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## FINANCIAL INFORMATION

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*The following discussion of our Group's financial condition and results of operations should be read in conjunction with our Group's consolidated financial information as at the end of and for each of FY2017, FY2018 and the five months ended 31 May 2018 and 2019, including the notes thereto, included in Appendix I to this document. The consolidated financial information of the Group have been prepared in accordance with HKFRSs. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our Group's future results could differ materially from those discussed below as a result of various factors, including those set forth under the section headed "Risk factors" and elsewhere in this document.*

### OVERVIEW

We are a slope works contractor in Hong Kong. We commenced our business in 2013 and mainly undertook slope works in the role of subcontractor during the Track Record Period. The slope works undertaken by us generally involve landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls.

During the Track Record Period, our revenue represented income derived from undertaking slope works while the costs of our operations included, staff costs for carrying out site works, subcontracting expenses, costs of construction materials such as cement and concrete, steel reinforcement, landscape materials and flexible barriers and other miscellaneous services costs required for slope works such as site planning and surveying services, motor vehicle expenses and machinery rental services.

During the Track Record Period, we were engaged in both public and private sector projects and the majority of our revenue was derived from public sector projects. In respect of public sector projects, our customers were generally construction contractors which are registered on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau. During the Track Record Period, the project owners of our public sector projects generally included the CEDD, the Lands Department, the Housing Authority, the Water Supplies Department and the Architectural Services Department. In respect of private sector projects, our customers were generally construction contractors engaged by property owners and educational institutions. During the Track Record Period, we had a total of 27 projects with revenue contribution to us. As at the Latest Practicable Date, we had 18 projects on hand. For further details, please refer to the paragraph headed "Business – Projects undertaken during the Track Record Period" in this document.

Depending on the availability of our labour resources and the types of specialised works involved, we may from time to time engage subcontractors to perform certain slope works mainly including soil nail works, shotcreting works and landscape works.

We generally procured the materials required for our projects from suppliers based in Hong Kong on our own account. Depending on the contract terms with our subcontractors, materials may be (i) provided by our subcontractors to us at their own costs; or (ii) procured by us on our own account for the use of our subcontractors. We generally require our subcontractors to provide the necessary machinery to be used in their works at their own costs. In general, the subcontractors charged us a fee for the provision of their machinery

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and such cost is included in our subcontracting expenses. Where the relevant site works were undertaken by our own workers, we would deploy our own machinery or lease the required machinery from our customers or rental service providers.

### **KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including, in particular, the following:

#### **Market demand of the slope works industry**

Market demand of slope works is directly affected by the Government's spending budget on the public works which has a significant effect on our result of operations. During the Track Record Period, our revenue generated from public sector projects accounted for approximately 95.2%, 95.3% and 78.2% of our total revenue for FY2017, FY2018 and the five months ended 31 May 2019, respectively. The change in Government expenditures on public slope works is affected by various factors, including changes in the Government's policies in relation to the Landslip Prevention and Mitigation Programme, the amount of investment in the construction of new infrastructure and improvement of existing infrastructure by the Government, the general financial conditions of the Government and the general economic conditions in Hong Kong.

#### **Potential mismatch in time between receipt of progress payments from our customers, payment of project up-front costs and payments to our suppliers and subcontractors may adversely affect our cash flows**

We may experience net cash outflows as project up-front costs at the preliminary stage of a project which include installing temporary hoarding, performing site planning and surveying and setting up site offices. Our customers generally make progress payments according to our work progress, and such payments are required to be certified by our customers or their authorised representatives before we issue an invoice to our customers. During the Track Record Period, depending on the scale of the projects, there was generally an average time period of two to six months since we incur up-front costs for the projects up to the time when we receive the first payment from our customers. In addition, our customers may withhold up to 10% of each of our progress payment as retention money and subject to a maximum of 5% of the total contract sum, which will be released to us upon the expiry of the defect liability period. Accordingly, our cash flow typically turns from net outflows at the early stage of a project into accumulative net inflows gradually as the project progresses. During the Track Record Period, our average amount of upfront cost required to be paid as a percentage of total project cost was approximately 8.1%. This results in a cash flow gap and in the event that we have more projects at the initial stage or that a substantial amount of retention money from various projects are being withheld by our customers at any given point of time, our liquidity may be materially and adversely affected.

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### **Estimation of our project costs and determination of our tender price of our projects**

We need to estimate the time and costs involved in a project in order to determine our tender price. The actual amount of costs incurred in completing a project may be adversely affected by many factors, including adverse weather conditions, difficult geological conditions, shortage and cost escalation of labour and materials, customers' variation orders, accidents, unforeseen site conditions, unanticipated technical problems, departure of key project management and supervision personnel involved, non-performance by our subcontractors, and other unforeseen problems and circumstances. Any under-estimation of costs, delay or other circumstances resulting in cost overruns may adversely affect our profitability, business operation and financial performance.

