were/are expected to be paid (as the case may be) after more than one year. Retention money payables are recognised immediately after we deduct each progress payment from the subcontractors since payment of the first progress payment rather than at the time when the certificate of completion is issued. The retention money payable will generally be released by us to our subcontractors after the defect liability period. Therefore, a significant portion of retentions payable remained outstanding as at each balance sheet date.

Other payables

Other payables generally include accrued expenses, temporary receipt and project deposits received.

Amounts due to customers for contract work

Amounts due to customers for contract work represent the surplus derived when progress billings exceed the contract costs incurred to date plus recognized profits less recognized losses. During the Track Record Period, the amounts significantly increased from approximately HK\$3.4 million as at 31 March 2009 to approximately HK\$50.4 million as at 31 March 2010 and then decreased to approximately HK\$20.6 million as at 31 March 2011. It further decreased to HK\$12.5 million as at 30 June 2011 due to timing differences in billing. The particularly large amounts of approximately HK\$50.4 million at 31 March 2010 due to customers for contract works are in relation to the construction project at Wo Hop Shek Crematorium and the fitting-out projects for an international casino gaming resort in Singapore.

Amount due to a director

As at 31 March 2011, the amount due to our Director, Mr. Wong Law Fai, was approximately HK\$40.7 million in 2011. The balance is unsecured, interest-free and repayable on demand. The amount due to a director was fully settled prior to the [●].

Secured bank borrowings

Our borrowings represent secured interest-bearing banks borrowings amounted to approximately HK\$85.8 million, approximately HK\$50.1 million, approximately HK\$ 79.5 million and approximately HK\$54.2 million as at 31 March 2009, 2010 and 2011 and 30 June 2011, respectively. During the Track Record Period, the financing agreements with

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debt lenders are entered into under normal standard terms and conditions and do not contain any special restrictive covenants. During the Track Record Period and as at the Latest Practicable Date, none of our lenders have claimed default against us under any of the terms in the financing agreements.

As at 31 March 2009, 2010 and 2011 and 30 June 2011, the secured bank borrowings are secured by:

- certain assets of our Group as set out below; and
- personal guarantee provided by our Director, Mr. Wong Law Fai.

Our Directors confirm that guarantee provided by Mr. Wong Law Fai will be released upon the [●].

At the end of reporting period, our Group had pledged the following assets to banks as securities against banking facilities granted to our Group:

	At 31 March		At 30 June	
	2009	2010	2011	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	8,640	8,460	8,280	8,235
Investment property	7,500	9,000	8,200	—
Other receivables	—	—	9,146	9,215
Bank fixed deposits	<u>49,386</u>	<u>49,439</u>	<u>39,852</u>	<u>39,878</u>
	<u><u>65,526</u></u>	<u><u>66,899</u></u>	<u><u>65,478</u></u>	<u><u>57,328</u></u>

- (a) As at 31 March 2009, 2010 and 2011, our Group’s land and buildings with net carrying value of HK\$2.6 million, HK\$2.5 million and HK\$2.5 million respectively were pledged to secure banking facilities granted to a staff as a staff benefit in recognition of his contribution to our Group. The pledged land and buildings were subsequently disposed of to the staff and his spouse at then market value.
- (b) Our Group’s benefits under certain construction contracts were pledged to banks to secure the facilities granted to our Group.
- (c) Our Group’s obligations under finance leases were secured by the lessors’ title to the leased assets with carrying value of approximately HK\$0.7 million and HK\$0.4 million as at 31 March 2009 and 2010 respectively.
- (d) The other receivable represents the benefits of a key-man insurance policy from the Group covering Mr. Wong. Such policy has been assigned by the Group to a bank for obtaining a general banking facility.

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INDEBTEDNESS

As at 30 November 2011, being the latest practicable date for the purpose of this statement prior to the printing of this document, we had total secured bank borrowings of approximately HK\$72.9 million, which was secured by (i) a portion of our property, plant and equipment with carrying amount of approximately HK\$8.2 million, other receivable of approximately HK\$9.2 million and bank deposits of approximately HK\$42.4 million and (ii) personal guarantee given by our executive Director, Mr. Wong Law Fai, which will be released before [●]. The Group has unutilised banking facilities as at 30 November 2011 of approximately HK\$60.3 million. We have no present intention to raise any funds by means of debt financing after the [●].

Contingent liabilities

As at 30 November 2011, being the latest practicable date for the preparation of the indebtedness statement in this document, we had the following contingent liabilities:

a) *Contingent liabilities in respect of legal claims*

One subsidiary of the Group is defendant in a number of claims, lawsuits, arbitrations and potential claims relating to subcontracting fees, damages of personal injuries and breach of construction contracts. The directors of the Company considered that no provision for the contingent liabilities in respect of the litigation is necessary after due consideration of each case and with reference to the legal opinion.

b) *Guarantee issued*

At 30 November 2011, the Group had provided the following guarantees:

	At 30 November 2011 HK\$'000
Guarantees in respect of performance bonds in favor of its clients	70,548
Guarantees given to banks in respect of banking facilities granted to an associate	<u>13,826</u>
	<u><u>84,374</u></u>

Our Directors confirm that, taking into consideration the financial resources available to us as at 30 November 2011, including banking facilities and other internal resources, we have sufficient working capital for our requirements as at 30 November 2011, including funds necessary to meet our contractual obligations, maintain our operations and complete our existing projects that were under progress as at 30 November 2011. Other than the risk factors set out in the section headed “Risk factors” in this document, our Directors are not aware of any other factors that would have a material impact on our Group’s liquidity as at

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30 November 2011, including those that may materially and adversely affect our future cash requirements associated with trends known to our Group. As at 30 November 2011, our Directors are not aware of any change in the applicable legal and regulatory requirements that would have a material adverse impact on our Group’s liquidity.

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures mainly for the purchase of equipment. Our capital expenditures were approximately HK\$1.0 million, HK\$1.5 million, HK\$1.7 million and HK\$0.3 million for the three years ended 31 March 2011 and three months ended 30 June 2011 respectively.

We anticipate that the funds needed to finance the capital expenditures will be financed by cash generated from our operations and bank borrowings, as well as [●]. If necessary, we may raise additional funds on terms that are acceptable to us.

Our current plan with respect to future capital expenditures may be subject to change based on the implementation of our business plan, including the progress of our projects, market conditions and our outlook of future business conditions. As we continue to expand, we may incur additional capital expenditures.

Our ability to obtain additional funding in the future is subject to a variety of uncertainties including our future results of operations, financial condition and cash flows, economic, political and other conditions in Hong Kong, Singapore, Macau and other jurisdiction(s) in which we operate.

OPERATING LEASE COMMITMENTS

Our Group as lessee

At the balance sheet dates, our Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 March			As at
	2009	2010	2011	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,491	1,343	1,070	1,039
In the second to fifth years inclusive	813	62	770	877
	2,304	1,405	1,840	1,916

Operating lease payments represent rentals payable by the Group for certain of its office properties and staff quarters. Leases are negotiated and rentals are fixed for an average term of one to four years.

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Our Group as lessor

The properties are expected to generate rental yields of 4.3% respectively on an ongoing basis and have committed tenants for the next two years.

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31 March			As at
	2009	2010	2011	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2011</i> <i>HK\$'000</i>
Within one year	—	—	613	—
In the second to fifth years inclusive	—	—	431	—
	<u>—</u>	<u>—</u>	<u>1,044</u>	<u>—</u>

CONTINGENT LIABILITIES

Contingent liabilities in respect of legal claims

One subsidiary of the Group is defendant in a number of claims, lawsuits, arbitrations and potential claims relating to subcontracting fees, damages of personal injuries and breach of construction contracts. The directors of the Company considered that no provision for the contingent liabilities in respect of the litigation is necessary after due consideration of each case and with reference to the legal opinion.

Guarantee issued

At the end of each reporting period, our Group had provided the following guarantees:

	As at 31 March			As at
	2009	2010	2011	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2011</i> <i>HK\$'000</i>
Guarantees in respect of performance bonds in favour of its clients	15,080	17,740	18,315	19,987
Guarantees given to banks in respect of banking facilities granted to an associate in proportion to the Group's shareholding in the associate	—	—	14,218	14,505
	<u>15,080</u>	<u>17,740</u>	<u>32,533</u>	<u>34,492</u>

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Wan Chung (Singapore) is the registered holder of 200,000 fully paid ordinary shares in the capital of Castilia, representing 20% of the total issued and paid-up capital of Castilia. Pursuant to a Letter of Offer dated 25 May 2010 between United Overseas Bank Limited and Castilia for certain banking facilities of up to S\$11.5 million (which is equivalent to approximately HK\$72.4 million), Wan Chung (Singapore) executed a corporate guarantee for S\$2.3 million (which is equivalent to approximately HK\$14.5 million) in favour of United Overseas Bank Limited. The aforementioned guaranteed amount is equivalent to 20% of the said amount.

The Directors advised that, our Group would only provide guarantee(s) for any loans or banking facilities granted to Castilia if the transaction(s) would comply with all applicable laws, rules and regulations, including but not limited to the [●].

As at 30 June 2011, approximately HK\$20.0 million of performance bonds were given in favour of the customers as security for the due performance and observance of our obligations under the contracts entered into between us and our customers. For contracts with private sectors customers and institutional bodies, we are normally required in the contract to provide performance bonds of up to 10% of the total contract sums issued by a bank or an insurance company in favour of the customers in order to guarantee satisfactory completion of the project. As such, we entered into various bond agreements with banks in which the customers are able to lodge claims by writing from time to time or at any time during the validity of the bond to demand for the whole or any part of the bond. In some cases, certification by independent architects appointed by the customers may also be required in addition to the demand letter depending on the clause of the bond. Upon receipt of the claim in form of a demand letter from the customers and, in some cases, the certification by independent architects, the banks shall accordingly pay to our customers the sum or sums mentioned in the demand letter up to the amount of the bond. The performance bonds normally expire after completion of the project or as specified in the relevant contract. The performance bonds are usually issued under facilities granted by the banks to our Group, with service fee incurred.

Our Group will continue to provide guarantees in respect of banking facilities granted to Castilia in proportion to the Group’s shareholding in the associate of our Group upon the [●].

At the initial date of providing the guarantees, the Directors consider that the fair value of the financial guarantee is insignificant.

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DISCLAIMERS

Save as disclosed in the sections headed “Financial information — Net current assets and indebtedness — Indebtedness” and “Financial information — Net current assets and indebtedness — Contingent liabilities” in this document, and apart from intra-group liabilities, we did not have, at the close of business on 30 November 2011, any outstanding loan capital issued and outstanding or agreed to be issued loans, or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there has been no material change in indebtedness, commitments and contingent liabilities of our Group since 30 November 2011.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

We, during our conduct of business, are exposed to various types of market risks including currency risk, interest rate risk, price risk, credit risk and liquidity risk.

Currency risk

Our Group collects revenue and incurs most of the expenditures in HK\$, MOP and SGD. The major assets denominated in currencies other than the functional currency of the entity to which they relate are pledged bank deposits and bank balances and cash.

Our Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

Our Group is exposed to cash flow interest rate risk in relation to its variable-rate secured bank borrowings and obligation under finance lease. Our 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.

Other price risk

Our Group is exposed to price risk through its investments in listed securities during the three months ended 30 June 2011. The management manages this exposure by maintaining a portfolio of investments with different risks. In addition, our Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

FINANCIAL INFORMATION

Credit risk

Our Group’s maximum exposure to credit risk in the event of the counterparties’ failure to perform their obligations as at 31 March 2009, 2010 and 2011 and 30 June 2011 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. In order to minimise the credit risk, the management of our Group has delegated a team responsible for determination of monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual trade and other receivables regularly at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of our Company consider that our Group’s credit risk is significantly reduced.

Management considers the credit risk attributable to the amounts due from related parties to be insignificant as majority of the receivables are due from group companies with a good creditworthiness.

Our Group’s concentration of credit risk by geographical locations is in Hong Kong, which accounted for 94%, 59%, 80% and 97% of the total trade receivables as at 31 March 2009, 2010 and 2011 and 30 June 2011 respectively.

As at 31 March 2009, 2010 and 2011 and 30 June 2011, Our Group has concentration of credit risk as 56%, 52%, 66% and 72% of the total trade receivables was due from our Group’s largest customer while 84%, 99%, 92% and 93% of the total trade receivables was due from our Group’s five largest customers respectively.

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, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group’s operations and mitigate the effects of fluctuations in cash flow.

Prudent liquidity risk management implies maintaining sufficient short term bank deposits. Our Group’s liquidity risk is further mitigated through the availability of financing from group companies which is provided on an on-going basis.

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FINANCIAL INFORMATION

PROPERTY INTEREST AND PROPERTY VALUATION

BMI Appraisals Limited, an independent property valuer, has valued our property interest as of 31 October 2011 and is of the opinion that the value of our property interest as of such date was an aggregate amount of HK\$18.7 million. The full text of the letter, summary of valuation and valuation certificates with regard to such property interest are set out in Appendix III to this document.

The table below sets forth the reconciliation between the net book value of our property interests as of 30 June 2011 and the valuation of such property interest as of 31 October 2011:

	<i>(HK\$'000)</i>
Net book value of our property interests as of 30 June 2011	16,435
Movements for the four months ended 31 October 2011	
Less: Disposals during the period	(8,200)
Less: Depreciation and amortization during the period	<u>(60)</u>
Valuation surplus	<u>10,525</u>
Valuation as of 31 October 2011	<u><u>18,700</u></u>

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in note 36 of section (A) to the accountants' report in Appendix I to this document, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms that were no less favourable to us than terms available from Independent Third Parties which are fair and reasonable and in the interest of the Shareholders as a whole.

DISTRIBUTABLE RESERVES

As at 30 June 2011, there was no reserve available for distribution to the Shareholders.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position since 30 June 2011, the end of period reported in the accountants' report set out in Appendix I to this document, and there has been no event since 30 June 2011 which would materially affect the information shown in the accountants' report set out in Appendix I to this document.

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FUTURE PLANS

FUTURE PLANS AND PROSPECTS

Our corporate objectives are to achieve sustainable growth in our current business, namely the provision of (a) building construction services, (b) property maintenance services, (c) alterations, renovation, upgrading works and fitting-out works services and to create long-term shareholder’s value.

Further information on our future plans is set forth in the paragraphs under “Business — Corporate Strategies” in this document.

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APPENDIX I**ACCOUNTANTS’ REPORT**



SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

[●]

The Directors
Vision Fame International Holding Limited

[●]

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information regarding Vision Fame International Holding Limited (formerly known as Vision Fame International Holding Ltd.) (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) including the combined statements of financial position as at 31 March 2009, 2010 and 2011 and 30 June 2011, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the three years ended 31 March 2011 and the three months ended 30 June 2011 (the “Track Record Period”), and a summary of significant accounting policies and other explanatory notes (the “Financial Information”) for inclusion in the document of the Company dated [●] (the “Document”).

The Company was incorporated in the Cayman Islands on 31 May 2011 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. Pursuant to a group reorganisation (the “Reorganisation”) as detailed in the section headed “Corporate Reorganisation” in Appendix V to the Document, which was completed on 16 December 2011, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation saves for the aforementioned Reorganisation.

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As at the date of this report, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of Company	Place and date of incorporation or establishment/operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group as at				Date of this report	Principal activities
			2009	31 March 2010	2011	30 June 2011		
Prosper Ace Investments Limited (“Prosper Ace”)	British Virgin Islands (“BVI”) 28 April 2011	US\$10,000 (Note 1)	—	—	—	100%	100%	Investment holding
Magic Choice Holdings Limited	BVI 28 April 2011	US\$1	—	—	—	100%	100%	Investment holding
Vigor Yield Limited	BVI 28 April 2011	US\$1	—	—	—	100%	100%	Investment holding
Virtue Dynamic Limited	BVI 28 April 2011	US\$1	—	—	—	100%	100%	Investment holding
Wonder Success International Limited	BVI 28 April 2011	US\$1	—	—	—	100%	100%	Investment holding
Samba Sky Investments Limited	BVI 6 April 2011	US\$1	—	—	—	100%	100%	Investment holding
Wan Chung Construction Company Limited (“Wan Chung Construction”)	Hong Kong 14 May 1982	HK\$22,000,000	100%	100%	100%	100%	100%	Provision of properties maintenance services, building construction works and alternations, renovation, upgrading and fitting-out works services
Wan Chung Interior Design Co., Limited (“Wan Chung Interior Design”)	Hong Kong 2 January 1998	HK\$10,000	100%	100%	100%	100%	100%	Provision of interior design and decoration contracting services
Wan Chung Engineering (Macau) Company Limited (“Wan Chung (Macau)”)	Macau 7 September 2005	MOP25,000	100%	100%	100%	100%	100%	Provision of properties maintenance services, building construction works and alternations, renovation, upgrading and fitting-out works services
Wan Chung Construction (Singapore) Pte. Ltd. (“Wan Chung (Singapore)”)	Singapore 20 November 2008	SGD6,700,000	100%	100%	100%	100%	100%	Provision of building construction works and alternations, renovation, upgrading and fitting-out works services
Wan Chung Property Company Limited (“Wan Chung Property”)	Hong Kong 28 February 1991	HK\$10,000	100%	100%	100%	100%	100%	Property holding
Wan Chung Investments Pte. Ltd. (“Wan Chung Investments”)	Singapore 22 December 2010	SGD2	—	—	100%	—	—	Investment and property holding (Note 2)

Notes:

1. The issued and fully paid share capital of Prosper Ace was increased from US\$1 to US\$10,000 on 16 December 2011.
2. Wan Chung Investments was disposed of on 3 June 2011.

Other than Prosper Ace, all subsidiaries are indirectly held by the Company.

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All companies now comprising the Group have adopted 31 March as the financial year end date.

Except for the following companies, no audited statutory financial statements were prepared for the Company and other subsidiaries as there are no statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation. However, for the purpose of this report, we have reviewed all significant transactions of these companies for the Track Record Period from their respective dates of incorporation to 30 June 2011, where this is a shorter period and carried out such procedures as we considered necessary for inclusion of the financial information in relation to these companies in this report. The audited statutory financial statements of the Company’s subsidiaries were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for those subsidiaries incorporated in Hong Kong or in accordance with Singapore Financial Reporting Standards issued by the Singapore Accounting Standards Council for those subsidiaries incorporated in Singapore and were audited during the Track Record Period by the respective auditors as indicated below:

Name of company	Financial period	Name of auditors
Wan Chung Construction	Years ended 31 March 2009 and 2010	Ip Ping Sum & Company
	Year ended 31 March 2011	SHINEWING (HK) CPA Limited
Wan Chung Interior Design	Years ended 31 March 2009 and 2010	Ip Ping Sum & Company
	Year ended 31 March 2011	SHINEWING (HK) CPA Limited
Wan Chung (Singapore)	Period from 20 November 2008 (date of incorporation) to 31 March 2010	P K Loke & Partners
	Year ended 31 March 2011	P K Loke & Partners
Wan Chung Property	Years ended 31 March 2009 and 2010	Ip Ping Sum & Company
	Year ended 31 March 2011	SHINEWING (HK) CPA Limited

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No statutory financial statements for the three months ended 30 June 2011 were prepared for Wan Chung Construction, Wan Chung Interior Design, Wan Chung (Singapore) and Wan Chung Property as there is no such statutory requirement.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Track Record Period in accordance with HKFRSs issued by the HKICPA (the “Underlying Financial Statements”). The Underlying Financial Statements were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information of the Group for the Track Record Period as set out in this report has been prepared from the Underlying Financial Statements on the basis set out in Note 1 of Section A below. No adjustment has been made by us to the Underlying Financial Statements in preparing our report for inclusion in the Document.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs and the contents of the Document in which this report is included.

Our responsibility is to compile the Financial Information set out in this report from the Underlying Financial Statements, and to form an independent opinion on the Financial Information and to report our opinion to you. We have examined the audited Underlying Financial Statements and carried out additional procedures as necessary in accordance with [●] as recommended by the HKICPA.

APPENDIX I**ACCOUNTANTS’ REPORT**

OPINION

In our opinion, for the purpose of this report and on the basis of preparation set out in Note 1 of Section A below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 March 2009, 2010 and 2011 and 30 June 2011, and of the Company as at 30 June 2011, and of the Group’s combined results and combined cash flows for the Track Record Period.