### **Our success rate on project tendering**

Projects undertaken by us, including those from the public and private sectors, are normally awarded to us through competitive tendering processes. For each of FY2017, FY2018 and the five months ended 31 May 2019, we recorded a tender success rate of approximately 50.0%, 52.9% and 60.0%, respectively. Our tender success rate is affected by a range of factors including our pricing and tender strategy, competitors' tender and pricing strategy, level of competition and our customers' evaluation standards. There is no guarantee that we will be able to achieve a tender success rate similar to those during the Track Record Period in the future.

Depending on the then market condition and competitive landscape, we may have to lower our pricing or adjust our tender strategy in order to maintain the competitiveness of our tenders. In the event that our Group fails to secure new projects from our customers of contract values, size and/or margins comparable to existing ones, our business and financial performance and results of operations will be materially and adversely affected.

### **Availability and performance of our subcontractors**

Depending on the availability of our labour resources and the types of specialized works involved, we have from time to time subcontracted a portion of our works to subcontractors. For FY2017, FY2018 and the five months ended 31 May 2019, we incurred subcontracting expenses of approximately HK\$20.5 million, HK\$24.8 million and HK\$17.9 million, respectively. There is no assurance that the quality of services of our subcontractors can meet the requirements of our Group or our customers. There is no assurance that we are able to monitor the performance of our subcontractors as directly and efficiently as with our direct labour. Therefore, the engagement of subcontractors exposes us to the risks associated with non-performance, late performance or sub-standard performance of our subcontractors. Since we remain accountable to our customers for the performance and quality of services rendered by our subcontractors, we may incur additional costs or be subject to liability under the relevant contracts between us and our customers for our subcontractors' unsatisfactory performance. Such events could adversely affect our reputation, business operation, and financial position.

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### BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Please refer to note 1.3 and note 2 in the Accountants' Report in Appendix I to this document.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial information of our Group has been prepared in accordance with HKFRSs. The significant accounting policies adopted by our Group are set forth in detail in note 2 and note 3 in the Accountants' Report in Appendix I to this document.

#### *Revenue from undertaking slope works contracts*

Our Group provides slope works under contracts with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, our Group is contractually required to perform the services at the customers' specified sites that our Group's performance creates and enhances an asset that the customer controls as our Group performs. Revenue from slope works is therefore recognised over time using output method, i.e. based on surveys of undertaking slope works completed by our Group to date as certified by architects, surveyors or other representatives appointed by the customers. In cases where the payment certificates do not take place as at our Group's reporting period-end dates or do not exactly cover periods up to the reporting period-end dates, the revenue for the period from the last payment certificates up to the reporting period-end dates is estimated based on the actual amounts of works performed by our Group during such period as indicated by the internal progress reports, the payment applications prepared by our Group and the next payment certificates, if any, issued by our Group's customers or other representatives appointed by our Group's customers that takes place subsequent to the reporting period-end dates. The management of our Group considers that output method would faithfully depict our Group's performance towards complete satisfaction of these performance obligation under HKFRS 15.

Our Directors consider that the adoption of HKFRS 15 did not have significant impact on our financial position when comparing to that of HKAS 18 during the Track Record Period.

#### **Impairment of trade and other receivables (excluding prepayments) and contract assets**

Our Group makes allowances on items subjects to expected credit losses (including trade and other receivables (excluding prepayments), contract assets and amounts due from directors) based on assumptions about risk of default and expected loss rates. We use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the past history, existing market conditions as well as forward looking estimates at the end of each reporting period. As at 31 December 2017 and 2018 and 31 May 2019, the aggregate amounts of trade and other receivables (excluding prepayments) and contract assets amounted to HK\$14.5 million, HK\$22.0 million and HK\$29.1 million, respectively. No impairment in respect of trade and other receivables (excluding prepayments) and contract assets was recognised during the Track Record Period.

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Our Directors consider that the adoption of HKFRS 9 did not have significant impact on our financial position and performance when compared to that of HKAS 39 during the Track Record Period.