The comparative combined statements of comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the three months ended 30 June 2010 together with the notes thereto have been extracted from the Group’s unaudited combined financial statements for the same period (the “30 June 2010 Financial Information”) which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 June 2010 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review consists principally of making enquires, primarily of persons responsible for financial and accounting matters and applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 June 2010 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2010 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

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APPENDIX I

ACCOUNTANTS’ REPORT

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 March			Three months ended 30 June	
		2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000 (Unaudited)	2011 HK\$'000
Turnover	6	459,455	636,651	734,719	225,127	121,706
Cost of sales		<u>(441,186)</u>	<u>(550,825)</u>	<u>(624,261)</u>	<u>(180,021)</u>	<u>(91,368)</u>
Gross profit		18,269	85,826	110,458	45,106	30,338
Other income	8	3,679	3,754	7,715	1,026	10,441
Administrative expenses		(16,205)	(33,956)	(44,375)	(8,341)	(11,102)
Fair value (decrease) increase in investment properties	16	(340)	1,500	(1,294)	(1,200)	—
Impairment loss recognised in respect of available-for-sale investments		—	—	(3,303)	—	—
Impairment loss recognised in respect of trade receivables	20	—	(3,837)	—	—	—
Finance costs	9	(2,804)	(2,254)	(1,290)	(305)	(351)
Gain on disposal of a subsidiary	32	—	—	—	—	459
Share of loss of an associate	17	—	—	(761)	(140)	(117)
Profit before taxation		2,599	51,033	67,150	36,146	29,668
Taxation	10	<u>(409)</u>	<u>(8,159)</u>	<u>(12,404)</u>	<u>(6,067)</u>	<u>(4,614)</u>
Profit for the year/period attributable to owners of the Company	12	<u>2,190</u>	<u>42,874</u>	<u>54,746</u>	<u>30,079</u>	<u>25,054</u>
Other comprehensive income:						
Exchange differences arising on translation of foreign operations		6	802	8,018	627	719
Reclassification adjustment for the cumulative exchange difference included in profit or loss upon disposal of foreign operation	32	—	—	—	—	39
Fair value gain on available-for-sale investments		—	—	12	—	1,885
Other comprehensive income for the year/period		<u>6</u>	<u>802</u>	<u>8,030</u>	<u>627</u>	<u>2,643</u>
Total comprehensive income for the year/period attributable to owners of the Company		<u>2,196</u>	<u>43,676</u>	<u>62,776</u>	<u>30,706</u>	<u>27,697</u>
Earnings per share						
— Basic and diluted (HK cents)	14	<u>0.9</u>	<u>17.2</u>	<u>22.0</u>	<u>12.1</u>	<u>10.1</u>

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ACCOUNTANTS’ REPORT

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	The Group			At 30 June 2011 HK\$'000	The Company At 30 June 2011 HK\$'000
		2009 HK\$'000	At 31 March 2010 HK\$'000	2011 HK\$'000		
Non-current assets						
Property, plant and equipment	15	13,054	13,361	13,455	11,017	—
Investment properties	16	7,500	9,000	26,714	—	—
Interest in an associate	17	—	1,110	426	317	—
Available-for-sale investments	18	—	—	9,516	11,593	—
		<u>20,554</u>	<u>23,471</u>	<u>50,111</u>	<u>22,927</u>	<u>—</u>
Current assets						
Amounts due from customers for contract work	19	3,915	356	12,227	12,584	—
Trade and other receivables	20	189,430	246,899	219,642	207,694	—
Amount due from a director	21	17,919	42,625	—	1,591	—
Amounts due from fellow subsidiaries	22	1	3	4	34	—
Amount due from an associate	22	—	5,881	8,146	8,310	—
Amount due from a related company	22	—	832	—	—	—
Pledged bank deposits	23	49,386	49,439	39,852	39,878	—
Bank balances and cash	23	39,673	51,683	64,849	36,832	—
		<u>300,324</u>	<u>397,718</u>	<u>344,720</u>	<u>306,923</u>	<u>—</u>
Investment property classified as held for sale	24	—	—	—	8,200	—
		<u>300,324</u>	<u>397,718</u>	<u>344,720</u>	<u>315,123</u>	<u>—</u>
Current liabilities						
Amounts due to customers for contract work	19	3,405	50,419	20,621	12,472	—
Trade and other payables	25	140,994	180,463	149,231	133,926	—
Amount due to a director	21	—	—	40,658	—	—
Amounts due to fellow subsidiaries	22	474	526	513	456	—
Amount due to a related company	22	973	969	963	958	—
Secured bank borrowings	26	85,799	50,114	79,459	54,227	—
Tax payable		488	6,449	14,391	19,224	—
Obligations under finance leases	27	373	89	—	—	—
Secured bank overdrafts	26	—	591	—	—	—
		<u>232,506</u>	<u>289,620</u>	<u>305,836</u>	<u>221,263</u>	<u>—</u>
Net current assets		<u>67,818</u>	<u>108,098</u>	<u>38,884</u>	<u>93,860</u>	<u>—</u>
Total assets less current liabilities		<u>88,372</u>	<u>131,569</u>	<u>88,995</u>	<u>116,787</u>	<u>—</u>
Non-current liabilities						
Obligations under finance leases	27	89	—	—	—	—
Provision for long service payments		1,408	1,010	813	906	—
Deferred tax liabilities	28	391	399	406	408	—
		<u>1,888</u>	<u>1,409</u>	<u>1,219</u>	<u>1,314</u>	<u>—</u>
Net assets		<u>86,484</u>	<u>130,160</u>	<u>87,776</u>	<u>115,473</u>	<u>—</u>
Capital and reserves						
Share capital	29	22,000	22,000	22,000	22,000	—
Reserves		64,484	108,160	65,776	93,473	—
Total equity		<u>86,484</u>	<u>130,160</u>	<u>87,776</u>	<u>115,473</u>	<u>—</u>

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ACCOUNTANTS’ REPORT

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$’000</i>	Exchange reserve <i>HK\$’000</i>	Capital reserve (<i>Note 1</i>) <i>HK\$’000</i>	Legal reserve (<i>Note 2</i>) <i>HK\$’000</i>	Revaluation reserve <i>HK\$’000</i>	Retained profits <i>HK\$’000</i>	Total <i>HK\$’000</i>
At 1 April 2008	22,000	(2)	2,776	12	—	59,502	84,288
Total comprehensive income for the year	—	6	—	—	—	2,190	2,196
At 31 March 2009 and 1 April 2009	22,000	4	2,776	12	—	61,692	86,484
Total comprehensive income for the year	—	802	—	—	—	42,874	43,676
At 31 March 2010 and 1 April 2010	22,000	806	2,776	12	—	104,566	130,160
Total comprehensive income for the year	—	8,018	—	—	12	54,746	62,776
Dividend declared and paid (<i>Note 13</i>)	—	—	—	—	—	(105,160)	(105,160)
At 31 March 2011 and 1 April 2011	22,000	8,824	2,776	12	12	54,152	87,776
Total comprehensive income for the period	—	758	—	—	1,885	25,054	27,697
At 30 June 2011	<u>22,000</u>	<u>9,582</u>	<u>2,776</u>	<u>12</u>	<u>1,897</u>	<u>79,206</u>	<u>115,473</u>
For the three months ended 30 June 2010							
At 1 April 2010 (audited)	22,000	806	2,776	12	—	104,566	130,160
Total comprehensive income for the period	—	627	—	—	—	30,079	30,706
At 30 June 2010 (unaudited)	<u>22,000</u>	<u>1,433</u>	<u>2,776</u>	<u>12</u>	<u>—</u>	<u>134,645</u>	<u>160,866</u>

Notes:

- (1) In prior years, Wan Chung Construction acquired entire equity interest in Wan Chung Property from its then shareholder, Regent Pacific Investments Limited, a related company of the Company under common shareholder, at a discount of approximately HK\$2,776,000. Such acquisition is deemed to be a transaction with owners of the Company and therefore recorded in capital reserve.
- (2) In accordance with the provisions of Macau Commercial Code, the Company’s subsidiary incorporated in Macau is required to transfer 25% of its annual net profit to a legal reserve until the balance of the reserve reaches 50% of the subsidiary’s registered capital. Legal reserve is not distributable to shareholders.

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APPENDIX I

ACCOUNTANTS’ REPORT

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Three months ended 30 June	
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000 (Unaudited)	2011 HK\$'000
OPERATING ACTIVITIES					
Profit before taxation	2,599	51,033	67,150	36,146	29,668
Adjustments for:					
Bank interest income	(817)	(110)	(461)	(10)	(124)
Interest income from subcontractors	(2,210)	(2,525)	(2,634)	(714)	(232)
Other interest income	—	—	—	—	(7,492)
Finance costs	2,804	2,254	1,290	305	351
Fair value decrease (increase) in investment properties	340	(1,500)	1,294	1,200	—
Gain on disposal of a subsidiary	—	—	—	—	(459)
Gain on disposal of property, plant and equipment	—	—	(167)	(183)	(1,744)
Impairment loss recognised in respect of available-for-sale investments	—	—	3,303	—	—
Impairment loss recognised in respect of trade receivables	—	3,837	—	—	—
Share of loss of an associate	—	—	761	140	117
Recovery of litigation fee	—	—	(3,704)	—	—
Depreciation of property, plant and equipment	1,105	1,179	1,391	276	287
Operating cash flows before movements in working capital	3,821	54,168	68,223	37,160	20,372
Decrease (increase) in amounts due from customers for contract work	8,045	3,583	(11,801)	11,086	(339)
Increase (decrease) in amounts due to customers for contract work	1,679	46,571	(31,968)	(3,193)	(8,505)
(Increase) decrease in trade and other receivables	(25,917)	(59,780)	40,112	(22,807)	20,036
Increase (decrease) in trade and other payables	7,643	41,595	(29,892)	4,971	(15,286)
Increase (decrease) in provision for long service payments	737	(398)	(197)	90	93
Cash (used in) generated from operations	(3,992)	85,739	34,477	27,307	16,371
Hong Kong Profits Tax refunded (paid)	220	1,296	(1,597)	(221)	269
Singapore Corporate Tax paid	—	(3,540)	(2,979)	(47)	—
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(3,772)	83,495	29,901	27,039	16,640

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	Year ended 31 March			Three months ended 30 June	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(999)	(1,462)	(1,683)	(851)	(278)
Proceeds from disposal of property, plant and equipment	—	—	460	442	4,200
Settlement from the assignment of loan (Note 32)	—	—	—	—	19,400
Net cash outflow arising on disposal of a subsidiary (Note 32)	—	—	—	—	(176)
Acquisition of an associate	—	(1,087)	—	—	—
Purchase of available-for-sale investments	—	—	(12,297)	—	—
Purchase of investment property	—	—	(18,015)	—	—
Interest received	817	110	156	10	124
Decrease (increase) in pledged bank deposits	14,693	(53)	9,587	(73)	(26)
Repayment from (advance to) a director	4,389	(24,706)	42,625	(19,704)	(1,591)
Repayment from (advance to) fellow subsidiaries	135	(2)	(1)	(1)	(30)
(Advance to) repayment from an associate	—	(5,881)	(1,518)	1	—
(Advance to) repayment from a related company	—	(815)	876	876	—
NET CASH FROM (USED IN) INVESTING ACTIVITIES	19,035	(33,896)	20,190	(19,300)	21,623
FINANCING ACTIVITIES					
New secured bank borrowings raised	963,952	816,930	719,958	156,032	168,729
Interest paid	(2,804)	(2,254)	(1,290)	(305)	(351)
Advance from (repayment to) a director	—	—	40,658	—	(40,658)
Advance from (repayment to) fellow subsidiaries	146	52	(13)	(2)	(57)
Repayment to a related company	(5)	(4)	(6)	(6)	(5)
Repayment of obligations under finance lease	(346)	(373)	(89)	(89)	—
Dividend paid	—	—	(105,160)	—	—
Repayment of secured bank borrowings	(968,957)	(852,615)	(690,613)	(149,511)	(193,961)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(8,014)	(38,264)	(36,555)	6,119	(66,303)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,249	11,335	13,536	13,858	(28,040)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	32,410	39,673	51,092	51,092	64,849
Effect of foreign exchange rate changes	14	84	221	251	23
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by:	39,673	51,092	64,849	65,201	36,832
Bank balances and cash	39,673	51,683	64,849	65,201	36,832
Secured bank overdrafts	—	(591)	—	—	—
	39,673	51,092	64,849	65,201	36,832

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NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 31 May 2011 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its parent company is Smart Tactics Group Limited, incorporated in the BVI and Mr. Wong Law Fai is the ultimate controlling shareholder. The registered office of the Company is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands, and its principal place of business is located at Flat A, 2/F, Fuk On Building, 1123 Canton Road, Mongkok, Kowloon, Hong Kong. The Company is an investment holding company.

Prior to the Reorganisation, the provision of (a) building construction services, (b) property maintenance services and (c) alterations, renovation, upgrading and fitting-out works services were carried out by Wan Chung Construction and its subsidiaries. To rationalise the corporate structure [●], the Company was incorporated in the Cayman Islands on 31 May 2011 and the Group underwent the Reorganisation, as detailed in the section headed “Corporate Reorganisation” in Appendix V to the Document. Upon completion of the Reorganisation, the Company became the holding company of Wan Chung Construction and its subsidiaries on 16 December 2011. The companies that took part in the Reorganisation were controlled by the same ultimate equity shareholder, namely Mr. Wong Law Fai (referred to as “the Controlling Shareholder”) during the Track Record Period or since their respective date of incorporation or establishment up to 30 June 2011 where this is a shorter period.

As there was no change in Controlling Shareholder before and after the Reorganisation, the Financial Information has been prepared as a reorganisation of business under common control. The Financial Information relating to the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Track Record Period includes the results of operations of Wan Chung Construction and its subsidiaries as if the current group structure had been in existence and remained unchanged throughout the Track Record Period or since their respective dates of incorporation or establishment where this is a shorter period. The combined statements of financial position of the Group as at 31 March 2009, 2010 and 2011 and 30 June 2011 have been prepared to present the combined assets and liabilities of Wan Chung Construction and its subsidiaries as if the current group structure had been in existence as at the respective dates. All material intra-group transactions and balances have been eliminated on combination.

The Financial Information is presented in Hong Kong Dollars (“HK\$”). Other than those subsidiaries established in Macau and Singapore whose functional currency is Macau Pataca (“MOP”) and Singapore Dollars (“SGD”), respectively, the functional currency of the Company and other subsidiaries is HK\$.

Pursuant to a special resolution passed on 20 July 2011, the name of the Company was changed from Vision Fame International Holding Ltd. to Vision Fame International Holding Limited 允升國際控股有限公司 with effective from 20 July 2011.

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2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the Financial Information for the Track Record Period and the three months ended 30 June 2010, the Group has consistently adopted all of the new and revised Hong Kong Accounting Standards (“HKAS”), HKFRSs, amendments and interpretations issued by the HKICPA which are effective for the Group’s financial year beginning on 1 April 2011.

New and revised standards, amendments and interpretations in issue but not yet effective

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
HKAS 1 (Revised)	Presentation of Financial Statements ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (Revised 2011)	Employee Benefits ⁴
HKAS 27 (Revised 2011)	Separate Financial Statements ⁴
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ⁴
HK(IFRIC) — Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine ⁴

¹ Effective for annual periods beginning on or after 1 July 2011.

² Effective for annual periods beginning on or after 1 January 2012.

³ Effective for annual periods beginning on or after 1 July 2012.

⁴ Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch

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in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 will be adopted in the Group’s Financial Information for the annual period beginning 1 April 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group’s financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures — Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors of the Company anticipate that the application of the amendments to HKAS 12 will not have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model.

The five new or revised standards on consolidation, joint arrangements and disclosures including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (Revised 2011) and HKAS 28 (Revised) were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of the five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group’s consolidated financial statements for financial year ending 31 March 2014 and the potential impact is described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements; (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor’s returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

HKFRS 13 Fair Value Measurement was issued in June 2011 replaces the fair value measurement guidance contained in individual HKFRSs by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied when its

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use is already required or permitted by other standards within HKFRSs. The directors of the Company consider that had the amendment been adopted during the Track Record Period, the disclosure of three-level fair value hierarchy would be applied to the investment properties of the Group.

The amendments to HKAS 1 have been issued to improve the presentation of other comprehensive income. The amendments require entities to group together the items of other comprehensive income that may be reclassified to profit or loss in the future by presenting them separately from those that would never be reclassified to profit or loss. The application of the amendment to HKAS 1 might result in changes in presentation of the statement of comprehensive income.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for investment properties, investment property classified as held for sale and certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the [●] and by the Hong Kong Companies Ordinance.

The principal accounting policies are set out below.

Basis of combination

The Financial Information incorporates the financial information of Wan Chung Construction and its subsidiaries now comprising the Group.

The results of subsidiaries acquired or disposed of during the year/period are included in the combined statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on combination.

Business combinations under common control

Business combinations under common control are accounted for using merger accounting. In applying merger accounting, the combined financial information incorporates the financial information 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 Shareholder.

The net assets of the combining entities or businesses are combined using the existing book values from the Controlling Shareholder’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 Shareholder’s interest.

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The combined statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these Financial Information using the equity method of accounting. Under the equity method, investment in an associate is carried in the combined statements of financial position at cost as adjusted for post-acquisition changes in the Group’s share of the net assets of the associates, less any identified impairment loss. When the Group’s share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill which is included within the carrying amount of the investment.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group’s Financial Information only to the extent of the interest in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business and net of discounts.

Revenue recognition for construction contracts in relation to building construction or upgrade services of the infrastructure included in the segment of alternations, renovation, upgrading and fitting-out works is set out in the section headed “Construction contracts” below.

Revenue from property maintenance, alterations, renovation, upgrading and fitting-out works other than upgrade services of the infrastructure are recognised when services are provided.

Revenue recognition for rental income is set out in the section headed “Leasing” below.

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Interest income from a financial asset 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.

Property, plant and equipment

Property, plant and equipment, including land and buildings held for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and using the straight line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds, and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Leasehold land held for undetermined future use is regarded as held for capital appreciation purpose and classified as an investment property, and carried at fair value. Changes in fair value of the leasehold land are recognised directly in profit or loss for the period in which changes take place.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Investment property that is classified as held for sale is measured at its fair value at the end of the reporting period.

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Construction contracts

Where the outcome of a construction contract in relation to building construction or upgrade services of the infrastructure can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the combined statements of financial position as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the combined statements of financial position under trade and other receivables.

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 profit or loss on a straight-line basis over the term of the relevant lease.

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 a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold

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interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial information of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised in other comprehensive income.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group’s foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

On the disposal of a foreign operation (i.e. a disposal of the Group’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting date. Exchange differences arising are recognised in the exchange reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits cost

Payments to the Mandatory Provident Fund Scheme (“MPF Scheme”) and other defined contribution retirement benefit schemes are charged as expenses when employees have rendered service entitling them to the contributions.

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Long service payments

Certain of the Group’s employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance (the “Employment Ordinance”) in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

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 as reported in the combined statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, 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 and interests 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Cash and cash equivalents

Bank balances and cash in the combined statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the combined statements of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding secured bank overdrafts.

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Financial instruments

Financial assets and financial liabilities are recognised in the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group’s financial assets are classified as loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from a director/fellow subsidiaries/an associate/a related company, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group’s financial liabilities are mainly other financial liabilities.

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Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, amount(s) due to a director/fellow subsidiaries/a related company, secured bank borrowings, obligations under finance leases and secured bank overdrafts are subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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. Impairment loss is recognised as an expense immediately.

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 as income immediately.

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4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying the entity’s accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the entity’s accounting policies and that have the most significant effect on the amounts recognised in combined financial statements.

Contingent liabilities in respect of legal claims

The Group has been engaged in a number of legal claims in respect of certain construction works. Contingent liabilities arising from these legal claims have been assessed by management with reference to legal advice. The directors of the Company considered that no provision for the contingent liabilities in respect of the litigation is necessary after due consideration of each case and with reference to legal opinion.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Construction contracts revenue recognition

The Group recognised contract revenue and profit of a construction contract according to the management’s estimation of the total outcome of the project as well as the percentage of completion of construction works. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Property maintenance revenue recognition

When services are provided, property maintenance income is recognised based on management’s estimation of the value of each works order. Thereafter, customers would undertake detailed assessment of all completed works orders before finalisation of a property maintenance contract which normally lasts for two to three years. During the assessment process, the actual value of completed works orders assessed by the customers may be higher or lower than the estimates and this will affect the revenue from property maintenance recognised.

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Depreciation of property, plant and equipment

Property, 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 property, 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.

Fair value of investment properties and investment property classified as held for sale

Investment properties are carried in the combined statements of financial position at fair value of approximately HK\$7,500,000, HK\$9,000,000 and HK\$26,714,000 at 31 March 2009, 2010 and 2011 respectively. Investment property classified as held for sale is carried in the combined statements of financial position at fair value of approximately HK\$8,200,000 at 30 June 2011. The fair values were based on valuations on the properties conducted by independent firms of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group’s investment properties and corresponding adjustments to the amount of gain or loss reported in the combined statements of comprehensive income.

Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, 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 March 2009, 2010 and 2011 and 30 June 2011, the directors of the Company considered that there is no impairment indication and the carrying values of property, plant and equipment are approximately HK\$13,054,000, HK\$13,361,000, HK\$13,455,000 and HK\$11,017,000 respectively.

Impairment loss recognised in respect of available-for-sale investments

The Group classifies certain investments in listed securities as available-for-sale and recognised movements of its fair value in other comprehensive income and accumulated in revaluation reserve. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised. When there is objective evidence that the investment is impaired, impairment loss is recognised in the combined statements of comprehensive income. As at 31 March 2011 and 30 June 2011, the carrying value of listed securities classified as available-for-sale investments is approximately HK\$9,516,000 and HK\$11,593,000 respectively (net of accumulated impairment loss of approximately HK\$3,303,000 and HK\$1,684,000 respectively).

Impairment loss recognised in respect of trade receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer’s current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has been identified. Credit losses have historically been within the Group’s expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. As at 31 March 2009, 2010 and 2011 and 30 June 2011, the carrying value of trade receivables are approximately HK\$94,709,000, HK\$109,182,000, HK\$116,149,000 and HK\$70,350,000 respectively (net of accumulated impairment loss of nil, HK\$3,837,000, HK\$3,837,000 and HK\$3,837,000 as at 31 March 2009, 2010 and 2011 and 30 June 2011 respectively).

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5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that 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 for the Track Record Period.

The capital structure of the Group consists of secured bank borrowings and secured bank overdrafts disclosed in Note 26, obligations under finance leases disclosed in Note 27, pledged bank deposits and bank balances and cash disclosed in Note 23, and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and risks associated thereto. The Group will balance its overall capital structure through the payment of dividends, new share issues and the issue or redemption of borrowings.

6. TURNOVER

	Year ended 31 March			Three months ended 30 June	
	2009	2010	2011	2010	2011
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(Unaudited)	
Revenue from building construction	87,530	179,016	268,345	83,409	45,848
Revenue from property maintenance	251,580	316,230	236,374	72,657	38,423
Revenue from alterations, renovation, upgrading and fitting- out works	<u>120,345</u>	<u>141,405</u>	<u>230,000</u>	<u>69,061</u>	<u>37,435</u>
	<u><u>459,455</u></u>	<u><u>636,651</u></u>	<u><u>734,719</u></u>	<u><u>225,127</u></u>	<u><u>121,706</u></u>

7. SEGMENT INFORMATION

The Group’s operating segments, based on information reported to the chief operating decision maker, the chief executive officer, for the purpose of resource allocation and performance assessment are as follows:

- (1) Building construction;
- (2) Property maintenance; and
- (3) Alterations, renovation, upgrading and fitting-out works.

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No operating segments have been aggregated to form the above reportable segments. Information regarding the above segments is reported below.

Segment revenue and results

The following is an analysis of the Group’s revenue and results by reportable segment:

For the year ended 31 March 2009

	Building construction <i>HK\$’000</i>	Property maintenance <i>HK\$’000</i>	Alterations, renovation, upgrading and fitting-out works <i>HK\$’000</i>	Total <i>HK\$’000</i>
Segment revenue	<u>87,530</u>	<u>251,580</u>	<u>120,345</u>	<u>459,455</u>
Segment profit	<u>790</u>	<u>9,940</u>	<u>9,749</u>	20,479
Other income				1,469
Fair value decrease in investment properties				(340)
Central administration costs				(16,205)
Finance costs				<u>(2,804)</u>
Profit before taxation				<u>2,599</u>

For the year ended 31 March 2010

	Building construction <i>HK\$’000</i>	Property maintenance <i>HK\$’000</i>	Alterations, renovation, upgrading and fitting-out works <i>HK\$’000</i>	Total <i>HK\$’000</i>
Segment revenue	<u>179,016</u>	<u>316,230</u>	<u>141,405</u>	<u>636,651</u>
Segment profit	<u>17,119</u>	<u>18,445</u>	<u>48,950</u>	84,514
Other income				1,229
Fair value increase in investment properties				1,500
Central administration costs				(33,956)
Finance costs				<u>(2,254)</u>
Profit before taxation				<u>51,033</u>

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For the year ended 31 March 2011

	Building construction <i>HK\$’000</i>	Property maintenance <i>HK\$’000</i>	Alterations, renovation, upgrading and fitting-out works <i>HK\$’000</i>	Total <i>HK\$’000</i>
Segment revenue	<u>268,345</u>	<u>236,374</u>	<u>230,000</u>	<u>734,719</u>
Segment profit	<u>16,308</u>	<u>18,816</u>	<u>77,968</u>	113,092
Other income				5,081
Fair value decrease in investment properties				(1,294)
Central administration costs				(44,375)
Finance costs				(1,290)
Impairment loss recognised in respect of available-for- sale investments				(3,303)
Share of loss of an associate				<u>(761)</u>
Profit before taxation				<u>67,150</u>

For the three months ended 30 June 2010 (unaudited)

	Building construction <i>HK\$’000</i>	Property maintenance <i>HK\$’000</i>	Alterations, renovation, upgrading and fitting-out works <i>HK\$’000</i>	Total <i>HK\$’000</i>
Segment revenue	<u>83,409</u>	<u>72,657</u>	<u>69,061</u>	<u>225,127</u>
Segment profit	<u>8,161</u>	<u>12,426</u>	<u>25,233</u>	45,820
Other income				312
Fair value decrease in investment properties				(1,200)
Central administration costs				(8,341)
Finance costs				(305)
Share of loss of an associate				<u>(140)</u>
Profit before taxation				<u>36,146</u>

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For the three months ended 30 June 2011

	Building construction <i>HK\$’000</i>	Property maintenance <i>HK\$’000</i>	Alterations, renovation, upgrading and fitting-out works <i>HK\$’000</i>	Total <i>HK\$’000</i>
Segment revenue	<u>45,848</u>	<u>38,423</u>	<u>37,435</u>	<u>121,706</u>
Segment profit	<u>19,288</u>	<u>5,557</u>	<u>13,217</u>	38,062
Other income				2,717
Central administration costs				(11,102)
Finance costs				(351)
Gain on disposal of a subsidiary				459
Share of loss of an associate				<u>(117)</u>
Profit before taxation				<u>29,668</u>

The accounting policies of the reportable segments are the same as the Group’s accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors’ salaries, certain other income, fair value change in investment properties, impairment loss recognised in respect of available-for-sale investments, gain on disposal of a subsidiary, share of loss of an associate and finance costs. This is the measure reported to the chief operating decision maker, the chief executive officer, for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group’s assets and liabilities by reportable segment:

	At 31 March		At 30 June	
	2009 <i>HK\$’000</i>	2010 <i>HK\$’000</i>	2011 <i>HK\$’000</i>	2011 <i>HK\$’000</i>
Segment assets				
Building construction	38,613	37,802	61,936	53,969
Property maintenance	96,621	129,383	99,952	83,388
Alterations, renovation, upgrading and fitting-out works	<u>30,924</u>	<u>60,304</u>	<u>36,318</u>	<u>35,243</u>
Total segment assets	166,158	227,489	198,206	172,600
Unallocated corporate assets	<u>154,720</u>	<u>193,700</u>	<u>196,625</u>	<u>165,450</u>
Combined total assets	<u>320,878</u>	<u>421,189</u>	<u>394,831</u>	<u>338,050</u>

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	At 31 March		At 30 June	
	2009	2010	2011	2011
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Segment liabilities				
Building construction	29,145	65,148	45,699	36,174
Property maintenance	86,746	123,805	83,030	67,695
Alterations, renovation, upgrading and fitting-out works	<u>26,643</u>	<u>36,277</u>	<u>37,526</u>	<u>37,369</u>
Total segment liabilities	142,534	225,230	166,255	141,238
Unallocated corporate liabilities	<u>91,860</u>	<u>65,799</u>	<u>140,800</u>	<u>81,339</u>
Combined total liabilities	<u><u>234,394</u></u>	<u><u>291,029</u></u>	<u><u>307,055</u></u>	<u><u>222,577</u></u>

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than investment properties, interest in an associate, available-for-sale investments, certain property, plant and equipment, other receivables, investment property classified as held for sale, amounts due from fellow subsidiaries, a director, an associate and a related company, pledged bank deposits, and bank balances and cash as these assets are managed on a group basis.
- all liabilities are allocated to reportable segments other than certain other payables, tax payable, secured bank borrowings, secured bank overdrafts, obligations under finance leases, amounts due to a director, fellow subsidiaries and a related company, provision for long services payment and deferred tax liabilities as these liabilities are managed on a group basis.

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Other segment information

For the year ended 31 March 2009

	Building construction <i>HK\$'000</i>	Property maintenance <i>HK\$'000</i>	Alterations, renovation, upgrading and fitting- out works <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment	—	—	—	999	999
Depreciation of property, plant and equipment	—	387	—	718	1,105
Interest income from subcontractors	—	(2,176)	(34)	—	(2,210)
	<u>—</u>	<u>(2,176)</u>	<u>(34)</u>	<u>—</u>	<u>(2,210)</u>
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets:					
Fair value decrease in investment properties	—	—	—	340	340
Bank interest income	—	—	—	(817)	(817)
Finance costs	—	—	—	2,804	2,804
Taxation	—	—	—	409	409
	<u>—</u>	<u>—</u>	<u>—</u>	<u>409</u>	<u>409</u>

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For the year ended 31 March 2010

	Building construction <i>HKS'000</i>	Property maintenance <i>HKS'000</i>	Alterations, renovation, upgrading and fitting- out works <i>HKS'000</i>	Unallocated <i>HKS'000</i>	Total <i>HKS'000</i>
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment	—	—	—	1,462	1,462
Depreciation of property, plant and equipment	—	389	—	790	1,179
Impairment loss recognised in respect of trade receivables	—	—	3,837	—	3,837
Interest income from subcontractors	—	(2,509)	(16)	—	(2,525)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets:					
Interest in an associate	—	—	—	1,110	1,110
Fair value increase in investment properties	—	—	—	(1,500)	(1,500)
Bank interest income	—	—	—	(110)	(110)
Finance costs	—	—	—	2,254	2,254
Taxation	—	—	—	8,159	8,159

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For the year ended 31 March 2011

	Building construction <i>HKS'000</i>	Property maintenance <i>HKS'000</i>	Alterations, renovation, upgrading and fitting- out works <i>HKS'000</i>	Unallocated <i>HKS'000</i>	Total <i>HKS'000</i>
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment	—	—	—	1,683	1,683
Depreciation of property, plant and equipment	4	54	—	1,333	1,391
Interest income from subcontractors	—	(2,544)	(90)	—	(2,634)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets:					
Interest in an associate	—	—	—	426	426
Addition to investment properties	—	—	—	18,015	18,015
Fair value decrease in investment properties	—	—	—	1,294	1,294
Share of loss of an associate	—	—	—	761	761
Impairment loss recognised in respect of available-for-sale investments	—	—	—	3,303	3,303
Gain on disposal of property, plant and equipment	—	—	—	(167)	(167)
Bank interest income	—	—	—	(461)	(461)
Finance costs	—	—	—	1,290	1,290
Taxation	—	—	—	12,404	12,404

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For the three months ended 30 June 2010 (Unaudited)

	Building construction <i>HKS’000</i>	Property maintenance <i>HKS’000</i>	Alterations, renovation, upgrading and fitting- out works <i>HKS’000</i>	Unallocated <i>HKS’000</i>	Total <i>HKS’000</i>
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment	—	—	—	851	851
Depreciation of property, plant and equipment	—	45	—	231	276
Interest income from subcontractors	—	(714)	—	—	(714)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets:					
Interest in an associate	—	—	—	977	977
Fair value decrease in investment properties	—	—	—	1,200	1,200
Share of loss of an associate	—	—	—	140	140
Gain on disposal of property, plant and equipment	—	—	—	(183)	(183)
Bank interest income	—	—	—	(10)	(10)
Finance costs	—	—	—	305	305
Taxation	—	—	—	6,067	6,067

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For the three months ended 30 June 2011

	Building construction <i>HK\$'000</i>	Property maintenance <i>HK\$'000</i>	Alterations, renovation, upgrading and fitting- out works <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to property, plant and equipment	—	—	—	278	278
Depreciation of property, plant and equipment	1	11	—	275	287
Interest income from subcontractors	—	(232)	—	—	(232)
Other interest income	<u>(7,492)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(7,492)</u>
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets:					
Interest in an associate	—	—	—	317	317
Share of loss of an associate	—	—	—	117	117
Gain on disposal of a subsidiary	—	—	—	(459)	(459)
Gain on disposal of property, plant and equipment	—	—	—	(1,744)	(1,744)
Bank interest income	—	—	—	(124)	(124)
Finance costs	—	—	—	351	351
Taxation	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,614</u>	<u>4,614</u>

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Geographical information

The Group’s operations are located in Hong Kong, Macau and Singapore.

The Group’s revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

Revenue from external customers

	Year ended 31 March			Three months ended 30 June	
	2009	2010	2011	2010	2011
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(Unaudited)	
Hong Kong	435,759	532,362	606,105	171,021	100,834
Macau	23,381	8	3,698	—	1,254
Singapore	315	104,281	124,916	54,106	19,618
	<u>459,455</u>	<u>636,651</u>	<u>734,719</u>	<u>225,127</u>	<u>121,706</u>

Non-current assets

	At 31 March			At 30 June	
	2009	2010	2011	2011	2011
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Hong Kong	20,528	21,282	20,271		9,443
Singapore	26	2,189	20,324		1,891
	<u>20,554</u>	<u>23,471</u>	<u>40,595</u>		<u>11,334</u>

Non-current assets excluded available-for-sale investments.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 March			Three months ended 30 June	
	2009	2010	2011	2010	2011
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(Unaudited)	
Customer A ¹	282,133	484,270	505,947	149,137	84,239
Customer B ²	95,167	N/A ⁴	N/A ⁴	N/A ⁴	N/A ⁴
Customer C ³	N/A ⁴	104,137	122,397	54,106	16,299

¹ Revenue from building construction, property maintenance, alterations, renovation, upgrading and fitting-out works.

² Revenue from building construction and property maintenance.

³ Revenue from alterations, renovation, upgrading and fitting-out works.

⁴ The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective year/period.

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8. OTHER INCOME

	Year ended 31 March			Three months ended 30 June	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)				
Bank interest income	817	110	461	10	124
Interest income from sub-contractors	2,210	2,525	2,634	714	232
Other interest income (Note a)	—	—	—	—	7,492
Recovery of litigation fee	—	—	3,704	—	—
Reversal of provision for long service payments	—	390	—	—	—
Rental income (Note b)	154	154	228	39	112
Gain on disposal of property, plant and equipment	—	—	167	183	1,744
Other income	498	575	521	80	737
	<u>3,679</u>	<u>3,754</u>	<u>7,715</u>	<u>1,026</u>	<u>10,441</u>

Notes:

- (a) During the three months ended 30 June 2011, interest income of approximately HK\$7,492,000 represented revenues yielded by a recovery proceeding of the Group which was made against the other party for determination of their dispute in respect of the final contract amount of a construction project which the Group was engaged as the main contractor.

	Year ended 31 March			Three months ended 30 June	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)				
(b) Gross rental income	154	154	228	39	112
Less: direct operating expenses (included in administrative expenses)	—	—	(9)	—	—
	<u>154</u>	<u>154</u>	<u>219</u>	<u>39</u>	<u>112</u>

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9. FINANCE COSTS

	Year ended 31 March			Three months ended 30 June	
	2009	2010	2011	2010	2011
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Interest on secured bank overdrafts and borrowings wholly repayable within five years	2,804	2,254	1,290	305	351

(Unaudited)

10. TAXATION

	Year ended 31 March			Three months ended 30 June	
	2009	2010	2011	2010	2011
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Current year taxation					
Hong Kong Profits Tax	206	2,531	4,726	2,711	3,172
Singapore Corporate Tax	—	5,620	7,671	3,355	1,440
Macau Complementary Income Tax	196	—	—	—	—
	402	8,151	12,397	6,066	4,612
Deferred taxation (Note 28)	7	8	7	1	2
	409	8,159	12,404	6,067	4,614

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the Track Record Period.

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

No provision for Singapore Corporate Tax for the year ended 31 March 2009 has been made as the Group did not generate any assessable profits in Singapore for that year. Singapore Corporate Tax for the years ended 31 March 2010 and 2011 and the three months ended 30 June 2010 and 2011 has been provided at the rate of 17% on the estimated assessable profits.

Macau Complementary Income Tax (“MCIT”) for the year ended 31 March 2009 has been provided at the progressive rate on the estimated assessable profits. No provision for MCIT for the years ended 31 March 2010 and 2011 and the three months ended 30 June 2010 and 2011 has been made as the Group did not generate any assessable profits in Macau.

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The tax charge can be reconciled to the profit before taxation per the combined statements of comprehensive income as follows:

	Year ended 31 March			Three months ended 30 June	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before taxation	2,599	51,033	67,150	36,146	29,668
Tax expense at rates applicable to profits in the jurisdiction concerned	332	8,285	11,201	5,927	4,793
Tax effect of share of loss of an associate	—	—	129	24	20
Tax effect of income not taxable for tax purposes	(4)	(278)	(21)	(167)	(540)
Tax effect of expenses not deductible for tax purposes	80	125	850	283	321
Tax effect of tax losses not recognised	15	56	245	7	20
Utilisation of tax losses not recognised	(14)	(29)	—	(7)	—
Tax charge for the year/ period	<u>409</u>	<u>8,159</u>	<u>12,404</u>	<u>6,067</u>	<u>4,614</u>

11. DIRECTORS’ REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Directors’ remuneration

The remuneration paid or payable to each of the six directors of the Company for the year ended 31 March 2009 is set out below:

Name of director	Note	Fee HK\$'000	Salaries, allowances and other benefits HK\$'000	Contributions to retirement benefits scheme HK\$'000	Total HK\$'000
Executive directors					
Wong Law Fai		—	783	12	795
So Kwok Lam		—	806	12	818
Yip Chi Chong		—	788	—	788
Independent non-executive directors					
Lam Siu Lo, Andrew, JP	(i)	—	—	—	—
Tam Tak Kei, Raymond	(i)	—	—	—	—
Li Ying Ming	(i)	—	—	—	—
		<u>—</u>	<u>2,377</u>	<u>24</u>	<u>2,401</u>

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The remuneration paid or payable to each of the six directors of the Company for the year ended 31 March 2010 is set out below:

Name of director	Note	Fee HK\$’000	Salaries, allowances and other benefits HK\$’000	Contributions to retirement benefits scheme HK\$’000	Total HK\$’000
Executive directors					
Wong Law Fai		—	961	12	973
So Kwok Lam		—	671	12	683
Yip Chi Chong		—	898	—	898
Independent non-executive directors					
Lam Siu Lo, Andrew, <i>JP</i>	(i)	—	—	—	—
Tam Tak Kei, Raymond	(i)	—	—	—	—
Li Ying Ming	(i)	—	—	—	—
		—	2,530	24	2,554

The remuneration paid or payable to each of the six directors of the Company for the year ended 31 March 2011 is set out below:

Name of director	Note	Fee HK\$’000	Salaries, allowances and other benefits HK\$’000	Contributions to retirement benefits scheme HK\$’000	Total HK\$’000
Executive directors					
Wong Law Fai		—	1,100	12	1,112
So Kwok Lam		—	962	12	974
Yip Chi Chong		—	1,105	—	1,105
Independent non-executive directors					
Lam Siu Lo, Andrew, <i>JP</i>	(i)	—	—	—	—
Tam Tak Kei, Raymond	(i)	—	—	—	—
Li Ying Ming	(i)	—	—	—	—
		—	3,167	24	3,191

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The remuneration paid or payable to each of the six directors of the Company for the three months ended 30 June 2010 (unaudited) is set out below:

Name of director	Note	Fee HK\$’000	Salaries, allowances and other benefits HK\$’000	Contributions to retirement benefits scheme HK\$’000	Total HK\$’000
Executive directors					
Wong Law Fai		—	262	3	265
So Kwok Lam		—	256	3	259
Yip Chi Chong		—	223	—	223
Independent non-executive directors					
Lam Siu Lo, Andrew, <i>JP</i>	(i)	—	—	—	—
Tam Tak Kei, Raymond	(i)	—	—	—	—
Li Ying Ming	(i)	—	—	—	—
		—	741	6	747

The remuneration paid or payable to each of the six directors of the Company for the three months ended 30 June 2011 is set out below:

Name of director	Note	Fee HK\$’000	Salaries, allowances and other benefits HK\$’000	Contributions to retirement benefits scheme HK\$’000	Total HK\$’000
Executive directors					
Wong Law Fai		—	272	3	275
So Kwok Lam		—	271	3	274
Yip Chi Chong		—	241	—	241
Independent non-executive directors					
Lam Siu Lo, Andrew, <i>JP</i>	(i)	—	—	—	—
Tam Tak Kei, Raymond	(i)	—	—	—	—
Li Ying Ming	(i)	—	—	—	—
		—	784	6	790

Note:

- (i) Lam Siu Lo, Andrew, *JP*, Tam Tak Kei, Raymond, and Li Ying Ming were appointed as directors of the Company on 19 December 2011.

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(b) Individuals with highest emoluments

The five highest paid individuals of the Group included 2 directors for the year ended 31 March 2009, 1 director for the year ended 31 March 2010, 3 directors for the year ended 31 March 2011 and 2 directors for the three months ended 30 June 2010 and 2011, whose remuneration are reflected in the analysis presented above. Details of remuneration paid to the remaining 3, 4, 2, 3 and 3 highest paid individuals of the Group for the years ended 31 March 2009, 2010 and 2011 and the three months ended 30 June 2010 and 2011 respectively are as follows:

	Year ended 31 March			Three months ended 30 June	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances and other benefits	2,611	3,464	2,342	687	779
Contributions to retirement benefits scheme	36	36	12	12	13
	<u>2,647</u>	<u>3,500</u>	<u>2,354</u>	<u>699</u>	<u>792</u>

Their emoluments were within the following bands:

	Year ended 31 March			Three months ended 30 June	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$nil to HK\$1,000,000	3	4	—	3	3
HK\$1,000,001 to HK\$1,500,000	—	—	2	—	—
	<u>3</u>	<u>4</u>	<u>2</u>	<u>3</u>	<u>3</u>

No emoluments were paid by the Group to any directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period and the three months ended 30 June 2010. No directors of the Company waived or agreed to waive any emoluments paid by the Group during the Track Record Period and the three months ended 30 June 2010.

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12. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 March			Three months ended 30 June	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the year/period has been arrived at after charging (crediting):					
Staff costs					
— salaries, allowances and other benefits	40,931	56,668	66,595	16,587	13,632
— provision for long service payments	750	(390)	45	86	202
— contributions to retirement benefits scheme	1,177	2,512	2,705	623	645
Total staff costs (excluding directors’ remuneration)	42,858	58,790	69,345	17,296	14,479
Auditor’s remuneration	141	264	89	1	1
Depreciation of property, plant and equipment	1,105	1,179	1,391	276	287
Minimum lease payment under operating leases in respect of land and buildings	1,609	2,113	2,482	651	555
Exchange difference, net	178	29	1,368	57	1,185

13. DIVIDEND

The dividend paid by the Company’s subsidiary to its then shareholders during the year ended 31 March 2011 amounted to approximately HK\$105,160,000. The rates of dividend and the number of shares ranking for dividend are not presented as such information is not considered meaningful for the purpose of this report.

No dividends have been paid or declared by the Company since the date of its incorporation on 31 May 2011.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share for each of the years ended 31 March 2009, 2010 and 2011 and three months ended 30 June 2010 and 2011 is based on the profit for the year/period attributable to owners of the Company of approximately HK\$2,190,000, HK\$42,874,000, HK\$54,746,000, HK\$30,079,000 and HK\$25,054,000 respectively, and the weighted average number of ordinary shares in issue during the Track Record Period and the three months ended 30 June 2010 on the assumption that 249,000,000 ordinary shares of HK\$0.01 each, representing the number of shares of the Company immediately after the Reorganisation and the capitalisation issue as detailed in Appendix V to the Document but excluding any shares to be issued pursuant to the [●] had been effective on 1 April 2008.

Diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares during the Track Record Period and the three months ended 30 June 2010.

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15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixture and equipment HK\$'000	Computers HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST						
At 1 April 2008	11,672	532	4,169	1,426	1,512	19,311
Additions	—	138	288	126	447	999
Written-off	—	—	(2,974)	—	—	(2,974)
Exchange realignment	—	—	(3)	—	—	(3)
At 31 March 2009 and 1 April 2009	11,672	670	1,480	1,552	1,959	17,333
Additions	—	—	539	25	898	1,462
Exchange realignment	—	—	12	—	13	25
At 31 March 2010 and 1 April 2010	11,672	670	2,031	1,577	2,870	18,820
Additions	—	98	298	108	1,179	1,683
Disposals	—	—	(11)	—	(1,130)	(1,141)
Exchange realignment	—	2	75	—	60	137
At 31 March 2011 and 1 April 2011	11,672	770	2,393	1,685	2,979	19,499
Additions	—	—	278	—	—	278
Disposals	(2,672)	—	—	—	—	(2,672)
Exchange realignment	—	—	18	—	23	41
At 30 June 2011	9,000	770	2,689	1,685	3,002	17,146
ACCUMULATED DEPRECIATION						
At 1 April 2008	234	347	3,902	1,077	590	6,150
Charge for the year	234	122	158	240	351	1,105
Written-off	—	—	(2,974)	—	—	(2,974)
Exchange realignment	—	—	(2)	—	—	(2)
At 31 March 2009 and 1 April 2009	468	469	1,084	1,317	941	4,279
Charge for the year	234	122	246	204	373	1,179
Exchange realignment	—	—	1	—	—	1
At 31 March 2010 and 1 April 2010	702	591	1,331	1,521	1,314	5,459
Charge for the year	234	101	367	86	603	1,391
Disposals	—	—	(5)	—	(843)	(848)
Exchange realignment	—	1	27	—	14	42
At 31 March 2011 and 1 April 2011	936	693	1,720	1,607	1,088	6,044
Charge for the period	45	8	93	11	130	287
Disposals	(216)	—	—	—	—	(216)
Exchange realignment	—	—	9	—	5	14
At 30 June 2011	765	701	1,822	1,618	1,223	6,129
NET CARRYING VALUES						
At 31 March 2009	11,204	201	396	235	1,018	13,054
At 31 March 2010	10,970	79	700	56	1,556	13,361
At 31 March 2011	10,736	77	673	78	1,891	13,455
At 30 June 2011	8,235	69	867	67	1,779	11,017

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The above items of property, plant and equipment are depreciated on a straight line basis over the estimated useful lives as below:

Land and buildings	Over the shorter of the unexpired lease term and 50 years
Leasehold improvements	Over the shorter of the unexpired lease term and 3 to 4 years
Furniture, fixture and equipment	5 years
Computers	3 years
Motor vehicles	5 years

As at 31 March 2009 and 2010, the net carrying value of property, plant and equipment included motor vehicles of approximately HK\$660,000 and HK\$362,000 respectively, held under obligation under finance leases.