### SUMMARY OF RESULTS OF OPERATIONS

The consolidated statements of profit or loss and other comprehensive income during the Track Record Period are summarised below, which have been extracted from the Accountants' Report set out in Appendix I to this document:

	FY2017	FY2018	Five months ended	
			31 May	
			2018	2019
			<i>(Unaudited)</i>	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>	94,323	111,245	51,906	75,287
Cost of services	<u>(75,460)</u>	<u>(89,660)</u>	<u>(42,010)</u>	<u>(61,053)</u>
<b>Gross profit</b>	18,863	21,585	9,896	14,234
Other income, gains and losses	9	(3)	1	98
Administrative expenses	(2,230)	(2,374)	(867)	(1,663)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	<u>—</u>	<u>—</u>	<u>—</u>	<u>(16)</u>
<b>Profit before income tax</b>	16,642	19,069	9,030	4,246
Income tax expense	<u>(2,717)</u>	<u>(2,975)</u>	<u>(1,325)</u>	<u>(2,029)</u>
<b>Profit and total comprehensive income for the year/period</b>	13,925	16,094	7,705	2,217
Profit and total comprehensive income for the year/period (excluding [REDACTED])	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

### PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

#### Revenue

During the Track Record Period, our revenue was fully derived from slope works. For detailed breakdown of our revenue during the Track Record Period by sector (private or public), please refer to the paragraph headed "Business – Business Overview" in this document.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for a discussion of the change in the amount of our revenue during the Track Record Period.

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### Cost of services

The table below sets forth a breakdown of our cost of services during the Track Record Period:

	FY2017		FY2018		Five months ended 31 May 2018 (Unaudited)		Five months ended 31 May 2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Direct material	15,385	20.4	15,781	17.6	7,435	17.7	12,438	20.4
Depreciation	430	0.6	566	0.6	238	0.6	249	0.4
Subcontracting expenses	20,457	27.1	24,820	27.7	10,641	25.3	17,853	29.2
Direct labour	27,512	36.5	32,631	36.4	14,932	35.5	18,478	30.3
Site planning and surveying	2,793	3.7	5,183	5.8	3,179	7.6	4,440	7.3
Motor vehicles expenses	1,706	2.6	2,981	3.5	1,508	3.6	2,429	4.0
Machinery rental expenses	2,038	2.7	2,118	2.4	1,147	2.7	1,931	3.2
Repair and maintenance	534	0.7	307	0.3	54	0.1	155	0.2
Testing fee	231	0.3	674	0.8	269	0.7	437	0.7
Transportation expenses	426	0.6	466	0.5	202	0.5	249	0.4
Others	3,948	5.2	4,133	4.6	2,405	5.7	2,394	3.9
<b>Total</b>	<b>75,460</b>	<b>100.0</b>	<b>89,660</b>	<b>100.0</b>	<b>42,010</b>	<b>100.0</b>	<b>61,053</b>	<b>100.0</b>

Our cost of services during the Track Record Period comprised:

- (a) Direct material, which represent costs borne by us for purchasing construction materials required for the performance of works. Our direct material includes cement and concrete, steel reinforcement, landscape materials and flexible barriers.

The hypothetical fluctuation rates for direct materials costs are set at 0.6% and 4.8%, which correspond to (i) the average CAGR in the price of cement and concrete and (ii) the CAGR in the price of steel reinforcements (being the major components of our material costs), from 2013 to 2018 as stated in the F&S Report (see "Industry overview – Potential challenges – 3. Fluctuating cost of materials in Hong Kong" in this document) and are therefore considered reasonable for the purpose of this sensitivity analysis.

<b>Hypothetical fluctuations in our direct materials costs Increase/(decrease) in profit before income tax (Note)</b>	<b>-0.6%</b>	<b>-4.8%</b>	<b>+0.6%</b>	<b>+4.8%</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
FY2017	92	738	(92)	(738)
FY2018	95	757	(95)	(757)
Five months ended 31 May 2019	75	597	(75)	(597)

*Note:* Our profit before income tax was approximately HK\$16.6 million, approximately HK\$19.1 million and approximately HK\$4.2 million for FY2017, FY2018 and the five months ended 31 May 2019, respectively.

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- (b) depreciation, which mainly represents depreciation charges for our machinery and motor vehicles;
- (c) subcontracting expenses, which are costs of engaging subcontractors for carrying out works undertaken by us. Depending on the availability of our labour resources and the types of specialized works involved, we have from time to time subcontracted a portion of our works to subcontractors. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our subcontracting expenses on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 3.4% and 13.3%, which correspond to the approximate minimum and maximum percentage changes in the average daily wage of general workers in Hong Kong from 2013 to 2018 as stated in the F&S Report (see "Industry overview – Potential challenges – 2. Rising labour cost" in this document) and are therefore considered reasonable for the purpose of this sensitivity analysis:

<b>Hypothetical fluctuations in our subcontracting expenses Increase/(decrease) in profit before income tax (Note)</b>	-3.4%	-13.3%	+3.4%	+13.3%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FY2017	696	2,721	(696)	(2,721)
FY2018	844	3,301	(844)	(3,301)
Five months ended				
31 May 2019	607	2,374	(607)	(2,374)

*Note:* Our profit before income tax was approximately HK\$16.6 million, approximately HK\$19.1 million and approximately HK\$4.2 million for FY2017, FY2018 and the five months ended 31 May 2019, respectively.

- (d) Direct labour, which are costs of our staff directly involved in the provision of our services, including project management and supervision personnel as well as direct labours for carrying out site works. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our direct labour costs (in respect of our staff who are directly involved in carrying out our site works) on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 3.4% and 13.3%, which correspond to the approximate minimum and maximum percentage changes in the average daily wage of general workers in Hong Kong from 2013 to 2018 as stated in the F&S Report (see "Industry overview – Potential challenges – 2. Rising labour cost" in this document) and are therefore considered reasonable for the purpose of this sensitivity analysis:

<b>Hypothetical fluctuations in our direct labour Increase/(decrease) in profit before income tax (Note)</b>	-3.4%	-13.3%	+3.4%	+13.3%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FY2017	935	3,659	(935)	(3,659)
FY2018	1,109	4,340	(1,109)	(4,340)
Five months ended				
31 May 2019	628	2,458	(628)	(2,458)

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*Note:* Our profit before income tax was approximately HK\$16.6 million, approximately HK\$19.1 million and approximately HK\$4.2 million for FY2017, FY2018 and the five months ended 31 May 2019, respectively.

- (e) site planning and surveying, which mainly represent costs for engaging engineers who are generally arranged by our customers for conducting inspection on the site condition and the survey costs for certain slope works processes;
- (f) motor vehicles expenses, which represent costs in relation to the use of our motor vehicles and the cost paid to Geotech Engineering Limited for arranging transportation during the provision of our slope works for its projects;
- (g) machinery rental expenses, which mainly represent rental costs for renting machinery necessary for carrying out our slope works;
- (h) repair and maintenance, which mainly represent repair and maintenance expenses for our motor vehicles and machinery;
- (i) testing fee represent costs for testing and checking of the construction materials such as concrete and steel related products;
- (j) transportation expenses, which mainly represent expenses for transporting construction wastes resulting from our construction works and fees for transporting our construction materials and machinery to work sites;
- (k) others, which include various miscellaneous expenses relevant to the provision of our works such as insurance, printing and stationery, utility, etc.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for a discussion of material fluctuations in our cost of services.

### Other income, gains and losses

The table below sets forth a breakdown of our other income, gains and losses during the Track Record Period:

	FY2017	FY2018	Five months ended 31 May	
			2018	2019
			<i>(Unaudited)</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/gain on disposal of property, plant and equipment	(13)	(4)	1	97
Sundry income	<u>22</u>	<u>1</u>	<u>–</u>	<u>1</u>
Total	<u>9</u>	<u>(3)</u>	<u>1</u>	<u>98</u>



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Our other income, gains and losses during the Track Record Period mainly comprised:

- (a) loss or gain on disposal of property, plant and equipment, which was recognised due to the disposal of our motor vehicles due to replacement during the Track Record Period; and
- (b) sundry income mainly represents bank interest income and income for arranging logistic services for a customer which was not directly related to our projects.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for a discussion of material fluctuations in our other income, gains and losses.

### Administrative expenses

The table below sets forth a breakdown of our administrative expenses during the Track Record Period:

	FY2017		FY2018		Five months ended 31 May			
	HK\$'000	%	HK\$'000	%	2018 (Unaudited)		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff costs (including directors' emoluments)	1,822	81.7	1,622	68.3	656	75.7	1,065	64.0
Depreciation	76	3.5	48	2.0	20	2.3	234	14.1
Legal and professional fee	32	1.4	101	4.3	2	0.2	-	-
Motor vehicles expenses	18	0.8	244	10.3	118	13.6	107	6.4
Operating lease charges in respect of leased premise	100	4.5	212	8.9	42	4.8	-	-
Bank charges	2	0.1	2	0.1	negligible	negligible	159	9.6
Others								
- Compassionate fee	100	4.5	-	-	-	-	-	-
- Printing and stationery	3	0.1	13	0.5	6	0.7	6	0.4
- Telephone & fax	7	0.3	35	1.5	11	1.3	15	0.9
- Training expenses	9	0.4	21	0.9	-	-	-	-
- Travelling expenses	2	0.1	16	0.7	negligible	negligible	negligible	negligible
- Other expenses	59	2.6	60	2.5	12	1.4	77	4.6
<b>Total</b>	<b>2,230</b>	<b>100.0</b>	<b>2,374</b>	<b>100.0</b>	<b>867</b>	<b>100.0</b>	<b>1,663</b>	<b>100.0</b>