The carrying value of land and buildings located in Hong Kong under long-term lease were pledged to secure banking facilities granted to:

	At 31 March		At 30 June	
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2011 HK\$'000
A key management personnel (<i>Note</i>)	2,564	2,510	2,456	—
The Group	<u>8,640</u>	<u>8,460</u>	<u>8,280</u>	<u>8,235</u>
	<u>11,204</u>	<u>10,970</u>	<u>10,736</u>	<u>8,235</u>

Note: On 1 June 2011, the Group entered into an assignment of sale and purchase with a key management personnel and his spouse, pursuant to which the Group agreed to sell and the key management personnel and his spouse agreed to purchase the Group’s land and buildings at cash consideration of HK\$4,200,000 which was determined with reference to market value. On the date of disposal, the carrying value of the land and building amounted to approximately HK\$2,456,000.

16. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1 April 2008	7,840
Net decrease in fair value recognised in profit or loss	<u>(340)</u>
At 31 March 2009 and 1 April 2009	7,500
Net increase in fair value recognised in profit or loss	<u>1,500</u>
At 31 March 2010 and 1 April 2010	9,000
Additions	18,015
Net decrease in fair value recognised in profit or loss	(1,294)
Exchange realignment	<u>993</u>
At 31 March 2011 and 1 April 2011	26,714
Disposal of a subsidiary (<i>Note 32</i>)	(18,870)
Exchange realignment	356
Reclassify to investment property classified as held for sale (<i>Note 24</i>)	<u>(8,200)</u>
At 30 June 2011	<u>—</u>

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The carrying value of investment properties shown above comprises:

	At 31 March			At 30 June
	2009	2010	2011	2011
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Medium-term lease in Hong Kong	7,500	9,000	8,200	—
Long-term lease outside Hong Kong	—	—	18,514	—
	<u>7,500</u>	<u>9,000</u>	<u>26,714</u>	<u>—</u>

Investment property located in Hong Kong is held for undetermined future use and regarded as held for capital appreciation purpose, while investment property located in Singapore is held to earn rental. All of the Group’s property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group’s investment property located in Hong Kong at 31 March 2009 and 2010 have been arrived at on the basis of a valuation carried out on that date by Jointgoal Surveyors Limited (“Jointgoal Surveyors”), an independent qualified professional valuer not connected with the Group. The fair value of the investment property located in Hong Kong at 31 March 2011 has been arrived at on the basis of a valuation carried out on that date by BMI Appraisals Limited (“BMI”), an independent qualified professional valuer not connected with the Group. Both Jointgoal Surveyors and BMI have among their staff members of the Hong Kong Institute of Surveyors with recent experiences in the valuation of similar properties in the relevant locations. The valuations were arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

The fair value of the Group’s investment property located in Singapore at 31 March 2011 has been arrived at on the basis of a valuation carried out on that date by Knight Frank Pte Ltd (“Knight Frank”), an independent qualified professional valuer not connected with the Group. Knight Frank has among its staff members of the Singapore Institute of Surveyors and Valuers and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant location. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same location and condition. The property was disposed of through the disposal of a subsidiary on 3 June 2011 as set out in Note 32.

As at 31 March 2009, 2010 and 2011, the Group’s investment property located in Hong Kong under medium-term lease with net carrying amount of HK\$7,500,000, HK\$9,000,000 and HK\$8,200,000 respectively was pledged to secure banking facilities granted to the Group.

17. INTEREST IN AN ASSOCIATE

	At 31 March			At 30 June
	2009	2010	2011	2011
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Unlisted investment, at cost	—	1,087	1,087	1,087
Share of post-acquisition results	—	—	(761)	(878)
Exchange realignment	—	23	100	108
	<u>—</u>	<u>1,110</u>	<u>426</u>	<u>317</u>

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At 31 March 2009, 2010 and 2011 and 30 June 2011, the Group had interests in the following associate:

Name	Form of entity	Place of incorporation and operation	Class of shares held	Portion of nominal value of issued capital held by the Group and portion of voting power held				Principal activity
				At 31 March		At 30 June		
				2009	2010	2011	2011	
Castilia Development Pte. Ltd.	Private limited liability company	Singapore	Ordinary	—	20%	20%	20%	Investment holding, property and real estate development

Included in cost of investment in an associate at 31 March 2010 and 2011 and 30 June 2011 is goodwill of approximately HK\$383,000, HK\$426,000 and HK\$434,000 respectively arising on acquisition of an associate in March 2010.

The summarised unaudited financial information in respect of the Group’s associate is set out below:

	At 31 March			At 30 June	
	2009	2010	2011	2010	2011
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Total assets	—	69,216	94,756	68,667	103,297
Total liabilities	—	(65,582)	(94,927)	(65,732)	(104,053)
Net assets (liabilities)	—	3,634	(171)	2,935	(756)
Group’s share of net assets (liabilities) of an associate	—	727	(34)	587	(151)
Turnover	—	36	74	27	—
Profit (loss) for the year/period	—	19	(3,805)	(699)	(585)
Group’s share of loss of an associate for the year/period	—	—	(761)	(140)	(117)

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18. AVAILABLE-FOR-SALE INVESTMENTS

	At 31 March		At 30 June	
	2009	2010	2011	2011
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Listed outside Hong Kong at fair value:				
— equity securities	—	—	9,195	11,256
— debt securities	—	—	321	337
	<u>—</u>	<u>—</u>	<u>9,516</u>	<u>11,593</u>

The fair values of the above listed securities are determined based on the quoted market bid prices available on the relevant stock exchange. The directors of the Company consider the significant decrease in market price of the equity securities listed outside Hong Kong and an impairment loss of approximately HK\$3,303,000 was recognised for the year ended 31 March 2011.

19. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	At 31 March		At 30 June	
	2009	2010	2011	2011
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Contracts in progress at the end of each reporting period:				
Contract costs incurred plus recognised profits less recognised losses	532,815	555,323	964,576	777,055
Less: progress billings	<u>(532,305)</u>	<u>(605,386)</u>	<u>(972,970)</u>	<u>(776,943)</u>
	<u>510</u>	<u>(50,063)</u>	<u>(8,394)</u>	<u>112</u>
Analysed for reporting purposes as:				
Amounts due from contract customers (Note)	3,915	356	12,227	12,584
Amounts due to contract customers	<u>(3,405)</u>	<u>(50,419)</u>	<u>(20,621)</u>	<u>(12,472)</u>
	<u>510</u>	<u>(50,063)</u>	<u>(8,394)</u>	<u>112</u>

Note: At 31 March 2011 and 30 June 2011, included in the amounts due from customers for contract work were amounts of approximately HK\$1,098,000 and HK\$1,511,000 respectively due from an associate.

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20. TRADE AND OTHER RECEIVABLES

The following is an analysis of trade and other receivables at the end of each reporting period:

	At 31 March			At 30 June
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables				
— from third parties	94,709	113,019	119,103	74,187
— from an associate	—	—	883	—
	94,709	113,019	119,986	74,187
Unbilled revenue	54,721	102,400	55,403	69,373
Retention money receivables (<i>Note a</i>)	11,954	15,077	18,082	19,343
Advances, utility deposits and other receivables (<i>Note b</i>)	28,046	20,240	30,008	48,628
	189,430	250,736	223,479	211,531
Less: Impairment loss recognised in respect of trade receivables (<i>Note c</i>)	—	(3,837)	(3,837)	(3,837)
Trade and other receivables	189,430	246,899	219,642	207,694

Notes:

- (a) At 31 March 2009, 2010 and 2011 and 30 June 2011, retention money of approximately HK\$4,846,000, HK\$3,761,000, HK\$4,146,000 and HK\$4,951,000 respectively were expected to be recovered or settled in more than twelve months from the end of the corresponding reporting period.
- (b) Included in other receivables were advances to sub-contractors of approximately HK\$598,000, HK\$6,671,000, HK\$7,483,000 and HK\$10,303,000 at 31 March 2009, 2010 and 2011 and 30 June 2011 respectively. The amounts were interest bearing at an average of 9% per annum for the Track Record Period.

Included in other receivables were amounts of nil, nil, approximately HK\$9,146,000 and approximately HK\$9,215,000 at 31 March 2009, 2010 and 2011 and 30 June 2011 respectively pledged to secure banking facilities granted to the Group.

- (c) The movements in the impairment loss of trade receivables were as follows:

	At 31 March			At 30 June
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the year	—	—	3,837	3,837
Recognised during the year	—	3,837	—	—
At end of the year	—	3,837	3,837	3,837

As at 31 March 2010 and 2011 and 30 June 2011, included in the impairment loss of trade receivables was individually impaired trade receivable of approximately HK\$3,837,000 which had been long outstanding. The Group does not hold any collateral over these balances.

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The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. The following is an aged analysis of trade receivables, presented based on the invoice date at the end of each reporting period, and net of impairment loss recognised:

	At 31 March			At 30 June
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 30 days	85,274	105,797	115,100	69,826
More than 30 days and within 90 days	3,803	1,964	—	268
More than 90 days	<u>5,632</u>	<u>1,421</u>	<u>1,049</u>	<u>256</u>
	<u>94,709</u>	<u>109,182</u>	<u>116,149</u>	<u>70,350</u>

As at 31 March 2009, 2010 and 2011 and 30 June 2011, included in the Group’s trade receivable balances were debtors with aggregate carrying amount of approximately HK\$11,464,000, HK\$7,925,000, HK\$25,996,000 and HK\$2,460,000 respectively which were past due at the end of each reporting period for which the Group has not provided for impairment loss.

Ageing of trade receivables which are past due but not impaired:

	At 31 March			At 30 June
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 30 days	—	4,976	—	1,936
More than 30 days and within 90 days	5,832	6	24,946	283
More than 90 days	<u>5,632</u>	<u>2,943</u>	<u>1,050</u>	<u>241</u>
	<u>11,464</u>	<u>7,925</u>	<u>25,996</u>	<u>2,460</u>

The directors of the Company consider that there has not been a significant change in credit quality of the trade receivables and there is no recent history of default, therefore the amounts are considered recoverable. The Group does not hold any collateral over these balances.

21. AMOUNT DUE FROM (TO) A DIRECTOR

As at 31 March 2009, 2010 and 2011 and 30 June 2011, the amount due from (to) a director, Mr. Wong Law Fai, was unsecured, interest-free and repayable on demand.

	During the year ended 31 March			During the three months ended
	2009	2010	2011	30 June 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Maximum amount outstanding from the director during the year/period	<u>20,590</u>	<u>49,862</u>	<u>44,377</u>	<u>1,697</u>

The directors of the Company confirmed that the amount due from a director will be fully settled prior to [●].

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22. AMOUNTS DUE FROM (TO) FELLOW SUBSIDIARIES/AN ASSOCIATE/RELATED COMPANIES

Amounts due from (to) fellow subsidiaries, an associate and related companies as at 31 March 2009, 2010 and 2011 and 30 June 2011 were unsecured, interest-free and repayable on demand. The amount due from a related company was unsecured, non-interest bearing and was fully settled during the year ended 31 March 2011.

Amounts due from (to) related companies are as follows:

	At 31 March			At 30 June
	2009	2010	2011	2011
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Amount due from a related company				
One Two Holdings Pte Ltd	<u>—</u>	<u>832</u>	<u>—</u>	<u>—</u>
Maximum amount outstanding from the related company during the year/period	<u>—</u>	<u>832</u>	<u>832</u>	<u>—</u>
Amount due to a related company				
Regent Pacific Investments Ltd	<u>(973)</u>	<u>(969)</u>	<u>(963)</u>	<u>(958)</u>

Mr. Wong Law Fai, the Company’s director, is the common shareholder of the Company and the related companies.

The directors of the Company confirmed that the amount due to a related company will be fully settled prior to [●].

23. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits

Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group. All bank deposits have been pledged to secure bank overdrafts and short-term bank loans and are therefore classified as current assets. The pledged deposits carried interest at market rates which ranged from 0.25% to 3.42% per annum, 0.001% to 0.75% per annum, 0.07% to 0.2% per annum and 0.07% to 0.4% per annum during the years ended 31 March 2009, 2010 and 2011 and the three months ended 30 June 2011 respectively.

Included in pledged bank deposits are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	At 31 March			At 30 June
	2009	2010	2011	2011
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
United States dollars (“USD”)	<u>16,078</u>	<u>16,089</u>	<u>6,478</u>	<u>6,500</u>

Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with maturity within three months from initial inception. Bank balances carried interest at market rates which ranged from 0.001% to 0.01% per annum during each of the year ended 31 March 2009, 2010 and 2011 and the three months ended 30 June 2011.

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Included in bank balances and cash are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	At 31 March		At 30 June	
	2009	2010	2011	2011
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
USD	23,266	9,422	121	121
SGD	<u>2,258</u>	<u>18,713</u>	<u>67</u>	<u>18,955</u>

24. INVESTMENT PROPERTY CLASSIFIED AS HELD FOR SALE

On 30 May 2011, Wan Chung Construction entered into a memorandum of sale and purchase agreement with a related company, One Two Holdings Hong Kong Limited (“One Two Holdings HK”), pursuant to which Wan Chung Construction agreed to sell and One Two Holdings HK agreed to purchase an investment property at cash consideration of HK\$8,200,000 which was determined with reference to market value. The transaction was completed on 25 July 2011. Mr. Wong Law Fai is the common director of the Company and One Two Holdings HK.

The fair value of the investment property on the date of classified as held for sale amounted to approximately HK\$8,200,000 which had been arrived at by reference to the market value.

The fair value of the investment property classified as held for sale at 30 June 2011 has been arrived at on the basis of a valuation carried out on that date by BMI. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same location and conditions.

25. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables at the end of each reporting period:

	At 31 March		At 30 June	
	2009	2010	2011	2011
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Trade payables	130,697	163,278	129,408	111,257
Retention money payables (<i>Note</i>)	8,433	11,532	16,226	17,508
Accrued expenses and other payables	<u>1,864</u>	<u>5,653</u>	<u>3,597</u>	<u>5,161</u>
	<u>140,994</u>	<u>180,463</u>	<u>149,231</u>	<u>133,926</u>

Note: At 31 March 2009, 2010 and 2011 and 30 June 2011, retention money of approximately HK\$4,352,000, HK\$7,209,000, HK\$5,429,000 and HK\$5,646,000 respectively were expected to be paid or settled after more than twelve months from the end of the corresponding reporting period.

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The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	At 31 March		At 30 June	
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 30 days	124,546	155,981	126,871	106,827
More than 30 days and within 90 days	5,788	6,612	1,266	2,695
More than 90 days	<u>363</u>	<u>685</u>	<u>1,271</u>	<u>1,735</u>
	<u>130,697</u>	<u>163,278</u>	<u>129,408</u>	<u>111,257</u>

The average credit period on trade payables is 30-60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time-frame.

26. SECURED BANK BORROWINGS/SECURED BANK OVERDRAFTS

Secured bank borrowings

	At 31 March		At 30 June	
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans	81,270	45,800	79,459	54,227
Trust receipt loans	<u>4,529</u>	<u>4,314</u>	<u>—</u>	<u>—</u>
	<u>85,799</u>	<u>50,114</u>	<u>79,459</u>	<u>54,227</u>

	At 31 March		At 30 June	
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying amount repayable within one year (<i>Note</i>)	85,799	45,914	76,459	51,527
Carrying amount of bank loans that are not repayable within one year from the end of each reporting period but contain a repayment on demand clause (shown under current liabilities) (<i>Note</i>)	<u>—</u>	<u>4,200</u>	<u>3,000</u>	<u>2,700</u>
	<u>85,799</u>	<u>50,114</u>	<u>79,459</u>	<u>54,227</u>

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements.

During the years ended 31 March 2009, 2010 and 2011 and the three months ended 30 June 2011, secured bank borrowings bore floating interest rates from 2.03% to 5.25% per annum, 1.71% to 5.75% per annum, 2.00% to 3.31% per annum and 2.19% to 3.45% per annum respectively. The weighted average interest rate for the years ended 31 March 2009, 2010 and 2011 and the three months ended 30 June 2011 were 2.93%, 2.38%, 2.44% and 2.78% per annum respectively.

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Secured bank overdrafts

At 31 March 2010, secured bank overdrafts bore interest at market rates ranging from 6.00% to 6.25% per annum. The weighted average interest rate for the year ended 31 March 2010 was 6.14% per annum.

As at 31 March 2009, 2010 and 2011 and 30 June 2011, the bank borrowings and overdrafts were secured by:

- certain assets of the Group as set out in Note 35; and
- personal guarantee provided by the Company’s director, Mr. Wong Law Fai.

The directors of the Company confirmed that guarantee provided by Mr. Wong Law Fai will be released upon the [●].

27. OBLIGATIONS UNDER FINANCE LEASES

	2009 HK\$'000	At 31 March 2010 HK\$'000	2011 HK\$'000	At 30 June 2011 HK\$'000
Analysed for reporting purposes as:				
Current liabilities	373	89	—	—
Non-current liabilities	89	—	—	—
	462	89	—	—

It is the Group’s policy to lease certain of its motor vehicles under finance leases. The average lease term was 3 years for the Track Record Period. All obligations under finance leases carried interest at prime rate minus 2%. During the Track Record Period, the effective interest rate was 3.25% per annum.

	Minimum lease payments				Present value of minimum lease payments			
	at 31 March		at 30 June		at 31 March		at 30 June	
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2011 HK\$'000	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2011 HK\$'000
Amounts payable under finance leases								
Within one year	383	89	—	—	373	89	—	—
More than one year but less than two years	89	—	—	—	89	—	—	—
	472	89	—	—	462	89	—	—
Less: future finance charges	(10)	—	—	—	N/A	N/A	N/A	N/A
Present value of obligations under finance lease	462	89	—	—	462	89	—	—
Less: amount due for settlement with 12 months (shown under current liabilities)					(373)	(89)	—	—
Amount due for settlement after 12 months					89	—	—	—

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The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

The obligations under finance leases were fully repaid during the year ended 31 March 2011.

28. DEFERRED TAX LIABILITIES

The following is the major deferred tax liability recognised by the Group and movements thereon during the Track Record Period:

	Accelerated tax depreciation <i>HK\$'000</i>
At 1 April 2008	384
Charged to profit and loss	<u>7</u>
At 31 March 2009 and 1 April 2009	391
Charged to profit or loss	<u>8</u>
At 31 March 2010 and 1 April 2010	399
Charged to profit or loss	<u>7</u>
At 31 March 2011 and 1 April 2011	406
Charged to profit or loss	<u>2</u>
At 30 June 2011	<u><u>408</u></u>

At 31 March 2009, 2010 and 2011 and 30 June 2011, the Group has unused tax losses of approximately HK\$200,000, HK\$490,000, HK\$2,318,000 and HK\$2,484,000 respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. At 31 March 2009, 2010 and 2011 and 30 June 2011, included in unrecognised tax losses are losses of approximately nil, HK\$466,000, HK\$1,313,000 and HK\$170,000 that will expire three years after respective reporting date. Other losses may be carried forward indefinitely.

29. SHARE CAPITAL

As the Company was not incorporated prior to 31 March 2011 and the Reorganisation was not completed as at 31 March 2011, the share capital of the Group in the combined statements of financial position as at 31 March 2009, 2010 and 2011 represented the share capital of Wan Chung Construction.

The share capital of the Group at 30 June 2011 represented the share capital of Wan Chung Construction of HK\$22,000,000 and the aggregate share capital of Prosper Ace of USD1 (equivalent to approximately HK\$7.8) and the Company of HK\$0.01.

The Company was incorporated on 31 May 2011 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the same date, 1 share of HK\$0.01 each were allotted and issued at par.

Pursuant to the resolutions in writing passed by the sole shareholder of the Company on 19 December 2011, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional of 1,962,000,000 shares of HK\$0.01 each, each ranks pari passu with the shares then in issue in all respects.

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30. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 March		At 30 June	
	2009	2010	2011	2011
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Financial assets				
Loans and receivables (including pledged bank deposits, bank balances and cash)	270,951	385,857	321,554	272,011
Available-for-sale investments	<u>—</u>	<u>—</u>	<u>9,516</u>	<u>11,593</u>
Other financial liabilities				
At amortised cost	<u>228,702</u>	<u>229,793</u>	<u>270,078</u>	<u>189,321</u>

Financial risk management objectives and policies

The Group’s major financial assets and liabilities include available-for-sale investments, trade and other receivables, amounts due from a director, a related company, an associate and fellow subsidiaries, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to a director, fellow subsidiaries and a related company, secured bank overdrafts, secured bank borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group has certain portion of pledged bank deposits, bank balances and cash denominated in currencies other than the functional currency of the entity to which they relate.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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Sensitivity analysis

The following table details the Group’s sensitivity to a 5% increase and decrease in HK\$ against the relevant foreign currencies. During the years ended 31 March 2009, 2010 and 2011 and the three months ended 30 June 2011, 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where HK\$ strengthen 5% against the relevant currency. For a 5% weakening of HK\$ against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Impact of USD				Impact of SGD			
	At 31 March		At 30 June		At 31 March		At 30 June	
	2009	2010	2011	2011	2009	2010	2011	2011
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Profit or loss	<u>1,643</u>	<u>1,065</u>	<u>276</u>	<u>276</u>	<u>94</u>	<u>781</u>	<u>3</u>	<u>791</u>

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances, secured bank borrowings, secured bank overdrafts and obligations under finance leases and is also exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits and amount due from a subcontractor. 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’s exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group’s cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate arising from the Group’s HK\$ denominated borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole year/period. During the years ended 31 March 2009, 2010 and 2011 and the three months ended 30 June 2011, a 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group’s post-tax profit would decrease/increase by approximately HK\$486,000, HK\$196,000, HK\$551,000 and HK\$185,000 for the years ended 31 March 2009, 2010 and 2011 and the three months ended 30 June 2011, respectively. This is mainly attributable to the Group’s exposure to interest rates on its variable-rate bank balances, secured bank borrowings, secured bank overdrafts and obligations under finance leases.