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Our administrative expenses during the Track Record Period comprised:

- (a) staff costs (including directors' emoluments), which include salaries and benefits provided to our Directors and our administrative and office staff;
- (b) depreciation, which represents depreciation charges for furniture and fixtures and motor vehicles used for administrative purpose;
- (c) legal and professional fees, which represents ISO certification fees;
- (d) motor vehicle expenses, which represent operating costs in relation to the use of our motor vehicles for administrative purpose;
- (e) operating lease charges in respect of leased premise, which represent rental costs, office management fees and rates in respect of our leased office premises;
- (f) bank charges, which represent the charges for banking services such as arrangement fee for bank confirmation and banking facility;
- (g) compassionate fee, which represents a fee paid to the spouse of our former employee who suffered heart attack during a break from work and was certified dead. For further details, please refer to the section headed "Business – Occupational health and work safety" in this document;
- (h) Printing and stationery, which represent the printing and stationery cost for administrative purpose;
- (i) telephone & fax, which represents telephone and fax cost for administrative purpose;
- (j) training expenses, which represents the costs incurred for various training courses covering area such as technical knowledge relating to the carrying out of slope works, safety, first aid and environmental matter;
- (k) travelling expenses, which represents the cost in relation to travelling; and
- (l) other expenses, which mainly include auditor's remuneration, entertainment expenses and utilities.

### **Income tax expense**

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year ended 31 December 2017.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of

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qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the FY2018 and the five months ended 31 May 2019, Hong Kong profits tax has been provided in accordance with the two-tiered profits tax rates regime.

The taxation for the Track Record Period can be reconciled to the profit before income tax as follows:

	<b>FY2017</b>	<b>FY2018</b>	<b>Five months ended 31 May</b>	
			<b>2018</b>	<b>2019</b>
			<i>(Unaudited)</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	<u>16,642</u>	<u>19,069</u>	<u>9,030</u>	<u>4,246</u>
Tax at Hong Kong				
Profits Tax rate of 16.5%	2,746	3,147	1,490	701
<i>Adjustments:</i>				
Tax effect of non-deductible expenses	1	23	–	1,493
Effect of two-tiered profits tax rates regime	–	(165)	(165)	(165)
Statutory tax concession	<u>(30)</u>	<u>(30)</u>	<u>–</u>	<u>–</u>
Income tax expenses	<u>2,717</u>	<u>2,975</u>	<u>1,325</u>	<u>2,029</u>

During the Track Record Period, our effective tax rates (calculated as income tax expense for the year/period divided by profit before income tax and [REDACTED]) were as follows:

	<b>FY2017</b>	<b>FY2018</b>	<b>Five months ended 31 May</b>	
			<b>2018</b>	<b>2019</b>
			<i>(Unaudited)</i>	
Effective tax rate:	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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### PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

The five months ended 31 May 2019 compared with the five months ended 31 May 2018

#### *Revenue*

Our revenue increased from approximately HK\$51.9 million for the five months ended 31 May 2018 to approximately HK\$75.3 million for the five months ended 31 May 2019, representing an increase of approximately 45.0% or approximately HK\$23.4 million. Our revenue increased because we have actively approached our existing and potential customers resulting in the increase in our number of projects with revenue contribution to us from 11 in the five months ended 31 May 2018 to 15 in the five months ended 31 May 2019. In addition, our Group was awarded with one project by Customer G, being a new customer in FY2019. The increase in the revenue of our Group was mainly because of the following:

- (i) We recorded an increase in the number of projects with revenue contribution to us and an increase in our revenue derived from projects of relatively larger scale as illustrated in the tables below:

*Number of projects with revenue contribution to us*

	<b>Five months ended 31 May</b>	
	<b>2018</b>	<b>2019</b>
	<i>(Unaudited)</i>	
Public sector projects	10	11
Private sector projects	<u>1</u>	<u>4</u>
<b>Total</b>	<b><u>11</u></b>	<b><u>15</u></b>

	<b>Five months ended 31 May</b>	
	<b>2018</b>	<b>2019</b>
	<i>(Unaudited)</i>	
	<i>No. of projects</i>	<i>No. of projects</i>
<b>Revenue recognised</b>		
HK\$10.0 million or above	2	3
HK\$5.0 million to below HK\$10.0 million	2	2
HK\$1.0 million to below HK\$5.0 million	3	4
Below HK\$1.0 million	<u>4</u>	<u>6</u>
<b>Total</b>	<b><u>11</u></b>	<b><u>15</u></b>

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- (ii) In particular, Project #03 (details of which is set out in the paragraph headed "Business – Projects undertaken during the Track Record Period" in this document) had less actual work done during the five months ended 31 May 2018:

Project	Date of commencement of works	Actual or expected date of completion works	Amount of revenue recognised	
			for the five months ended 31 May 2018 <i>HK\$'000</i>	for the five months ended 31 May 2019 <i>HK\$'000</i>
Project #03	November 2017	November 2020	8,043	21,499

### *Cost of services*

Our cost of services increased from approximately HK\$42.0 million for the five months ended 31 May 2018 to approximately HK\$61.1 million for the five months ended 31 May 2019, representing an increase of approximately 45.3%, which was broadly in line with the increase of approximately 45.0% in our revenue over the same period. Our cost of services mainly includes direct labour cost, subcontracting expenses, direct material, site planning and surveying expenses and machinery rental expenses.

The following is a discussion of the changes in the key components of our cost of services in the five months ended 31 May 2018 compared to the five months ended 31 May 2019:

- (i) Our subcontracting expenses increased from approximately HK\$10.6 million for the five months ended 31 May 2018 to approximately HK\$17.9 million for the five months ended 31 May 2019, representing an increase of approximately 67.8%. Such increase was mainly attributable to the increase in amount of works outsourced to subcontractors for Project #03, Project #06 and Project #08 having considered our available resources as a result of our growth in business during the five months ended 31 May 2019 as illustrated by the increase in our revenue as discussed above.
- (ii) Our direct material costs increased from approximately HK\$7.4 million for the five months ended 31 May 2018 to HK\$12.4 million for the five months ended 31 May 2019, representing an increase of approximately 67.3%. Such increase was mainly due to the consumption of cement and concrete, steel reinforcement and landscape materials in relation to Project #06, Project #03 and Project #05. According to the contract terms with our subcontractors, materials were procured by us on our own account for the use of our subcontractors for Project #03, Project #05 and Project #06. Project #05 and Project #06 were awarded to our Group in November 2018 and December 2018, respectively.

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- (iii) Our direct labour costs increased from approximately HK\$14.9 million for the five months ended 31 May 2018 to HK\$18.5 million for the five months ended 31 May 2019, representing an increase of approximately 23.7%. Such increase was mainly due to our business growth and increase of our number of site workers in the five months ended 31 May 2019.

### *Gross profit and gross profit margin*

Our gross profit and gross profit margin during the Track Record Period were as follows:

	Five months ended 31 May	
	2018	2019
	<i>(Unaudited)</i>	
Revenue ( <i>HK\$'000</i> )	51,906	75,287
Gross profit ( <i>HK\$'000</i> )	9,896	14,234
Gross profit margin (%)	19.1	18.9

Our gross profit increased from approximately HK\$9.9 million in the five months ended 31 May 2018 to approximately HK\$14.2 million in the five months ended 31 May 2019, which was mainly due to the increase in our revenue as discussed above. Our gross profit margin remained relatively stable at approximately 19.1% for the five months ended 31 May 2018 and approximately 18.9% for the five months ended 31 May 2019.

### *Other income, gains and losses*

We recorded other income and gain of approximately HK\$1,000 in the five months ended 31 May 2018 and other income and gain of approximately HK\$98,000 in the five months ended 31 May 2019. Such difference was mainly due to the gains on disposal of two motor vehicles of approximately HK\$97,000, in aggregate in the five months ended 31 May 2019.

### *Administrative expenses*

Our administrative expenses increased from approximately HK\$0.9 million in the five months ended 31 May 2018 to approximately HK\$1.7 million in the five months ended 31 May 2019. Such increase was mainly due to (i) an increase in our staff costs (including directors' emoluments) in view of the increase of our finance and administrative staff and the general increment in salaries for our finance and administrative staff; (ii) an increase in depreciation due to the initial application of HKFRS16 for the right-of-use assets in relation to our office for the five months ended 31 May 2019; and (iii) an increase in bank charges for arranging banking facilities to support our daily operation.

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### *Profit before income tax and income tax expense*

Our profit before income tax decreased by approximately 53.0% from approximately HK\$9.0 million for the five months ended 31 May 2018 to approximately HK\$4.2 million for the five months ended 31 May 2019 as we incurred approximately HK\$[REDACTED] million [REDACTED] in the five months ended 31 May 2019 which was one-off in nature. Our profit before income tax (excluding [REDACTED]) increased by approximately [REDACTED]% from approximately HK\$[REDACTED] million in the five months ended 31 May 2018 to approximately HK\$[REDACTED] million in the five months ended 31 May 2019.