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Other price risk

The Group is exposed to price risk through its investments in listed securities during the year ended 31 March 2011 and the three months ended 30 June 2011. The management manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risk at the end of the reporting date.

If the prices of the respective securities had been 5% higher/lower, revaluation reserve/post-tax profit would increase/decrease by approximately HK\$476,000 and HK\$580,000 for the Group as a result of the changes in fair value of available-for-sale investments for the year ended 31 March 2011 and the three months ended 30 June 2011.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2009, 2010 and 2011 and 30 June 2011 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the combined statements of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables regularly at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Management considers the credit risk attributable to the amounts due from related parties to be insignificant as majority of the receivables are due from group companies with a good creditworthiness.

The Group's concentration of credit risk by geographical locations is in Hong Kong, which accounted for 94%, 59%, 80% and 97% of the total trade receivable as at 31 March 2009, 2010 and 2011 and 30 June 2011 respectively.

As at 31 March 2009, 2010 and 2011 and 30 June 2011, the Group has concentration of credit risk as 56%, 52%, 66% and 72% of the total trade receivables was due from the Group's largest customer while 84%, 99%, 92% and 93% of the total trade receivables was due from the Group's five largest customers respectively.

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 deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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The following table details the Group’s remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Specifically, borrowings 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 within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

The table includes 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 each reporting period.

Liquidity table	On demand or within 1 year HK\$’000	1–5 years HK\$’000	Total contractual undiscounted cash flow HK\$’000	Carrying amount HK\$’000
At 31 March 2009				
Trade and other payables	136,642	4,352	140,994	140,994
Amounts due to fellow subsidiaries	474	—	474	474
Amount due to a related company	973	—	973	973
Secured bank borrowings	86,083	—	86,083	85,799
Obligations under finance leases	<u>373</u>	<u>89</u>	<u>462</u>	<u>462</u>
	<u>224,545</u>	<u>4,441</u>	<u>228,986</u>	<u>228,702</u>
At 31 March 2010				
Trade and other payables	170,295	7,209	177,504	177,504
Amounts due to fellow subsidiaries	526	—	526	526
Amount due to a related company	969	—	969	969
Secured bank borrowings (Note a)	50,189	—	50,189	50,114
Secured bank overdrafts	594	—	594	591
Obligations under finance leases	<u>89</u>	<u>—</u>	<u>89</u>	<u>89</u>
	<u>222,662</u>	<u>7,209</u>	<u>229,871</u>	<u>229,793</u>
At 31 March 2011				
Trade and other payables	143,056	5,429	148,485	148,485
Amount due to a director	40,658	—	40,658	40,658
Amounts due to fellow subsidiaries	513	—	513	513
Amount due to a related company	963	—	963	963
Secured bank borrowings (Note b)	<u>79,608</u>	<u>—</u>	<u>79,608</u>	<u>79,459</u>
	<u>264,798</u>	<u>5,429</u>	<u>270,227</u>	<u>270,078</u>
At 30 June 2011				
Trade and other payables	128,034	5,646	133,680	133,680
Amounts due to fellow subsidiaries	456	—	456	456
Amount due to a related company	958	—	958	958
Secured bank borrowings (Note c)	<u>54,565</u>	<u>—</u>	<u>54,565</u>	<u>54,227</u>
	<u>184,013</u>	<u>5,646</u>	<u>189,659</u>	<u>189,321</u>

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Notes:

- (a) Borrowings with a repayment on demand clause are included in the ‘on demand or within 1 year’ time band in the above maturity analysis. As at 31 March 2010, the aggregate undiscounted principal amounts of these borrowings amounted to approximately HK\$4,200,000. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such borrowings in amounts of HK\$1,200,000 and HK\$3,000,000 will be repaid one year and within 2-5 years, respectively after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK\$4,460,000.
- (b) Borrowings with a repayment on demand clause are included in the ‘on demand or within 1 year’ time band in the above maturity analysis. As at 31 March 2011, the aggregate undiscounted principal amounts of these borrowings amounted to approximately HK\$3,000,000. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such borrowings in amounts of HK\$1,200,000 and HK\$1,800,000 will be repaid within one year and within 2-5 years, respectively after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK\$3,134,000.
- (c) Borrowings with a repayment on demand clause are included in the ‘on demand or within 1 year’ time band in the above maturity analysis. As at 30 June 2011, the aggregate undiscounted principal amounts of these borrowings amounted to approximately HK\$2,700,000. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such borrowings in amounts of HK\$1,200,000 and HK\$1,500,000 will be repaid within one year and within 2-5 years, respectively after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK\$2,808,000.
- (d) The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the combined statements of financial position approximate their fair values due to their immediate or short-term maturities.

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Fair value measurements recognised in the combined statements of financial position

The financial instruments that are measured subsequent to initial recognition at fair value, are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 March 2009, 2010 and 2011 and 30 June 2011, the fair value of available-for-sale investments amounted to approximately nil, nil, HK\$9,516,000 and HK\$11,593,000 respectively is derived from unadjusted quoted prices in active market for identical assets and hence, its fair value measurement is grouped into Level 1.

31. RETIREMENT BENEFITS PLANS

The Group operates MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees and subject to a cap of HK\$1,000 per employee.

Under the laws of Singapore, certain subsidiaries of the Company make contributions to the state pension scheme, the Central Provident Fund (“CPF”). The subsidiaries of the Company in Singapore are required to contribute certain percentages varies from 5% to 20% of the monthly salaries of their current employees to the CPF.

Employees employed by the Group’s operations in Macau Special Administration Region (“MSAR”) are members of government-managed retirement benefits schemes operated by the MSAR government. The MSAR operations are required to pay a monthly fixed contribution to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the MSAR government is to make the required contributions under the schemes.

During the years ended 31 March 2009, 2010 and 2011 and the three months ended 30 June 2010 and 2011, the total expenses recognised in the combined statements of comprehensive income are approximately HK\$1,201,000, HK\$2,536,000, HK\$2,729,000, HK\$629,000 and HK\$651,000 respectively, which represent contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

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32. DISPOSAL OF A SUBSIDIARY

On 3 June 2011, Wan Chung Singapore disposed of its entire equity interest in Wan Chung Investments for a consideration of SGD2 or equivalent to HK\$12 to Mr. Eng Boon Seng and Ms Eng Mew Yong (“Purchasers”). Ms. Eng Mew Yong is the spouse of Mr. Chng Kang Hai, a director of Wan Chung Singapore.

On the same date, Wan Chung Singapore entered into a deed of assignment with the Purchasers pursuant to which Wan Chung Singapore assigned to the Purchasers a shareholder’s loan (“Shareholder’s Loan”) to Wan Chung Investments in the sum of approximately SGD3,084,000 or equivalent to approximately HK\$19,400,000, upon completion of the disposal of Wan Chung Investments. The Shareholder’s Loan was settled on 6 June 2011.

Analysis of asset and liabilities over which control was lost:

	<i>HK\$’000</i>
Investment property	18,870
Bank balances and cash	176
Trade and other payables	(144)
Shareholder’s Loan	<u>(19,400)</u>
Net liabilities disposed of	(498)
Cumulative exchange difference in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	39
Gain on disposal of a subsidiary	<u>459</u>
Total consideration	<u><u>—</u></u>

Net cash outflow arising on disposal of a subsidiary:

	<i>HK\$’000</i>
Cash consideration received	—
Less: bank balances and cash disposed of	<u>(176)</u>
	<u><u>(176)</u></u>

Wan Chung Investments disposed of during the three months ended 30 June 2011 has no material impact on the Group’s result and cash flows.

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33. COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group had outstanding commitments in respect of future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 March			At 30 June
	2009	2010	2011	2011
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Within one year	1,491	1,343	1,070	1,039
In the second to fifth year inclusive	<u>813</u>	<u>62</u>	<u>770</u>	<u>877</u>
	<u>2,304</u>	<u>1,405</u>	<u>1,840</u>	<u>1,916</u>

Operating lease payments represents rentals payable by the Group for certain of its office premises and staff quarters. Leases are negotiated and rentals are fixed for an average term of one to four years.

The Group as lessor

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	At 31 March			At 30 June
	2009	2010	2011	2011
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Within one year	—	—	613	—
In the second to fifth year inclusive	<u>—</u>	<u>—</u>	<u>431</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>1,044</u>	<u>—</u>

As at 31 March 2011, the properties are expected to generate rental yields of 4.3% per annum on an ongoing basis and have committed tenants for the next two years. As set out in Note 16, the properties have been disposed of during the three months ended 30 June 2011.

34. CONTINGENT LIABILITIES

(a) Contingent liabilities in respect of legal claims

One subsidiary of the Group is defendant in a number of claims, lawsuits, arbitrations and potential claims relating to subcontracting fees, damages of personal injuries and breach of construction contracts. The directors of the Company considered that no provision for the contingent liabilities in respect of the litigation is necessary after due consideration of each case and with reference to the legal opinion.

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(b) Guarantee issued

At the end of each reporting period, the Group had provided the following guarantees:

	At 31 March		At 30 June	
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees in respect of performance bonds in favor of its clients	15,080	17,740	18,315	19,987
Guarantees given to banks in respect of banking facilities granted to an associate	—	—	14,218	14,505
	<u>15,080</u>	<u>17,740</u>	<u>32,533</u>	<u>34,492</u>

At the initial date of providing the guarantees, the directors of the Company considered that the fair value of the financial guarantee is insignificant.

35. PLEDGE OF ASSETS

- (a) As at 31 March 2009, 2010 and 2011 and 30 June 2011, the Group had pledged the following assets to banks to secure the banking facilities granted to the Group:

	At 31 March		At 30 June	
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	8,640	8,460	8,280	8,235
Investment property	7,500	9,000	8,200	—
Other receivables	—	—	9,146	9,215
Bank deposits	<u>49,386</u>	<u>49,439</u>	<u>39,852</u>	<u>39,878</u>
	<u>65,526</u>	<u>66,899</u>	<u>65,478</u>	<u>57,328</u>

- (b) As at 31 March 2009, 2010 and 2011, the Group’s land and buildings with net carrying value of HK\$2,564,000, HK\$2,510,000 and HK\$2,456,000 respectively were pledged to secure banking facilities granted to a key management personnel. The land and buildings were disposed of to the key management personnel and his spouse on 1 June 2011 as set out in Note 15.
- (c) The Group’s benefits under certain construction contracts were pledged to banks to secure the facilities granted to the Group.
- (d) The Group’s obligations under finance leases were secured by the lessors’ title to the leased assets with carrying value of approximately HK\$660,000 and HK\$362,000 as at 31 March 2009 and 2010 respectively.

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ACCOUNTANTS’ REPORT

36. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed elsewhere in the Financial Information, during the Track Record Period, the Group entered into transactions with related parties as follows:

	Year ended 31 March			Three months ended 30 June	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Construction revenue received from an associate	—	—	1,337	—	3,319
Rental income received from a key management personnel	154	154	154	39	26

- (b) **Compensation of key management personnel**

The remuneration of key management personnel of the Group during the Track Record Period is as follows:

	Year ended 31 March			Three months ended 30 June	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances and other benefits	7,777	9,432	12,657	2,707	3,343
Provision for long service payments	133	54	38	85	202
Contributions to retirement benefits scheme	132	217	279	53	67
	<u>8,042</u>	<u>9,703</u>	<u>12,974</u>	<u>2,845</u>	<u>3,612</u>

- (c) Under a deed of indemnity dated 19 December 2011, the then controlling shareholders have undertaken to provide indemnities on a joint and several basis in respect of, among other matters, all claims, payments, suits, damages, settlements payments and any associated costs and expenses which would be incurred or suffered by the Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature against any member of the Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of the Group on or before the [●].

APPENDIX I**ACCOUNTANTS’ REPORT**

B. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 30 June 2011:

(a) Reorganisation

The Company was incorporated on 31 May 2011 and the companies comprising the Group underwent a reorganisation to rationalise the Group’s structure in preparation for [●]. Details of the Reorganisation are set out in the section headed “Corporate Reorganisation” in the Document. As a result of the Reorganisation, the Company became the holding company of the Group on [●].

(b) Share option scheme

Pursuant to the written resolutions of the sole shareholder of the Company passed on [●], the Company has conditionally adopted a share option scheme.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of the companies comprising the Group in respect of any period subsequent to 30 June 2011.

Yours faithfully,
SHINEWING (HK) CPA Limited
Certified Public Accountants
[●]
Practising Certificate Number: [●]
Hong Kong

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APPENDIX III

PROPERTY VALUATION

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this document received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 31 October 2011 of the properties located in Hong Kong, Macau and Singapore.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

33rd Floor, Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心33樓
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

[●]

The Directors

Vision Fame International Holding Limited

Flat A, 2/F., Fuk On Building

No. 1123 Canton Road

Mongkok, Kowloon

Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Vision Fame International Holding Limited (the “Company”) for us to value the properties held or leased by the Company and/or its subsidiaries (together referred to as the “Group”) located in Hong Kong, Macau and Singapore. We confirm that we have performed inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 October 2011 (the “date of valuation”).

BASIS OF VALUATION

Our valuations of the properties have been based on the Market Value, which is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

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APPENDIX III**PROPERTY VALUATION**

PROPERTY CATEGORIZATION

In the course of our valuations, the portfolio of properties of the Group is categorized into the following groups:

- Group I — Property held and occupied by the Group in Hong Kong
- Group II — Properties leased by the Group in Hong Kong
- Group III — Property leased by the Group in Macau
- Group IV — Properties leased by the Group in Singapore

VALUATION METHODOLOGIES

We have valued the property in Group I on market basis by the Comparison Approach assuming sale in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the market. Appropriate adjustments have been made to account for the differences between the property and the comparables in terms of time, floor level, size and other relevant factors.

We have attributed no commercial value to the properties in Groups II to IV due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

TITLE INVESTIGATION

We have caused land searches to be made at the Land Registry of Hong Kong and have been provided with copies of the tenancy agreements relating to the properties. However, we have neither examined the original documents to verify ownership nor to ascertain the existence of any amendments, which do not appear on the copies handed to us. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the properties are sold in the market in their existing states without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or effecting sale of the properties and no forced sale situation in any manner is assumed in our valuations.

APPENDIX III**PROPERTY VALUATION**

VALUATION CONSIDERATIONS

We have inspected the exterior and wherever possible, the interior of the properties. During the course of our inspections, we did not note any serious defects. However, no structural surveys have been made nor have any tests been carried out on any of the services provided in the properties. We are, therefore, unable to report that the properties are free from rot, infestation or any other structural defects.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site/floor areas, identification of the properties and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the requirements contained in [●].

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK\$) and no allowances have been made for any exchange transfers.

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APPENDIX III**PROPERTY VALUATION**

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C. H. Cheng

*BSc., MUD, MBA(Finance), MSc.(Eng), PhD(Econ),
SIFM, FCIM, CPA UK, MHKIS, MCI Arb,
MASCE, MIET, MIEEE, MASME, MIIE*

Managing Director

Joannau W. F. Chan

BSc., MSc., MRICS, MHKIS, RPS(GP)

Senior Director

Notes: Dr. Tony C.H. Cheng is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 18 years’ experience in valuations of properties in Hong Kong and Macau and over 11 years’ experience in valuations of properties in Singapore.

Ms. Joannau W.F. Chan is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 18 years’ experience in valuations of properties in Hong Kong, over 12 years’ experience in valuations of properties in Macau and over 7 years’ experience in valuations of properties in Singapore.

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APPENDIX III**PROPERTY VALUATION**

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 31 October 2011 HK\$
Group I — Property held and occupied by the Group in Hong Kong		
1.	Factory Unit A on 2nd Floor, Fuk On Factory Building, No. 1123 Canton Road, Kowloon, Hong Kong	18,700,000
		Sub-total: <u><u>18,700,000</u></u>
Group II — Properties leased by the Group in Hong Kong		
2.	Factory Unit B2 on 12th Floor, Fuk On Factory Building, No. 1123 Canton Road, Kowloon, Hong Kong	No Commercial Value
3.	Factory Unit B3 on 12th Floor, Fuk On Factory Building, No. 1123 Canton Road, Kowloon, Hong Kong	No Commercial Value
4.	Unit No. 2 on 7th Floor, Henley Industrial Centre, Nos. 9-15 Bute Street, Kowloon, Hong Kong	No Commercial Value
5.	Unit No. 5 on 8th Floor, Fu Hang Industrial Building, No. 1 Hok Yuen Street, Kowloon, Hong Kong	No Commercial Value
		Sub-total: <u><u>Nil</u></u>

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PROPERTY VALUATION

No.	Property	Market Value in existing state as at 31 October 2011 HK\$
Group III — Property leased by the Group in Macau		
6.	Rua Direita de Carlos Eugenio No. 21, Taipa, Macau	No Commercial Value
	Sub-total:	<u>Nil</u>
Group IV — Properties leased by the Group in Singapore		
7.	#04-325/335, Block 212, Hougang Street 21, Singapore 530212	No Commercial Value
8.	#02-57, Euphony Gardens, 9 Jalan Mata Ayer, Singapore 759153	No Commercial Value
	Sub-total:	<u>Nil</u>
	Grand-total:	<u><u>18,700,000</u></u>

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APPENDIX III

PROPERTY VALUATION

VALUATION CERTIFICATE

Group I — Property held and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2011 <i>HK\$</i>
1.	Factory Unit A on 2nd Floor, Fuk On Factory Building, No. 1123 Canton Road, Kowloon, Hong Kong	The property comprises a unit on the 2nd floor of a 14-storey building completed in about 1971. The saleable area of the property is approximately 4,917.36 sq.ft. (or about 456.83 sq.m.). The property is held under Conditions of Sale No. 4041 for a term of 75 years renewable for 75 years commencing on 29 January 1940.	The property is occupied by the Group for office use.	18,700,000

Notes:

1. The registered owner of the property is Wan Chung Property Company Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. UB6107666 dated 15 August 1994 at a consideration of HK\$7,390,000.
2. The property is subject to the following material encumbrances:
 - a. Deed of Mutual Covenant with Plan vide Memorial No. UB834135 dated 8 September 1971;
 - b. Mortgage to secure general banking facilities in favour of Overseas Trust Bank Limited vide Memorial No. UB6107667 dated 15 August 1994; and
 - c. Second Mortgage to secure general banking facilities in favour of Overseas Trust Bank Limited vide Memorial No. UB6107668 dated 15 August 1994.

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PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Properties leased by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2011 <i>HK\$</i>
2.	Factory Unit B2 on 12th Floor, Fuk On Factory Building, No. 1123 Canton Road, Kowloon, Hong Kong	<p>The property comprises a unit on the 12th floor of a 14-storey building completed in about 1971.</p> <p>The gross floor area (“GFA”) of the property is approximately 1,700 sq.ft. (or about 157.93 sq.m.).</p> <p>Pursuant to a tenancy agreement entered into between Chung Property Development Limited and Wan Chung Construction Company Limited (“Wan Chung Construction”), an indirect wholly-owned subsidiary of the Company, the property is leased to Wan Chung Construction for a term of 3 years commencing on 1 March 2011 and expiring on 28 February 2014 at a monthly rent of HK\$16,000 inclusive of property tax, management fee, rates and government rent.</p>	The property is occupied by the Group for office use.	No Commercial Value

Note:

The registered owner of the property is Chung Property Development Limited, an independent third party of the Company.

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PROPERTY VALUATION

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2011 <i>HK\$</i>
3.	Factory Unit B3 on 12th Floor, Fuk On Factory Building, No. 1123 Canton Road, Kowloon, Hong Kong	<p>The property comprises a unit on the 12th floor of a 14-storey building completed in about 1971.</p> <p>The gross floor area (“GFA”) of the property is approximately 900 sq.ft. (or about 83.61 sq.m.).</p> <p>Pursuant to a tenancy agreement entered into between Chung Property Development Limited and Wan Chung Construction Company Limited (“Wan Chung Construction”), an indirect wholly-owned subsidiary of the Company, the property is leased to Wan Chung Construction for a term of 2 years commencing on 20 January 2010 and expiring on 19 January 2012 at a monthly rent of HK\$4,800 inclusive of property tax, management fee, rates and government rent.</p>	The property is occupied by the Group for storage use.	No Commercial Value

Note:

The registered owner of the property is Chung Property Development Limited, an independent third party of the Company.

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PROPERTY VALUATION

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2011 <i>HK\$</i>
4.	Unit No. 2 on 7th Floor, Henley Industrial Centre, Nos. 9-15 Bute Street, Kowloon, Hong Kong	<p>The property comprises a unit on the 7th floor of a 15-storey building completed in about 1991.</p> <p>The gross floor area (“GFA”) of the property is approximately 1,400 sq.ft. (or about 130.06 sq.m.).</p> <p>Pursuant to a tenancy agreement entered into between Interports Limited and Wan Chung Construction Company Limited (“Wan Chung Construction”), an indirect wholly-owned subsidiary of the Company, the property is leased to Wan Chung Construction for a term of 2 years commencing on 1 June 2010 and expiring on 31 May 2012 at a monthly rent of HK\$17,000 inclusive of management fee, rates and government rent, with a rent free period from 17 May 2010 to 31 May 2010.</p>	The property is occupied by the Group for office use.	No Commercial Value

Note:

The registered owner of the property is Interports Limited, an independent third party of the Company.

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APPENDIX III**PROPERTY VALUATION**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2011 <i>HK\$</i>
5.	Unit No. 5 on 8th Floor, Fu Hang Industrial Building, No. 1 Hok Yuen Street, Kowloon, Hong Kong	<p>The property comprises a unit on the 8th floor of a 15-storey building completed in about 1984.</p> <p>The gross floor area (“GFA”) of the property is approximately 2,970 sq.ft. (or about 275.92 sq.m.).</p> <p>Pursuant to a tenancy agreement entered into between Good Mind Holdings Limited and Wan Chung Construction Company Limited (“Wan Chung Construction”), an indirect wholly-owned subsidiary of the Company, the property is leased to Wan Chung Construction for a term of 4 years commencing on 1 October 2010 and expiring on 30 September 2014 at a monthly rent of HK\$32,670 inclusive of management fee, rates and government rent.</p>	The property is occupied by the Group for office use.	No Commercial Value

Note:

The registered owner of the property is Good Mind Holdings Limited, an independent third party of the Company.