Our income tax expense increased by approximately HK\$0.7 million from approximately HK\$1.3 million for the five months ended 31 May 2018 to approximately HK\$2.0 million for the five months ended 31 May 2019. Such increase was mainly due to the increase in our profit before income tax (excluding [REDACTED]) as a result of the increase in our revenue and gross profit as explained above.

### *Profit and total comprehensive income for the period*

Profit and total comprehensive income for the period decreased by approximately HK\$5.5 million from HK\$7.7 million in the five months ended 31 May 2018 to HK\$2.2 million in the five months ended 31 May 2019. Such decrease was mainly attributable to [REDACTED] incurred by our Group in the five months ended 31 May 2019.

Adjusted profit and total comprehensive income for the five months ended 31 May 2019 (excluding [REDACTED]) increased by approximately HK\$2.9 million, which was mainly due to the increase in our revenue and gross profit as mentioned above.

## **FY2018 compared with FY2017**

### *Revenue*

Our revenue increased from approximately HK\$94.3 million for FY2017 to approximately HK\$111.2 million for FY2018, representing an increase of approximately 17.9% or approximately HK\$16.9 million. Our revenue increased because we have actively approached our existing and potential customers resulting in the increase in our number of customers with revenue contribution to us from 5 in FY2017 to 7 in FY2018, which contributed the following:

- (i) We recorded an increase in the number of projects with revenue contribution to us and an increase in our revenue derived from projects of relatively larger scale as illustrated in the tables below:

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*Number of projects with revenue contribution to us*

	<b>FY2017</b>	<b>FY2018</b>
Public sector projects	9	11
Private sector projects	3	5
<b>Total</b>	<b>12</b>	<b>16</b>

	<b>FY2017</b>	<b>FY2018</b>
	<i>No. of projects</i>	<i>No. of projects</i>
<b>Revenue recognised</b>		
HK\$10.0 million or above	3	4
HK\$5.0 million to below HK\$10.0 million	0	2
HK\$1.0 million to below HK\$5.0 million	6	6
Below HK\$1.0 million	3	4
<b>Total</b>	<b>12</b>	<b>16</b>

- (ii) In particular, there were two projects (i.e. Project #02 and Project #03, details of which are set out in the paragraph headed "Business – Projects undertaken during the Track Record Period" in this document) which were at their initial startup stages during FY2017 resulting in less actual work done during FY2017:

Project	Date of commencement of works	Actual or expected date of completion works	Amount of revenue recognised	
			FY2017 <i>HK\$'000</i>	FY2018 <i>HK\$'000</i>
Project #02	April 2017	December 2019	13,135	30,273
Project #03	November 2017	November 2020	1,647	28,556

### *Cost of services*

Our cost of services increased from approximately HK\$75.5 million for FY2017 to approximately HK\$89.7 million for FY2018, representing an increase of approximately 18.8%, which was slightly higher than the increase of approximately 17.9% in our revenue over the same period. Our cost of services mainly includes direct labour cost, subcontracting expenses, direct material, site planning and surveying expenses and machinery rental expenses.



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The following is a discussion of the changes in the key components of our cost of services in FY2017 compared to FY2018:

- (i) Our subcontracting expenses increased from approximately HK\$20.5 million for FY2017 to approximately HK\$24.8 million for FY2018, representing an increase of approximately 21.3%. Such increase was mainly attributable to the increase in amount of works outsourced to subcontractors for Project #02 and Project #03 having considered our available resources as a result of our growth in business during FY2018 as illustrated by the increase in our revenue as discussed above, and in particular the increase in the number of relatively larger scale projects undertaken during FY2018 as illustrated above.
- (ii) Our direct labour costs increased from approximately HK\$27.5 million for FY2017 to HK\$32.6 million for FY2018, representing an increase of approximately 18.6%. Such increase was mainly due to our increase in the use of our own labour resources in carrying out the works. As a result, our staff costs increased as we employed more sites workers and project management personnel to cope with our increased workload in FY2018 compared to FY2017. For the details of the increase in our employees, please refer to the paragraph headed "Business – employees" in this document.
- (iii) Our site planning and surveying expenses increased from HK\$2.8 million for FY2017 to HK\$5.2 million for FY2018, representing an increase of approximately 85.7%. Such increase was mainly due to the increase in the use of engineers for the inspection on sites condition and surveying services for certain slope works processes as a result of our growth in business during FY2018.