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APPENDIX III

PROPERTY VALUATION

VALUATION CERTIFICATE

Group III — Property leased by the Group in Macau

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2011 <i>HK\$</i>
6.	Rua Direita de Carlos Eugenio No. 21, Taipa, Macau	<p>The property comprises a 3-storey building completed in about 1970s.</p> <p>The gross floor area (“GFA”) of the property is approximately 1,700 sq.ft. (or about 157.93 sq.m.).</p> <p>Pursuant to a tenancy agreement entered into between Mak Yuen Fai, an independent third party of the Company, and Wan Chung Engineering (Macau) Company Limited (“Wan Chung (Macau)”), an indirect wholly-owned subsidiary of the Company, the property is leased to Wan Chung (Macau) for a term of 2 years commencing on 1 January 2010 and expiring on 31 December 2011 at a monthly rent of HK\$12,000 inclusive of government tax.</p>	The property is occupied by the Group for office use.	No Commercial Value

APPENDIX III

PROPERTY VALUATION

VALUATION CERTIFICATE

Group IV — Properties leased by the Group in Singapore

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2011 <i>HK\$</i>
7.	#04-325/335, Block 212, Hougang Street 21, Singapore 530212	<p>The property comprises 2 units of a 6-storey office building completed in about 1984.</p> <p>The total gross floor area (“GFA”) of the property is approximately 720 sq.ft. (or about 66.89 sq.m.).</p> <p>Pursuant to a tenancy agreement entered into between the Housing and Development Board of Singapore (“HDB”), an independent third party of the Company, and Wan Chung Construction (Singapore) Pte. Ltd. (“Wan Chung (Singapore)”), an indirect wholly-owned subsidiary of the Company, #04-325 of the property is leased to Wan Chung (Singapore) for a term of 3 years commencing on 1 August 2010 and expiring on 31 July 2013 at a monthly rent of S\$1,155 from 1 August 2010 to 31 July 2011 and S\$1,200 from 1 August 2011 to 31 July 2013, inclusive of water, gas, electricity and other utilities charges.</p> <p>Pursuant to a tenancy agreement entered into between HDB and Wan Chung (Singapore), #04-335 of the property is leased to Wan Chung (Singapore) for a term of 8 months commencing on 1 November 2010 and expiring on 30 June 2011 at a monthly rent of S\$1,750 inclusive of water, gas, electricity and other utilities charges. Pursuant to an Acceptance of Renewal of Tenancy, the tenancy is renewed for a term of 3 years commencing on 1 July 2011 and expiring on 30 June 2014 at a monthly rent of S\$1,750 inclusive of water, gas, electricity and other utilities charges.</p>	The property is occupied by the Group for office use.	No Commercial Value

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APPENDIX III

PROPERTY VALUATION

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2011 <i>HK\$</i>
8.	#02-57, Euphony Gardens, 9 Jalan Mata Ayer, Singapore 759153	<p>The property comprises a unit of a 5-storey residential building completed in about 2002.</p> <p>The gross floor area (“GFA”) of the property is approximately 750 sq.ft. (or about 69.68 sq.m.).</p> <p>Pursuant to a tenancy agreement entered into between Rusidah Binte Marhaban, an independent third party of the Company, and Wan Chung Construction (Singapore) Pte. Ltd. (“Wan Chung (Singapore)”), an indirect wholly-owned subsidiary of the Company, the property is leased to Wan Chung (Singapore) for a term of 1 year commencing on 1 March 2011 and expiring on 29 February 2012 at a monthly rent of S\$2,600 exclusive of rates, taxes and all relevant outgoings.</p>	<p>The property is occupied by the Group for staff accommodation use.</p>	<p>No Commercial Value</p>

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

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 Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 31 May 2011 under the Cayman Companies Law. The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “Memorandum”) and the Amended and Restated Articles of Association (the “Articles”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since 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) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 19 December 2011. 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) Share certificates

Every person whose name is entered as a member in the register of members shall be entitled without payment to receive a certificate for his shares. The Cayman Companies Law prohibits the issue of bearer shares to any person other than an authorised or recognised custodian defined in the Cayman Companies Law. The requirement on all service providers to implement appropriate due diligence procedures on the identity of a client in order to “know your client” as a result of proceeds of crime legislation mandates that special procedures should be followed when issuing bearer shares.

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Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions

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for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be 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 whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may 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 Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present 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 or statutorily entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest

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in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with the Company or with any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with 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 therefore (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of 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 or other benefits received by him as a director, officer or member of 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.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any 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 for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

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A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) 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 associate(s) has/have 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 proposal 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 associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) 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 associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or
- (ee) any contract or arrangement in which the Director or his 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.

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(vi) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion 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 has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) 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 (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company’s monies to, such 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 former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits

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additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board 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.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term 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 the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

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In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (cc) if, 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) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time 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 also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also 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 shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

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(viii) Borrowing powers

Pursuant to the Articles, 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 uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, 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. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) Register of Directors and officers

Pursuant to the Cayman Companies Law, 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 30 days of any change in such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Cayman 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 any class of shares may (unless otherwise provided for by the terms of issue of the shares 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 shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy

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not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

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.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Cayman Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution — majority required

In accordance with the Articles, 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 by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days’ notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days’ notice has been given.

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Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, 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 members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days’ notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and 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 share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

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- (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised 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 in accordance with this provision shall be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the [●], 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 member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account 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 assets and liabilities of the Company and of all other matters required by the Cayman Companies Law necessary to give a true and fair view of the state of the Company’s affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company 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 account or book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

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The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors’ report and a copy of the auditors’ report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors’ remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days’ notice in writing, and any other extraordinary general meeting shall be called by at least 14 days’ notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company’s register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify

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the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Cayman Companies Law and [●], a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed 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;
- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
- (gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

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(k) Transfer of shares

Subject to the Cayman Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be 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 transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located 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 register of members may, subject to [●] (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

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Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Cayman 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 requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) 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.

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, although 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 in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

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Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (aa) 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 members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members 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.

Upon the recommendation of the Board the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus 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, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder’s or joint holders’ 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 monies 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.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money’s worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

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All dividends, bonuses or other distributions 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, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, 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.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) 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 shall be 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 shall be 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. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit 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) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or

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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 20% per annum as the Board shall fix 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 money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days’ notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state 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, nevertheless, 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 payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

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An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) 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, and continues to be present until the conclusion of the meeting.

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.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) 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 shall be 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, then 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 shall be 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, on the shares held by them respectively.

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In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman 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 and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and
- (iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman 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

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reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 31 May 2011 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies 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 must conduct its operations mainly outside the Cayman Islands. Moreover, 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 authorized share capital.

(b) Share capital

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or 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 arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman 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 such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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Notwithstanding the foregoing, the Cayman Companies Law provides that 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.

It is further provided by the Cayman Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company’s or a subsidiary’s shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. 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 authorized 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 member and, for the avoidance of doubt, 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 authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, 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. In addition, 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.

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Under Section 37A(1) the Cayman Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company’s articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Cayman Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company’s memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able 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

With the exception of sections 34 and 37A(7) of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company’s memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Cayman Companies Law provides that for so long as a company holds treasury shares, 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

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is *ultra vires* the company or illegal;

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- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member 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.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company’s memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Cayman Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that 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 interest 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

Section 59 of the Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to 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.

Section 59 of the Cayman Companies Law further states that 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.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

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(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for the Company is for a period of twenty years from 19 July 2011.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Cayman Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company’s articles of association.

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(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the Company may determine from time to time. The Cayman Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members’ voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a 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 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.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect

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for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized 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.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member 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 members.

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained herein is incomplete and subject to change and it must be read in conjunction with the section headed “Warning” on the cover of this Web Proof Information Pack.

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(r) 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, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

[•]

APPENDIX V**STATUTORY AND GENERAL INFORMATION**

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 31 May 2011. Our Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 9 September 2011 and the principal place of business in Hong Kong is at Flat A, 2nd Floor, Fuk On Building, 1123 Canton Road, Mongkok, Kowloon, Hong Kong. Loong & Yeung of Suites 2001–2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant aspects of the Cayman Companies Law and certain provisions of the Articles of Association is set out in Appendix IV to this document.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, our Company has an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One Share was allotted and issued nil paid to the subscriber on 31 May 2011, which was subsequently transferred to BVI Holding Company on the same date.
- (b) Pursuant to the Reorganisation and as consideration for the acquisition by our Company of the entire issued share capital of BVI Company 1 from BVI Holding Company, on 16 December 2011, (i) the one nil paid Share then held by BVI Holding Company was credited as fully paid at par, and (ii) 9,999 Shares, credited as fully paid at par, were allotted and issued to BVI Holding Company.
- (c) On 19 December 2011, the Sole Shareholder resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$20,000,000 by the creation of an additional of 1,962,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects.
- (d) [●]
- (e) Save as disclosed in this document, there has been no alteration in our Company’s share capital since its incorporation.

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3. Written resolutions of the sole Shareholder passed on 19 December 2011

By written resolutions of the sole Shareholder passed on 19 December 2011:

- (a) our Company approved and adopted the Memorandum of Association and the Articles of Association;

[●]

4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group’s structure in preparation for the [●], pursuant to which our Company became the holding company of our Group. The Reorganisation included the following major steps:

- a. On 28 April 2011, BVI Holding Company was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each and one fully paid ordinary share, representing the entire issued share capital of the BVI Holding Company, was allotted and issued to Mr. Wong on 24 May 2011 at par.
- b. On 28 April 2011, BVI Company 1 was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. One share was allotted and issued to the BVI Holding Company on 24 May 2011 at par.
- c. On 28 April 2011, BVI Company 2 was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. One share was allotted and issued to BVI Company 1 on 24 May 2011 at par.
- d. On 28 April 2011, BVI Company 3 was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. One share was allotted and issued to BVI Company 1 on 24 May 2011 at par.
- e. On 28 April 2011, BVI Company 4 was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. One share was allotted and issued to BVI Company 1 on 24 May 2011 at par.
- f. On 28 April 2011, BVI Company 5 was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. One share was allotted and issued to BVI Company 1 on 24 May 2011 at par.

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- g. On 6 April 2011, BVI Company 6 was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. One share was allotted and issued to BVI Company 1 on 24 May 2011 at par.
- h. On 3 June 2011, Eng Boon Seng (Yu Wenxin) and Eng Mew Yong as purchasers and Wan Chung (Singapore) as vendor entered into a share purchase agreement pursuant to which (i) Wan Chung (Singapore) agreed to transfer, in its capacity as the beneficial owner, 2 fully paid ordinary shares of Wan Chung Investments, representing its entire issued share capital, to Eng Boon Seng (Yu Wenxin) and Eng Mew Yong for a consideration of S\$2.00 and (ii) Wan Chung (Singapore), Eng Boon Seng (Yu Wenxin) and Eng Mew Yong agreed to deliver a deed of assignment between themselves for the assignment of a shareholder’s loan to Wan Chung Investments in the sum of S\$3,084,370.48 at the consideration of S\$3,084,370.48.
- i. On 7 December 2011, BVI Company 3 acquired 9,999 and 1 ordinary shares of Wan Chung Property, which represented in aggregate its entire issued share capital, from Wan Chung Construction and Mr. Wong at a consideration of HK\$11,612,149 to be satisfied by the issue and allotment of 688 shares in BVI Company 1, credited as fully paid, to BVI Holding Company (as a nominee directed by Wan Chung Construction and Mr. Wong). Following the completion of the share transfer, BVI Company 3 held an aggregate of 10,000 ordinary shares, being the entire issued share capital of Wan Chung Property, and Wan Chung Property became a direct wholly-owned subsidiary of BVI Company 3.
- j. On 7 December 2011, BVI Company 4 acquired 10,000 ordinary shares of Wan Chung Interior Design, which represented its entire issued share capital, from Wan Chung Construction at a consideration of HK\$33,219 to be satisfied by the issue and allotment of 2 shares in BVI Company 1, credited as fully paid, to BVI Holding Company (as a nominee directed by Wan Chung Construction). Following the completion of the share transfer, BVI Company 4 held an aggregate of 10,000 ordinary shares, being the entire issued share capital of Wan Chung Interior Design, and Wan Chung Interior Design became a direct wholly-owned subsidiary of BVI Company 4.
- k. On 9 December 2011, BVI Company 5 acquired two shares (quota) with nominal values of MOP24,000 and MOP1,000 of Wan Chung (Macau), which represented in aggregate its entire registered share capital, from Wan Chung Construction and Mr. Wong at a consideration of MOP2 (equivalent to approximately HK\$2). Following the completion of the share transfer, BVI Company 5 held an aggregate of two shares (quota) with nominal values MOP25,000, being the entire registered share capital of Wan Chung (Macau), and Wan Chung (Macau) became a direct wholly-owned subsidiary of BVI Company 5.

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- l. On 7 December 2011, BVI Company 6 acquired 6,700,000 ordinary shares of Wan Chung (Singapore), which represented in aggregate its entire issued share capital, from Wan Chung Construction at a consideration of S\$9,531,498 (equivalent to approximately HK\$57,820,164) to be satisfied by the issue and allotment of 3,424 shares of US\$1 each in the capital of BVI Company 1, credited as fully paid, to BVI Holding Company (as a nominee directed by Wan Chung Construction). Following the completion of the share transfer, BVI Company 6 held an aggregate of 6,700,000 ordinary shares, being the entire issued share capital of Wan Chung (Singapore), and Wan Chung (Singapore) became a direct wholly-owned subsidiary of the BVI Company 6.
- m. On 8 December 2011, BVI Company 2 acquired 21,999,999 and 1 ordinary shares of Wan Chung Construction, which represented in aggregate its entire issued share capital, from Regent Pacific and Mr. Wong at a consideration of HK\$99,355,011 to be satisfied by the issue and allotment of 5,885 shares in BVI Company 1, credited as fully paid, to BVI Holding Company (as a nominee directed by Regent Pacific and Mr. Wong). Following the completion of the share transfer, BVI Company 2 held an aggregate of 22,000,000 ordinary shares, being the entire issued share capital of Wan Chung Construction, and Wan Chung Construction became a direct wholly-owned subsidiary of BVI Company 2.
- n. On 31 May 2011, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 each. One Share was allotted and issued nil paid to the subscriber to the memorandum and articles of association of our Company, which was later transferred to BVI Holding Company on 31 May 2011.
- o. Pursuant to the sale and purchase agreement dated 16 December 2011, referred in item (m) of the paragraph headed “Summary of material contracts” in this appendix, BVI Holding Company as vendor and our Company as purchaser entered into a sale and purchase agreement, pursuant to which our Company acquired the entire issued share capital of BVI Company 1, and as consideration for which (i) the one nil paid Share then held by BVI Holding Company was credited as fully paid at par, and (ii) 9,999 Shares were allotted and issued to the BVI Holding Company on 16 December 2011, credited as fully paid.

Immediately after completion of the share transfer referred to in item (o) above, our Company then became the holding company of our Group.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountants’ Report, the text of which is set out in Appendix I to this document. In addition to the alterations described in paragraph headed “Corporate Reorganisation” above, the following changes in the share capital (or registered capital, as the case may be) of the subsidiaries of our Company took place within the two years immediately preceding the date of this document:

Wan Chung (Singapore)

On 8 March 2010, Wan Chung (Singapore) issued and allotted 2,250,000 and 250,000 ordinary shares in Wan Chung (Singapore) to Wan Chung Construction and Mr. Wong, representing S\$2,250,000 and S\$250,000 in the issued and paid up capital of Wan Chung (Singapore) respectively. By a declaration of trust made on 8 March 2010, Mr. Wong declared that he held the 250,000 ordinary shares on trust for Wan Chung Construction.

On 19 March 2010, Wan Chung (Singapore) issued and allotted 180,000 and 20,000 ordinary shares in Wan Chung (Singapore) to Wan Chung Construction and Mr. Wong, representing S\$180,000 and S\$20,000 in the issued and paid up capital of Wan Chung (Singapore) respectively. By a declaration of trust made on 19 March 2010, Mr. Wong declared that he held the 20,000 ordinary shares on trust for Wan Chung Construction.

On 14 October 2010, Wan Chung (Singapore) issued and allotted 3,150,000 and 350,000 ordinary shares in Wan Chung (Singapore) to Wan Chung Construction and Mr. Wong, representing S\$3,150,000 and S\$350,000 in the issued and paid up capital of Wan Chung (Singapore) respectively. By a declaration of trust made on 14 October 2010, Mr. Wong declared that he held the 350,000 ordinary shares on trust for Wan Chung Construction.

BVI Company 1

BVI Company 1 was incorporated in the BVI with limited liability on 28 April 2011 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one share was allotted and issued to BVI Holding Company on 24 May 2011 at par.

On 7 December 2011, BVI Company 3 acquired 9,999 and 1 ordinary shares of Wan Chung Property, which represented in aggregate its entire issued share capital, from Wan Chung Construction and Mr. Wong at a consideration of HK\$11,612,149 to be satisfied by the issue and allotment of 688 shares of US\$1 each in the capital of BVI Company 1, credited as fully paid, to BVI Holding Company (as a nominee directed by Wan Chung Construction and Mr. Wong).

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On 7 December 2011, BVI Company 4 acquired 10,000 ordinary shares of Wan Chung Interior Design, which represented its entire issued share capital, from Wan Chung Construction and at a consideration of HK\$33,219 to be satisfied by the issue and allotment of 2 shares of US\$1 each in the capital of BVI Company 1, credited as fully paid, to BVI Holding Company (as a nominee directed by Wan Chung Construction).

On 7 December 2011, BVI Company 6 acquired 6,700,000 ordinary shares of Wan Chung (Singapore), which represented in aggregate its entire issued share capital, from Wan Chung Construction at a consideration of S\$9,531,498 (equivalent to approximately HK\$57,820,164) to be satisfied by the issue and allotment of 3,424 shares of US\$1 each in the capital of BVI Company 1, credited as fully paid, to BVI Holding Company (as a nominee directed by Wan Chung Construction).

On 8 December 2011, BVI Company 2 acquired 21,999,999 and 1 ordinary shares of Wan Chung Construction, which represented in aggregate its entire issued share capital, from Regent Pacific and Mr. Wong at a consideration of HK\$99,355,011 to be satisfied by the issue and allotment of 5,885 shares of US\$1 each in the capital of BVI Company 1, credited as fully paid, to BVI Holding Company (as a nominee directed by Regent Pacific and Mr. Wong).

Save as disclosed above and as mentioned in the paragraph headed “Corporate Reorganisation” in this appendix, there has been no alteration in the share capital (or registered capital (as the case may be) of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

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B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

- (a) a conditional memorandum of sale and purchase dated 30 May 2011 entered into between Wan Chung Construction and Wan Chung Holdings Limited, pursuant to which Wan Chung Construction agreed to sell and Wan Chung Holdings Limited agreed to purchase the property known as Sections A to C, H to K and R of Lot No.931, Lot No.930, Lot No.932 and Lot No.934 in D.D. 111, Yuen Long, New Territories, Hong Kong at a consideration of HK\$8,200,000;
- (b) a memorandum of sale and purchase dated 1 June 2011 entered into between Wan Chung Construction and Wong Yiu Wai Vegent and Chan Yuet On, pursuant to which Wan Chung Construction agreed to sell and Wong Yiu Wai Vegent and Chan Yuet On agreed to purchase the property known as Flat C, 3rd Floor, Harbour Court, No.18 Kai Yuen Terrace, Hong Kong at a consideration of HK\$4,200,000.
- (c) an assignment dated 1 June 2011 entered into between Wan Chung Construction and Wong Yiu Wai Vegent and Chan Yuet On, pursuant to which Wan Chung Construction assigned to Wong Yiu Wai Vegent and Chan Yuet On all its interest in the property known as Flat C, 3rd Floor, Harbour Court, No.18 Kai Yuen Terrace, Hong Kong at a consideration of HK\$4,200,000;
- (d) a share purchase agreement dated 3 June 2011 entered into between Eng Boon Seng (Yu Wenxin) and Eng Mew Yong and Wan Chung (Singapore), pursuant to which (i) Wan Chung (Singapore) agreed to sell and Eng Boon Seng (Yu Wenxin) and Eng Mew Yong agreed to purchase 2 fully paid ordinary shares of Wan Chung Investments for a consideration of S\$2.00; and (ii) Wan Chung (Singapore), Eng Boon Seng (Yu Wenxin) and Eng Mew Yong agreed to deliver a deed of assignment between themselves for the assignment of a shareholder’s loan to Wan Chung Investments in the sum of S\$3,084,370.48 at the consideration of S\$3,084,370.48;
- (e) a deed of assignment dated 3 June 2011 entered into between Eng Boon Seng (Yu Wenxin) and Eng Mew Yong and Wan Chung (Singapore), pursuant to which Wan Chung (Singapore) assigned to Eng Boon Seng (Yu Wenxin) and Eng Mew Yong a shareholder’s loan to Wan Chung Investments in the sum of S\$3,084,370.48 at the consideration of S\$3,084,370.48;

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- (f) an assignment dated 25 July 2011 entered into between Wan Chung Construction and One Two Holdings Hong Kong Limited, pursuant to which Wan Chung Construction assigned to One Two Holdings Hong Kong Limited the property known as Sections A to C, H to K and R of Lot No.931, Lot No.930, Lot No.932 and Lot No.934 in Demarcation District No. 111 at a consideration of HK\$8,200,000;
- (g) a share sale and purchase agreement dated 7 December 2011 entered into between BVI Company 1, BVI Company 3, Wan Chung Construction and Mr. Wong, pursuant to which BVI Company 3 agreed to acquire 9,999 ordinary shares and 1 ordinary share of Wan Chung Property, representing, in aggregate, its entire issued share capital, from Wan Chung Construction and Mr. Wong at a consideration of HK\$11,612,149 to be satisfied by the issue and allotment of 688 shares of US\$1 each in the capital of BVI Company 1, credited as fully paid to BVI Holding Company (as directed by Wan Chung Construction and Mr. Wong);
- (h) a share sale and purchase agreement dated 7 December 2011 entered into between BVI Company 1, BVI Company 4 and Wan Chung Construction, pursuant to which BVI Company 4 agreed to acquire 10,000 ordinary shares of Wan Chung Interior Design, representing its entire issued share capital, from Wan Chung Construction at a consideration of HK\$33,219 to be satisfied by the issue and allotment of 2 shares of US\$1 each in the capital of BVI Company 1, credited as fully paid to BVI Holding Company (as directed by Wan Chung Construction);
- (i) a share transfer agreement in Chinese dated 7 December 2011 entered into between BVI Company 5, Wan Chung Construction and Mr. Wong, pursuant to which BVI Company 5 agreed to acquire two shares (quota) with nominal values of MOP24,000 and MOP1,000 of Wan Chung (Macau) from Wan Chung Construction and Mr. Wong at an aggregate consideration of MOP2 (equivalent to approximately HK\$2);
- (j) a sale and purchase agreement dated 7 December 2011 entered into between BVI Company 1, BVI Company 6, Wan Chung Construction, pursuant to which BVI Company 6 agreed to acquire 6,700,000 ordinary shares of Wan Chung (Singapore), representing in aggregate its entire issued share capital, from Wan Chung Construction at a consideration of S\$9,531,498 (equivalent to approximately HK\$57,820,164) to be satisfied by the issue and allotment of 3,424 shares of US\$1 each in the capital of BVI Company 1, credited as fully paid, to BVI Holding Company (as directed by Wan Chung Construction);
- (k) a share sale and purchase agreement dated 8 December 2011 entered into between BVI Company 1, BVI Company 2, Regent Pacific and Mr. Wong, pursuant to which BVI Company 2 agreed to acquire 21,999,999 and 1 ordinary shares of Wan Chung Construction, representing in aggregate its

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entire issued share capital, from Regent Pacific and Mr. Wong at a consideration of HK\$99,355,011 to be satisfied by the issue and allotment of 5,885 shares of US\$1 each in the capital of BVI Company 1, credited as fully paid to BVI Holding Company (as directed by Regent Pacific and Mr. Wong);

- (l) a deed of revocation dated 7 December 2011 entered into between Wan Chung Construction and Mr. Wong, pursuant to which Wan Chung Construction agreed to terminate and revoke the declarations of trust dated 31 March 2009, 8 March 2010, 19 March 2010 and 14 October 2010 pursuant to which Mr. Wong declared that he held the 670,000 ordinary shares of Wan Chung (Singapore) on trust for Wan Chung Construction;
- (m) a sale and purchase agreement dated 16 December 2011 entered into between our Company, BVI Holding Company and Mr. Wong, pursuant to which our Company acquired the entire issued share capital of BVI Company 1, and as consideration for which (i) the one nil paid Share then held by BVI Holding Company was credited as fully paid at par, and (ii) 9,999 Shares were allotted and issued to the BVI Holding Company on 16 December 2011, credited as fully paid;
- (n) a deed of non-competition in Chinese dated [●] executed by Mr. Wong in favour of our Company, details of which are set out in the paragraph headed “Non-competition Undertaking” under the section headed “Relationship with Controlling Shareholders” in this document;
- (o) a deed of non-competition in Chinese dated [●] executed by BVI Holding Company in favour of our Company, details of which are set out in the paragraph headed “Non-competition Undertaking” under the section headed “Relationship with Controlling Shareholders” in this document;
- (p) a deed of indemnity dated [●] executed by Mr. Wong and BVI Holding Company in favour of our Company (for ourselves and as trustee for our subsidiaries) containing the indemnities referred to in the paragraph headed “Tax and other indemnities” in this appendix; and

[●]

2. Intellectual property rights

(a) Trademark

As at the Latest Practicable Date, our Group had applied for registration of the following trademark, the registration of which has not yet been granted:

Trademark	Class	Application Number	Application Date	Place of Application	Applicant
	37	301937403	7 June 2011	Hong Kong	Wan Chung Construction

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(b) *Domain names*

As at the Latest Practicable Date, our Group has registered the following domain names:

Registrant	Domain Name	Registration Date	Expiry Date
Wan Chung Construction	wanchung.com	15 October 2001	15 October 2012
Wan Chung Interior Design	visionfame.com	30 May 2011	30 May 2013
Wan Chung (Singapore)	wanchung.com.sg	23 April 2010	23 April 2012

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS AND DIRECTORS

1. Particulars of service agreements

No Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

2. Directors' remuneration

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the three years ended 31 March 2009, 2010 and 2011 and the three months ended 30 June 2011 were approximately HK\$2,401,000, HK\$2,554,000, HK\$3,191,000 and HK\$791,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2012 will be approximately HK\$2,740,950.
- (c) Under the arrangements currently proposed, conditional upon [●], the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors	<i>HK\$</i>
Mr. Wong Law Fai	938,646
Mr. Yip Chi Chong	1,066,768
Mr. So Kwok Lam	935,524
Independent non-executive Directors	<i>HK\$</i>
Mr. Lam Siu Lo, Andrew, <i>JP</i>	120,000
Mr. Li Ying Ming	120,000
Mr. Tam Tak Kei, Raymond	120,000

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3. Related party transactions

Details of the related party transactions are set out under Note 36 to the Accountants’ Report set out in Appendix I to this document.

4. Disclaimers

Save as disclosed in this document:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

D. OTHER INFORMATION**1. Tax and other indemnities**

Mr. Wong and the BVI Holding Company, (collectively, the “**Indemnifiers**”) have, under a deed of indemnity referred to in paragraph (m) of the sub-section headed “Summary of material contracts” in this appendix, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things, (a) any taxation (including estate duty) which might be payable by any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the [●] becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which the [●] becomes unconditional; and (b) all claims, payments, suits, damages, settlement payments and any associated costs and expenses of whatever nature incurred or suffered by our Group as a result of directly or indirectly or in connection with any litigation, arbitration claim, complains, demand and/or legal proceedings, whether of criminal, administrative, contractual, tortuous nature or otherwise instituted by or against any member of our Group which was issued and/or accused and/or arising from any act, non-performance, omission or otherwise of any member of our Group on or before the date on which the [●] becomes unconditional; (c) all relocation costs, loss of profit and business, penalties and fines and all losses and damages which may be suffered by our Group as a result of any relocation due to the non-obtaining of the mortgagee’s

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consent as referred to in the paragraph headed “Lack of mortgagee’s consent” in the section headed “Risk Factors” of this document; (d) any irregularities in relation to the corporate documents of any member of our Group which have been specifically referred to and confirmed by Mr. Wong in writing; and (e) any non-compliance with the applicable laws, rules or regulations by any member of our Group on or before [●]. The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability in the audited combined accounts of our Company or any member of our Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the [●] becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of any members of our Group after 30 June 2011 up to and including the date on which the [●] becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group, the estate duty under the laws of Macau and the laws of Hong Kong has been abolished and no liability for estate duty under the laws of Singapore will fall on our Group for deaths on and after 15 February 2008.

2. Litigation

During the Track Record Period and as at the Latest Practicable Date, our Group had been or is involved in a number of claims, litigations, arbitrations and potential claims which can be categorised into (i) wage claims by employees of subcontractors involving our Group; (ii) employees’ compensation claims and personal injuries claims against our Group by the subcontractors’ employees and our Group was joined as a defendant in the capacity as a main contractor; (iii) subcontractors’ claims against our Group; (iv) miscellaneous claims against our Group and (v) criminal conviction. Set out below are the details of the outstanding and potential claims, litigations, arbitration claims against our Group as at the Latest Practicable Date and the material claims and litigations against our Group settled (whether by way of court judgment or settlement) during the Track Record Period and up to the Latest Practicable Date.

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(I) Outstanding claims, litigations, arbitration claims against our Group as at the Latest Practicable Date:

(1) *Employees’ compensation claims and personal injuries claims by the subcontractors’ employees and our Group was joined as a defendant in the capacity as a main contractor*

Note: The employees’ compensation claims and personal injuries claims under this category were covered by insurance. The claims are dealt with and handled by the insurers and our Group does not have the details of the claims except the following particulars according to its best knowledge information and belief.

- 1. **Court Action Number:** DCEC 501/2010
Name(s) of Plaintiff(s)/ Applicant(s): Yang Hui
Name(s) of Defendant(s)/ Respondent(s): Wan Chung Construction
Lai Wun Ying trading as Ying Tak Engineering
Fraser Construction Company Limited
Nature of Claim/Cause of Action: This is a claim by employee under Employees’ Compensation Ordinance.
Amount/Estimated quantum of Damages claimed: The amount claimed is not available.
Wan Chung Construction’s liability under this claim was fully covered by insurance.
Status: Wan Chung Construction’s liability under this claim was covered by insurance. There is a written confirmation by the insurer of its taking over the conduct of the case.

- 2. **Court Action Number:** HCPI326/2007
Name(s) of Plaintiff(s)/ Applicant(s): Chim Wai Ming
Name(s) of Defendant(s)/ Respondent(s): Wan Chung Construction
Newick Engineering Limited
Nature of Claim/Cause of Action: This is a common law claim by employees against Wan Chung Construction for damages for personal injuries.
Amount/Estimated quantum of Damages claimed: The amount claimed is not available.
Wan Chung Construction’s liability under this claim was fully covered by insurance.
Status: Wan Chung Construction’s liability under this claim was covered by insurance. There is a written confirmation by the insurer of its taking over the conduct of the case.

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3. **Court Action Number:** DCEC911/2011
- Name(s) of Plaintiff(s)/
Applicant(s):** Yeung Sun Kit
- Name(s) of Defendant(s)/
Respondent(s):** Wan Chung Construction
Chan Cheung Yuk trading as Yuk Kee Engineering Co.
- Nature of Claim/Cause of Action:** This claim arose from personal injuries suffered by the claimant on 3 November 2009 as a result of tilting over of a working platform causing the fall of victim to the ground.
- Amount/Estimated quantum of
Damages claimed:** The amount claimed is not yet available.
- Status:** The application for employee's compensation has been filed on 22 June 2011.
- Wan Chung Construction has insurance cover for its liability under the claim. There is a written instruction from the insurer to the solicitors to act for Wan Chung Construction in the conduct of this claim.
4. **Court Action Number:** HCPI323/2011
- Name(s) of Plaintiff(s)/
Applicant(s):** Yang Hui
- Name(s) of Defendant(s)/
Respondent(s):** Wan Chung Construction
Lai Wun Ying trading as Ying Tak Engineering
Fraser Construction Company Limited
Secretary for Justice for and on behalf of Leisure and Cultural Services Department
- Nature of Claim/Cause of Action:** The claim is for damages for personal injuries sustained by the plaintiff while she was in the course of employment with Wan Chung Construction and other defendants at a ring road surrounding the Hong Kong Stadium on 16 May 2008.
- Amount/Estimated quantum of
Damages claimed:** The amount claimed is not available. Wan Chung Construction's liability under this claim was fully covered by insurance.
- Status:** Wan Chung Construction's liability under this claim was covered by insurance. There is written instructions from the insurer to the solicitors to act for Wan Chung Construction in the conduct of the case.

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(2) *Subcontractors' claims*

1. Action/Case Number/Arbitration Case No.:	HCCT 16/2000
Name(s) of Plaintiff(s)/Claimant(s):	Shun Lee Decorating & Contracting Ltd
Name(s) of Defendant(s)/ Respondent(s):	Wan Chung Construction
Nature of Claim/Cause of Action:	The plaintiff claimed for costs of sub-contract work done for Wan Chung Construction.
Amount/Estimated quantum of Damages claimed:	The plaintiff claimed HK\$2,445,525.70, interest (under Sections 48 and 49 of Supreme Court Ordinance) and costs.
Status:	<p>Wan Chung Construction filed defence and counterclaimed against the Plaintiff for HK\$4,651,037.96 being overpayment to the defendant.</p> <p>The plaintiff has not proceeded further then.</p> <p>The plaintiff filed a notice of intention to proceed on 15 November 2002 and did not proceed further thereafter.</p> <p>Further, the plaintiff has been dissolved in December 2009 under Section 291(6) of the Companies Ordinance.</p> <p>Wan Chung Construction has instructed the legal advisers to our Company as to litigation in Hong Kong to proceed with dismissal. The handling solicitors advised that, since the plaintiff was already struck off from the Register of Companies, to proceed to apply for dismissal, the plaintiff has first to be restored to the register. However, pursuant to section 291(7) of the Companies Ordinance, the application of restoration of struck-off companies have to be made to the court by the plaintiff itself or its creditors or members feeling aggrieved by the plaintiff being struck off. As such, the legal advisers to our Company as to litigation in Hong Kong advised that application for dismissal cannot be made.</p>

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2. Action/Case Number/Arbitration Case No.:	HCCT31/2007
Name(s) of Plaintiff(s)/Claimant(s):	Chiu Kee Construction and Decoration operated by Dynasty Construction Co. Ltd.
Name(s) of Defendant(s)/ Respondent(s):	Wan Chung Construction
Nature of Claim/Cause of Action:	The plaintiff claimed for costs of construction work done for Wan Chung Construction.
Amount/Estimated quantum of Damages claimed:	The plaintiff claimed HK\$2,312,462.80 being outstanding amount of work done, interest (under Sections 48 and 49 of High Court Ordinance) and costs.
Status:	<p>Wan Chung Construction filed defence and counterclaim for HK\$1,044,365.39 being costs of materials and sub-contractors supplied to the plaintiff and for rectifying the defective works of the plaintiff.</p> <p>The Court has given directions for further conduct of the proceedings on 5 May 2011.</p> <p>Legal advisers to our Company as to litigation in Hong Kong advised Wan Chung Construction has good chance of success in contesting the plaintiff's claim and Wan Chung Construction's counterclaim.</p> <p>The parties tried to resolve the dispute through mediation but failed. The parties will exchange without-prejudice provisional expert's report on quantum according to the Court's Order on 5 May 2011 by 30 December 2011.</p>

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3. Action/Case Number/Arbitration Case No.:	HCCT51/1999
Name(s) of Plaintiff(s)/Claimant(s):	Rotegear Corporation Limited
Name(s) of Defendant(s)/ Respondent(s):	Wan Chung Construction
Nature of Claim/Cause of Action:	The plaintiff claimed for costs of construction work done for Wan Chung Construction.
Amount/Estimated quantum of Damages claimed:	The plaintiff claimed HK\$17,540,657, interest (under Sections 48 and 49 of Supreme Court Ordinance) and costs.
Status:	<p>Wan Chung Construction filed defence and counterclaim for loss and damages for poor workmanship of the plaintiff in the sum of HK\$994,012.79 on 9 December 1999.</p> <p>The plaintiff has not proceeded further and the case has been basically dormant since August 2001.</p> <p>The plaintiff is now in liquidation as ordered by a winding up order of the Court on 24 November 2009.</p> <p>Wan Chung Construction has instructed the legal advisers to our Company as to litigation in Hong Kong to proceed with dismissal. The legal advisers to our Company as to litigation in Hong Kong had written to the official receiver appointed for the liquidation of the plaintiff to seek its consent to dismissal or discontinuation of the claim. The liquidators require information and documents of this action to facilitate their consideration as at the Latest Practicable Date.</p>

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(3) *Miscellaneous Claims*

1. **Action/Case Number/Arbitration Case No.:** HCA8317/1996
- Name(s) of Plaintiff(s)/Claimant(s):** Treasure Properties Ltd.
- Name(s) of Defendant(s)/ Respondent(s):** Wan Chung Construction
Gentle Host Engineering Limited trading as Buildtech Construction Company
Lam Choi Po also known as Lam Po trading as Po Tak Engineering Contractor Co.
- Nature of Claim/Cause of Action:** The plaintiff as the employer claimed against Wan Chung Construction as the main contractor for, inter alia, damages for breach of contract, indemnity of all expenses, fees by sub-contractors interest and costs.
- The plaintiff obtained ex-parte injunction on 23 July 1996 to restraint the defendants from remaining on the site.
- Amount/Estimated quantum of Damages claimed:** The plaintiff claimed HK\$939,768.16 as damages for trespass, together damages for delay caused to the development and costs of the action.
- Status:** Wan Chung Construction filed defence on 18 March 1997. The plaintiff has failed to proceed with the action after an order for directions dated 27 June 1997.
- The plaintiff was dissolved on 3 August 2007 as a result of creditors' voluntary winding-up.
- Wan Chung Construction has instructed its the legal advisers to our Company as to litigation in Hong Kong proceed with dismissal. The legal advisers to our Company as to litigation in Hong Kong advised that since the plaintiff was dissolved and the liquidator had already ceased to act for it, the court documents cannot be served on the plaintiff and thus the application for dismissal cannot be made.

(II) Potential claims, litigations, arbitration claims against our Group as at the Latest Practicable Date

(1) *Employees' compensation claims and personal injuries claims by the subcontractors' employees and our Group was joined as a defendant in the capacity as a main contractor*

As confirmed by our Directors, as at the Latest Practicable Date, there are currently eleven potential claims which the injured employees of the sub-contractor are still on sick leave for their injuries and one potential claim which a third party was injured on premises that our Group was the contractor which might attract liabilities under common law and/or occupiers' liability (as our Group is in charge of the project going on at the premises). These twelve injured have not yet commenced their claims for employee's compensation or personal injuries claims under common law against

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our Group as at the Latest Practicable Date, which cases are within the limitation period of 3 years from the date of the relevant incidents. As such injured person have not yet filed claims with particulars and the claims, when filed will be handled by solicitors appointed by the insurers, we are not in a position to assess the likely quantum of such potential claims. In any event, our Group has insurance cover for its liabilities of all these incidents and as at the Latest Practicable Date, notices of the accidents have been given to the insurers. For the eleven cases which the injured were deemed employees of our Group, they would be fully covered by the mandatory insurance. For the other case involving a third party, it would be covered by the insurance subject to a policy excess.

Our Directors confirm that these injuries generally arose from two major causes, (1) accidents; and (2) failure by subcontractors to take adequate steps to ensure safety of employees. For the safety guidance issued by our Group, please refer to the paragraph headed “Control Over Subcontractors — Safety guidelines issued by our Group to employees of subcontractors of all tiers” of the section headed “Business” of this document.

(2) Miscellaneous Claims

As confirmed by our Directors, as at the Latest Practicable Date, there are three potential miscellaneous claims against our Group, which are covered by insurance subject to a policy excess.

In one potential claim, which Wan Chung Construction is the main contractor for the reprovision work for the Government. Water was flooded into the construction site and properties/works in the construction site due to a rainstorm in 2011 which was completed by a reprovision sub-contractor and was part of the permanent works under the contract were damaged (the “Damage”). Our Directors confirm that the Damage is under the coverage of the Insurance Policy, subject to a policy excess of HK\$300,000.

In relation to the other two potential miscellaneous claims against our Group, they relate to loss of cables due to theft and damage of the wall by using hand-held electric breaker. Our Group has insurance cover for its liabilities of such incidents and as at the Latest Practicable Date, notices of incidents have been given to the insurers.

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Our Directors confirm that these incidents arose either because of acts of god or accidents.

(III) Material claims and litigations against our Group settled by our Group (whether by way of court judgment or settlement) during the Track Record Period and up to the Latest Practicable Date:

(1) *Wages claim by employees of subcontractors*

- | | | |
|----|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Action/Case Number/Arbitration Case No.: | LBTC 842/2009 |
| | Name(s) of Plaintiff(s)/Claimant(s): | Wu Kin Ping and 8 others |
| | Name(s) of Defendant(s)/ Respondent(s): | Wan Chung Construction
Successful Engineering Company Limited |
| | Nature of Claim/Cause of Action: | This is a claim by employees against Wan Chung Construction for outstanding wages. |
| | Amount/Estimated quantum of Damages claimed: | By an award dated 19 February 2009, Wan Chung Construction was ordered to pay HK\$60,450 to the claimant(s) |
| | Status: | The award was settled by Wan Chung Construction. |
| 2. | Action/Case Number/Arbitration Case No.: | Court action of this claim has not been commenced. |
| | Name(s) of Plaintiff(s)/Claimant(s): | 陳錫球 (Chan Sek Kau), 陳國良 (Chan Kwok Leung), 林景光 (Lam King Kwong), 林詩銘 (Lan Sze Ming), 方文啟 (Fong Man Kai), 劉敬歡 (Lau King Foon), 趙干成 (Chiu Gon Shing), 袁子照 (Yuen Tsz Chiu), 吳婉平 (Ng Yuen Ping), 林偉昌 (Lam Wai Cheung), 陳滿勝 (Chan Moon Shing), 黃錦安 (Wong Kam On), 葉勇仕 (Yip Yung Shi), 張來發 (Cheung Loi Fat), 李子厚 (Lee Tsz Hau), 林志光 (Lam Chi Kwong), 曾達煒 (Tsang Tak Wai), 羅洪芳 (Law Hung Fong), 林柏明 (Lam Pak Ming), 陳永紅 (Chan Wing Hung), 文柏勝 (Man Pak Shing), 曾碧平 (Tsang Pik Ping), 陳偉權 (Chan Wai Kuen), 余志強 (Yu Chi Keung), 吳楚立 (Ng Cho Lap), 方金寸 (Fong Kam Chuen), 陳德籌 (Chan Tak Chau), 梁燦輝 (Leung Tsan Fai), 何敬英 (Ho King Ying), 梁華勝 (Leung Wah Shing) and 陳國洪 (Chan Kwong Hung) |
| | Name(s) of Defendant(s)/ Respondent(s): | Wan Chung Construction
Lap Polly Engineering Company Limited
(立保利建築有限公司)
Wing Kwong Plastering & Engineering Limited
(永光泥水工程有限公司) |
| | Nature of Claim/Cause of Action: | This is a claim by employees for outstanding wages. |
| | Status: | Wan Chung Construction has settled the claim with the claimants on 19 January 2009 at HK\$350,090. |

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3. **Action/Case Number/Arbitration Case No.:** LBTC 7019/2008
- Name(s) of Plaintiff(s)/Claimant(s):** 陳以 (Chan Yee), 周煥明 (Chow Woon Ming), 曾喜樂 (Tsang Hei Lok), 黃景雄
- Name(s) of Defendant(s)/Respondent(s):** Wan Chung Construction
Lap Polly Engineering Company Limited
Wing Kwong Plastering & Engineering Limited
- Nature of Claim/Cause of Action:** This is a claim by employees for outstanding wages.
- Status:** Wan Chung Construction has settled part of the claims with 陳以 (Chan Yee), 周煥明 (Chow Woon Ming) and 曾喜樂 (Tsang Hei Lok) on 20 January 2009 at HK\$30,500. As to other part of the claims (including the claim by 黃景雄 (Wong King Hung)), it was settled by Wing Kwong Plastering & Engineering Limited.

(2) *Employees’ compensation claims and personal injuries claims by the subcontractors’ employees and our Group was joined as a defendant in the capacity as a main contractor*

Note: The employees’ compensation claims and personal injuries claims under this category were covered by insurance. The claims (except for the two claims that no court action was commenced) were dealt with and handled by the insurers and our Group does not have the details of the claims except the following particulars according to its best knowledge, information and belief.

1. **Court Action Number:** DCPI 672/2010 (Formerly HCPI483/2009)
- Name(s) of Plaintiff(s)/Applicant(s):** Tsang Wor Wong
- Name(s) of Defendant(s)/Respondent(s):** Wan Chung Construction
- Nature of Claim/Cause of Action:** This is a common law claim by employee against Wan Chung Construction for personal injuries.
- Amount/Estimated quantum of Damages claimed:** The claim was settled at HK\$150,000.
Wan Chung Construction’s liability under this claim was fully covered by insurance.
- Status:** Insurer’s confirmation of having fully settled the case without any claim against Wan Chung Construction.
2. **Court Action Number:** DCPI 2337/2009
- Name(s) of Plaintiff(s)/Applicant(s):** So Kin Kwan
- Name(s) of Defendant(s)/Respondent(s):** Wan Chung Construction
- Nature of Claim/Cause of Action:** This is a common law claim by employee against Wan Chung Construction for personal injuries.
- Amount/Estimated quantum of Damages claimed:** The claim was settled at HK\$180,000.
Wan Chung Construction’s Liability under this claim was fully covered by insurance.
- Status:** Insurer’s confirmation of having fully settled the case without any claim against Wan Chung Construction.

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3. **Court Action Number:** DCPI 2102/2008
- Name(s) of Plaintiff(s)/ Applicant(s):** Wong Chau Sang
- Name(s) of Defendant(s)/ Respondent(s):** Wan Chung Construction
- Nature of Claim/Cause of Action:** This is a common law claim by employee against Wan Chung Construction for personal injuries.
- Amount/Estimated quantum of Damages claimed:** The claim was settled at HK\$450,000.
- Wan Chung Construction’s liability under this claim was fully covered by insurance.
- Status:** Insurer’s confirmation of having fully settled the case without any claim against Wan Chung Construction.
4. **Court Action Number:** DCPI 1947/2008
- Name(s) of Plaintiff(s)/ Applicant(s):** Li Tak Wah
- Name(s) of Defendant(s)/ Respondent(s):** Wan Chung Construction
- Nature of Claim/Cause of Action:** This is a common law claim by employee against Wan Chung Construction for personal injuries.
- Amount/Estimated quantum of Damages claimed:** The claim was settled at HK\$80,000.
- Wan Chung Construction’s liability under this claim was fully covered by insurance.
- Status:** Insurer’s confirmation of having fully settled the case without any claim against Wan Chung Construction.

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5. **Court Action Number:** DCPI 980/2008
- Name(s) of Plaintiff(s)/
Applicant(s):** So Hin Kuen
- Name(s) of Defendant(s)/
Respondent(s):** Wan Chung Construction
- Nature of Claim/Cause of Action:** This is a common law claim by employee against Wan Chung Construction for personal injuries.
- Amount/Estimated quantum of
Damages claimed:** The claim was settled at HK\$185,000.

Wan Chung Construction’s liability under this claim was fully covered by insurance.
- Status:** Insurer’s confirmation of having fully settled the case without any claim against Wan Chung Construction.
6. **Court Action Number:** DCPI 1154/2007
- Name(s) of Plaintiff(s)/
Applicant(s):** Bashir Zafar
- Name(s) of Defendant(s)/
Respondent(s):** Wan Chung Construction
Jing Wah Construction Company Limited
- Nature of Claim/Cause of Action:** This is a common law claim by employee against Wan Chung Construction for personal injuries.
- Amount/Estimated quantum of
Damages claimed:** The claim was settled at HK\$258,231.

Wan Chung Construction’s liability under this claim was fully covered by insurance.
- Status:** Insurer’s confirmation of having fully settled the case without any claim against Wan Chung Construction.
7. **Court Action Number:** DCPI 315/2007 (Formerly HCPI826/2006)
- Name(s) of Plaintiff(s)/
Applicant(s):** Lau Chun Kee
- Name(s) of Defendant(s)/
Respondent(s):** Wan Chung Construction
Cheung Yip Drilling Engineering Co Ltd
- Nature of Claim/Cause of Action:** This is a common law claim by employee against Wan Chung Construction for personal injuries.
- Amount/Estimated quantum of
Damages claimed:** The claim was settled at HK\$612,236.

Wan Chung Construction’s liability under this claim was fully covered by insurance.
- Status:** Insurer’s confirmation of having fully settled the case without any claim against Wan Chung Construction.

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8. **Court Action Number:** DCEC145/2011
- Name(s) of Plaintiff(s)/
Applicant(s):** Wong Cho Fuk
- Name(s) of Defendant(s)/
Respondent(s):** Wan Chung Construction
Smart On Construction Engineering Limited
- Nature of Claim/Cause of Action:** This is an employee’s compensation claim by employee against Wan Chung Construction for personal injuries.
- Amount/Estimated quantum of
Damages claimed:** The claim was settled by the insurer at HK\$1,579,384 with costs of the proceedings.
- Wan Chung Construction’s liability under this claim was fully covered by insurance.
- Status:** Insurer’s confirmation of having fully settled the case without any claim against Wan Chung Construction.
9. **Court Action Number:** DCEC 1141/2008
- Name(s) of Plaintiff(s)/
Applicant(s):** So Kin Kwan
- Name(s) of Defendant(s)/
Respondent(s):** Wan Chung Construction
Kwok Fai Construction Engineering Limited
- Nature of Claim/Cause of Action:** This is an employee’s compensation claim by employee against Wan Chung Construction for personal injuries.
- Amount/Estimated quantum of
Damages claimed:** The claim was settled at HK\$34,157.
- Wan Chung Construction’s liability under this claim was fully covered by insurance.
- Status:** Insurer’s confirmation of having fully settled the case without any claim against Wan Chung Construction.
10. **Court Action Number:** DCEC1097/2008
- Name(s) of Plaintiff(s)/
Applicant(s):** Li Han Yuan
- Name(s) of Defendant(s)/
Respondent(s):** Wan Chung Construction
Cheung Kin Kwan trading as
Kin Sun Engineering Company
- Nature of Claim/Cause of Action:** This is an employee’s compensation claim by employee against Wan Chung Construction for personal injuries.
- Amount/Estimated quantum of
Damages claimed:** The claim was settled at HK\$337,194.20.
- Wan Chung Construction’s liability under this claim was fully covered by insurance.
- Status:** Insurer’s confirmation of having fully settled the case without any claim against Wan Chung Construction.

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11. **Court Action Number:** DCEC538/2008
- Name(s) of Plaintiff(s)/
Applicant(s):** So Sze Yan
- Name(s) of Defendant(s)/
Respondent(s):** Wan Chung Construction
Chung Kit Engineering Limited
- Nature of Claim/Cause of Action:** This is an employee’s compensation claim by employee against Wan Chung Construction for personal injuries.
- Amount/Estimated quantum of
Damages claimed:** The claim was settled at HK\$945,864.07.
- Wan Chung Construction’s liability under this claim was fully covered by insurance.
- Status:** Insurer’s confirmation of having fully settled the case without any claim against Wan Chung Construction.
12. **Court Action Number:** DCEC364/2008
- Name(s) of Plaintiff(s)/
Applicant(s):** Tsang Wor Wong
- Name(s) of Defendant(s)/
Respondent(s):** Wan Chung Construction
Chung Kit Engineering Limited
- Nature of Claim/Cause of Action:** This is an employee’s compensation claim by employee against Wan Chung Construction for personal injuries.
- Amount/Estimated quantum of
Damages claimed:** The claim was settled at HK\$250,392.67.
- Wan Chung Construction’s liability under this claim was fully covered by insurance.
- Status:** Insurer’s confirmation of having fully settled the case without any claim against Wan Chung Construction.
13. **Court Action Number:** DCEC 1506/2006
- Name(s) of Plaintiff(s)/
Applicant(s):** So Hin Kuen
- Name(s) of Defendant(s)/
Respondent(s):** Wan Chung Construction
A and R Engineering Company Limited
- Nature of Claim/Cause of Action:** This is an employee’s compensation claim by employee against Wan Chung Construction for personal injuries.
- Amount/Estimated quantum of
Damages claimed:** The claim was settled at HK\$150,530.
- Wan Chung Construction’s liability under this claim was fully covered by insurance.
- Status:** Insurer’s confirmation of having fully settled the case without any claim against Wan Chung Construction.

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14. **Court Action Number:** HCPI585/2009
- Name(s) of Plaintiff(s)/
Applicant(s):** Li Han Yuan
- Name(s) of Defendant(s)/
Respondent(s):** Wan Chung Construction
Cheung Kin Kwan trading as Kin Sun Engineering Company
- Nature of Claim/Cause of Action:** This is a common law claim by employee against Wan Chung Construction for personal injuries.
- Amount/Estimated quantum of
Damages claimed:** The claim was settled at HK\$320,000.

Wan Chung Construction’s liability under this claim was fully covered by insurance.
- Status:** Insurer’s confirmation of having fully settled the case without any claim against Wan Chung Construction.
15. **Court Action Number:** HCPI201/2009
- Name(s) of Plaintiff(s)/
Applicant(s):** So Sze Yan
- Name(s) of Defendant(s)/
Respondent(s):** Wan Chung Construction
Chung Kit Engineering Limited
- Nature of Claim/Cause of Action:** This is a common law claim by employee against Wan Chung Construction for personal injuries.
- Amount/Estimated quantum of
Damages claimed:** The claim was settled at HK\$500,000.

Wan Chung Construction’s liability under this claim was fully covered by insurance.
- Status:** Insurer’s confirmation of having fully settled the case without any claim against Wan Chung Construction.

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16. **Court Action Number:** HCPI151/2007
- Name(s) of Plaintiff(s)/
Applicant(s):** Tang Kai Ming
- Name(s) of Defendant(s)/
Respondent(s):** Wan Chung Construction
Fong Pak Tat trading as Tat Kee Plastering Works
- Nature of Claim/Cause of Action:** This is a common law claim by employee against Wan Chung Construction for personal injuries.
- Amount/Estimated quantum of
Damages claimed:** The claim was settled at HK\$1,429,705.

Wan Chung Construction's Liability under this claim was fully covered by insurance.
- Status:** Insurer's confirmation of having fully settled the case without any claim against Wan Chung Construction.
17. **Court Action Number:** There is no court action commenced for this claim.
- Name(s) of Victim:** Ching Yu Jing
- Name(s) of Defendant(s)/
Respondent(s):** Wan Chung Construction
- Nature of Claim/Cause of Action:** This claim against Wan Chung Construction arose from personal injuries suffered by the victim on 9 August 2008.
- Amount/Estimated quantum of
Damages claimed:** Wan Chung Construction has settled with Miss Ching at HK\$29,812 on 23 January 2009. Our Directors confirmed that the said amount has been recovered by our Group from the subcontractor.
- Status:** No proceedings were commenced.
18. **Court Action Number:** There is no court action commenced for this claim.
- Name(s) of Plaintiff(s)/
Applicant(s):** Kwok Hau
- Name(s) of Defendant(s)/
Respondent(s):** Wan Chung Construction
United Crown Engineering Ltd
- Nature of Claim/Cause of Action:** This claim arose from body injuries to the victim worker while he was working in Fanling on 12 November 2010.
- Amount/Estimated quantum of
Damages claimed:** The claim was settled by the insurer at HK\$20,000 with costs of the proceedings.
- Status:** The claimant confirmed settlement of the claim without any claim against Wan Chung Construction.

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19. **Court Action Number:** There is no court action commenced for this claim.
- Name(s) of Plaintiff(s)/
Applicant(s):** Wong Shun Tai
- Name(s) of Defendant(s)/
Respondent(s):** Wan Chung Construction
Wai Shing Design & Engineering Limited (偉成設計工程有限公司)
- Nature of Claim/Cause of Action:** This claim arose from personal injuries suffered by the victim who sprained his ankle when going downstairs.
- Amount/Estimated quantum of
Damages claimed:** This claim was settled by the insurer at HK\$128,220.88.
- Status:** Wan Chung Construction has full insurance cover for its liability of the accident and notice of accident has been given to the Labour Department and the insurer.
20. **Action/Case Number/Arbitration
Case No.:** There is no court action commenced for this claim.
- Name(s) of Plaintiff(s)/Claimant(s):** Law Man Kuen
- Name(s) of Defendant(s)/
Respondent(s):** Wan Chung Construction
- Nature of Claim/Cause of Action:** This claim arose from the eye injury to claimant on 6 April 2011 due to slippery floor of the premises of which Wan Chung Construction was the main contractor.
- Amount/Estimated quantum of
Damages claimed:** The settled amount agreed with the claimant is HK\$3,000. Our Directors confirmed that the said amount has been recovered by our Group from the subcontractor.
- Status:** No proceedings were commenced.

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(3) *Subcontractors' claim*

1. **Action/Case Number/Arbitration Case No.:** HCA4271/1997
- Name(s) of Plaintiff(s)/Claimant(s):** Scaffold Engineering Co. Ltd.
- Name(s) of Defendant(s)/ Respondent(s):** Wan Chung Construction
- Nature of Claim/Cause of Action:** The plaintiff claimed for monthly hiring charges for the use of steel scaffolds and/or return of scaffolds at a construction site from Wan Chung Construction.
- Amount/Estimated quantum of Damages claimed:** The plaintiff claimed HK\$437,189, interest (under Sections 48 and 49 of Supreme Court Ordinance) and costs.
- Status:** The plaintiff has not proceeded further after an Order for discovery was made on 29 September 1997.

Wan Chung Construction has instructed its handling solicitors to proceed with dismissal. The application to dismiss the action was heard on 23 November 2011. By an Order of the High Court made on 23 November 2011, the plaintiff's claim has been struck out and the Action against Wan Chung Construction be dismissed for want of prosecution and/or abuse of the process of the Court.

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(4) Miscellaneous Claims

- | | | |
|----|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Action/Case Number/Arbitration Case No.: | SCTC 032202/2009 |
| | Name(s) of Plaintiff(s)/Claimant(s): | Lee Sau Fong Jackie |
| | Name(s) of Defendant(s)/ Respondent(s): | The Link Management Limited
Wilson Parking (Holdings) Limited
The Link Properties Limited
Wan Chung Construction |
| | Nature of Claim/Cause of Action: | This is a claim made by the claimant for the compensation for repainting costs due to dropped off paints from the ceiling. |
| | Amount/Estimated quantum of Damages claimed: | The amount claimed is HK\$7,742 plus costs. |
| | Status: | This case was settled between the parties by an award dated 19 October 2009, in which Wan Chung Construction has to pay the claimant a sum of HK\$7,742 in full and final settlement of claimant's claim. Our Directors confirmed that the said amount has been recovered by our Group from the subcontractor. |
| 2. | Action/Case Number/Arbitration Case No.: | SCTC 039495/08 |
| | Name(s) of Plaintiff(s)/Claimant(s): | 孫光輝經營新達昌水電工程 (Suen Kwong Fai trading as Sun Tak Cheung Plumbing and Electrical Engineering) |
| | Name(s) of Defendant(s)/ Respondent(s): | Wan Chung Construction
The Link Management Limited |
| | Nature of Claim/Cause of Action: | The defendants did not take precaution measures during the works causing sewage waters leaked into the claimant's shop that result in damages. |
| | Amount/Estimated quantum of Damages claimed: | The amount claimed is HK\$49,732. |
| | Status: | This case was settled between the parties by an award dated 6 February 2009, under which Wan Chung Construction has to pay the claimant a sum of HK\$14,000 in full and final settlement of claimant's claim. Our Directors confirmed that the said amount has been recovered by our Group from the subcontractor. |

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3. **Action/Case Number/Arbitration Case No.:** Court action of this claim has not been commenced.
- Name(s) of Plaintiff(s)/Claimant(s):** CO DE Sign & Consultant
- Name(s) of Defendant(s)/Respondent(s):** Wan Chung Construction
- Nature of Claim/Cause of Action:** The claimant claimed against Wan Chung Construction for damage to the claimant's private car due to paint drops that happened on 21 July 2009.
- Amount:** Wan Chung Construction has settled the claim with the Claimant on 27 August 2009 at HK\$49,000.
- Status:** Our Directors confirmed that the said amount has been recovered by our Group from the subcontractor.

(4) Criminal convictions

Please see below the details of criminal litigations against Wan Chung Construction that was convicted and fined during the Track Record Period and up to the Latest Practicable Date. Other than a conviction under the Fixed Penalty (Traffic Contravention) Ordinance (item 11 below) which was not related to subcontractor, our Directors confirmed that all fines were recovered from the subcontractors:

1. **Case No.** STS8708/2010
- Defendant:** Wan Chung Construction
- Plaintiff:** Government of HKSAR
- Nature of convictions:** Wan Chung Construction failed to take adequate steps to prevent a person on the site from falling a height of 2 metres or more which was in breach of Regulations 38B(1), 68(1)(a) and 68(2)(g) Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong).
- Fines:** HK\$10,000
2. **Case No.** STS8710/2010
- Defendant:** Wan Chung Construction
- Plaintiff:** Government of HKSAR
- Nature of convictions:** Wan Chung Construction failed to ensure that scaffold to be erected by adequately trained and possessed adequate experience of such work which was in breach of Regulations 38E(1)(a), 68(1)(a) and 68(2)(a), Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong).
- Fines:** HK\$4,000

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3. **Case No.** FLS113/2011
Defendant: Wan Chung Construction
Plaintiff: Government of HKSAR
Nature of convictions: Wan Chung Construction failed to take adequate steps to prevent a person on the site from falling a height of 2 metres or more which was in breach of Regulations 38B(1), 68(1)(a) and 68(2)(g) Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong).
Fines: HK\$10,000
4. **Case No.** FLS114/2011
Defendant: Wan Chung Construction
Plaintiff: Government of HKSAR
Nature of convictions: Wan Chung Construction failed to take adequate steps to prevent a person on the site from falling a height of 2 metres or more which was in breach of Regulations 38B(1), 68(1)(a) and 68(2)(g) Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong).
Fines: HK\$10,000
5. **Case No.** ESS14846/2010
Defendant: Wan Chung Construction
Plaintiff: Government of HKSAR
Nature of convictions: Wan Chung Construction failed to ensure the workman to use the suitable goggles which were provided for the protection of the workman which was in breach of Regulations 43(b), 68(1)(a) and 68(2)(b) Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong).
Fines: HK\$7,500
6. **Case No.** ESS14847/2010
Defendant: Wan Chung Construction
Plaintiff: Government of HKSAR
Nature of convictions: Wan Chung Construction failed to ensure the 2 workmen to wear suitable safety helmets which was in breach of Regulations 48(1)(b), 68(1)(a) and 68(2)(b) Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong).
Fines: HK\$4,000

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7. **Case No.** ESS14848/2010
Defendant: Wan Chung Construction
Plaintiff: Government of HKSAR
Nature of convictions: Wan Chung Construction failed to provide a guard at an abrasive wheel which was in breach of Regulations 9(c), 17(1) and 17(1A)(a) Factories and Industrial Undertakings (Abrasive Wheels) Regulations made under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong).
Fines: HK\$2,500
8. **Case No.** ESS22759/2008
Defendant: Wan Chung Construction
Plaintiff: Government of HKSAR
Nature of convictions: Wan Chung Construction failed to take adequate steps to prevent a person on the site from falling a height of 2 metres or more which was in breach of Regulations 38B(1), 68(1)(a) and 68(2)(g) Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong).
Fines: HK\$3,000
9. **Case No.** ESS22760/2008
Defendant: Wan Chung Construction
Plaintiff: Government of HKSAR
Nature of convictions: Wan Chung Construction failed to take adequate steps to prevent a person on the site from falling a height of 2 metres or more which was in breach of Regulations 38B(1), 68(1)(a) and 68(2)(g) Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong).
Fines: HK\$3,500
10. **Case No.** ESS22761/2008
Defendant: Wan Chung Construction
Plaintiff: Government of HKSAR
Nature of convictions: Wan Chung Construction failed to take adequate steps to prevent a person on the site from falling a height of 2 metres or more which was in breach of Regulations 38B(1), 68(1)(a) and 68(2)(g) Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong).
Fines: HK\$4,000

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11. **Case No.** STP10598/2008
Defendant: Wan Chung Construction
Plaintiff: Government of HKSAR
Nature of convictions: A motor vehicle owned by Wan Chung Construction has parked in a metered parking space when the meter does not indicate that payment has been made under 11(1) of the Fixed Penalty (Traffic Contravention) Ordinance (Chapter 237 of the Laws of Hong Kong) and payment of the fixed penalty had not been made on the first service of notice
Fines: HK\$1,080
12. **Case No.** FLS 4962/2011
Defendant: Wan Chung Construction
Plaintiff: Government of HKSAR
Nature of convictions: The powered mechanical equipment used by Wan Chung Construction was not covered by the construction noise permit in breach of section 6(1)(b) and 6(5) of the Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong).
Fines: HK\$30,000
13. **Case No.** FLS2689/2011
Defendant: Wan Chung Construction
Plaintiff: Government of HKSAR
Nature of convictions: Wan Chung Construction failed to take adequate steps to prevent a person on the site from falling a height of 2 metres or more which was in breach of Regulations 38B(1), 68(1)(a) and 68(2)(g) Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong).
Fines: HK\$15,000
14. **Case No.** FLS2690/2011
Defendant: Wan Chung Construction
Plaintiff: Government of HKSAR
Nature of convictions: Wan Chung Construction failed to ensure that, so far as was reasonably practicable, suitable and adequate safe access to and egress from a place of work which was in breach of Regulations 38A(2), 68(1)(a) and 68(2)(g) Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)
Fines: HK\$15,000

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15. Case No.:	ESS38038/2011
Defendant:	Wan Chung Construction
Plaintiff:	Government of HKSAR
Nature of Convictions:	Wan Chung Construction failed to ensure 1 workman to wear suitable safety helmet which was in breach of Regulations 48(1)(b), 68(1)(a) and 68(2)(b) Construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)
Fines:	HK\$4,500

Save as disclosed, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial trading position or prospects of our Group since 30 June 2011 (being the date to which the latest audited combined financial statements of our Group were made up).

4. Miscellaneous

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;
 - (ii) [●]
 - (iii) [●]
 - (iv) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) [●]

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained herein is incomplete and subject to change and it must be read in conjunction with the section headed “Warning” on the cover of this Web Proof Information Pack.

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- (c) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this document.
- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (e) We have no outstanding convertible debt securities.