### *Gross profit and gross profit margin*

Our gross profit and gross profit margin during the Track Record Period were as follows:

	<b>FY2017</b>	<b>FY2018</b>
Revenue ( <i>HK\$'000</i> )	94,323	111,245
Gross profit ( <i>HK\$'000</i> )	18,863	21,585
Gross profit margin (%)	20.0	19.4

Our gross profit increased from approximately HK\$18.9 million in FY2017 to approximately HK\$21.6 million in FY2018, which was mainly due to the increase in our revenue as discussed above. Our gross profit margin slightly decreased by approximately 0.6 percentage points from approximately 20.0% for FY2017 to approximately 19.4% for FY2018 mainly due to the increase in our use of subcontractors having considered the availability of our own labour resources as discussed above. Our Directors consider that holding all else the same, the engagement of subcontractors would generally lead to a lower profit margin for our Group, as a profit markup is generally factored in the fees charged by subcontractors.

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### *Other income, gains and losses*

We recorded other income and gain of approximately HK\$9,000 in FY2017 and other losses of approximately HK\$3,000 in FY2018. Such difference was mainly due to the recognition of a one-off income for arranging logistic services for a customer which was not directly related to our project in FY2017.

### *Administrative expenses*

Our administrative expenses were approximately HK\$2.2 million and approximately HK\$2.4 million for FY2017 and FY2018 respectively, which remained relatively stable. The staff cost in administrative expenses decreased from approximately HK\$1.8 million for FY2017 to approximately HK\$1.6 million for FY2018, which was mainly because we have configured mobile phone and relevant network services to our Directors and project management staffs in FY2017 and such benefit was one-off in nature.

### *Profit before income tax and income tax expense*

Our profit before income tax increased by approximately 14.6% from approximately HK\$16.6 million for FY2017 to approximately HK\$19.1 million for FY2018 as a result of all of the aforesaid and in particular the increase in our revenue and gross profit as explained above.

Our income tax expense increased from approximately HK\$2.7 million for FY2017 to approximately HK\$3.0 million for FY2018, representing an increase of approximately 9.5%, which was lower than the increase in our profit before income tax of approximately 14.6% as a result of the combined tax effect of (i) the non-deductible [REDACTED] of approximately HK\$[REDACTED] million incurred in FY2018 and (ii) the two-tiered profits tax rates regime as discussed in the paragraph headed "Principal components of results of operations – income tax expenses" above in this section.

### *Profit and total comprehensive income for the year*

As a result of the aforesaid and in particular the effect of the increase in our gross profit, the recognition of [REDACTED] in FY2018 and the tax effect of the non-deductible [REDACTED] and two-tiered profits tax rates regime as explained above, our profit and total comprehensive income increased from approximately HK\$13.9 million for FY2017 to approximately HK\$16.1 million for FY2018, representing an increase of approximately 15.6%.

## LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds have historically been our equity capital, amounts due to Directors and cash generated from our operations. Our primary liquidity requirements are to finance our working capital needs, capital expenditure and the growth of our operations. Going forward, we expect these sources to continue to be our principal sources of liquidity, and we may use a portion of the [REDACTED] from the [REDACTED] to finance a portion of our liquidity requirements.

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As at 31 August 2019, being the most recent practicable date for the purpose of the disclosure of our liquidity position, we had cash and bank balances of approximately HK\$4.1 million and we had unutilised banking facilities of approximately HK\$10.0 million available for cash drawdown.

### Cash flows

The following table sets forth a summary of our cash flows for the year/period indicated:

	FY2017	FY2018	Five months ended	
			31 May	
			2018	2019
			<i>(Unaudited)</i>	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net cash generated from operating activities	9,338	7,216	6,222	3,519
Net cash used in investing activities	(1,628)	(3,962)	(62)	(218)
Net cash used in financing activities	—	(2,000)	—	(4,806)
Net increase/(decrease) in cash and cash equivalents	7,710	1,254	6,160	(1,505)
Cash and cash equivalents at the beginning of year/period, represented by bank balances and cash	3,470	11,180	11,180	12,434
Cash and cash equivalents at the end of year/period, represented by cash and bank balances	11,180	12,434	17,340	10,929

### *Cash flows from operating activities*

Our operating cash inflow is primarily derived from our revenue from undertaking slope works, whereas our operating cash outflow mainly includes payment for staff costs, subcontracting expenses, purchase of construction materials as well as other working capital needs. Net cash generated from operations primarily consisted of profit before income tax adjusted for depreciation, loss/(gain) on disposal of property, plant and equipment, interest expense for lease liabilities and the effect of changes in working capital such as changes in contract assets, trade and other receivables and trade and other payables.

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The following table sets forth a reconciliation of our profit before income tax to net cash from operating activities:

	FY2017	FY2018	Five months ended	
			31 May	
			2018	2019
			<i>(Unaudited)</i>	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before income tax	16,642	19,069	9,030	4,246
Adjustments for:				
Depreciation	506	614	258	483
Loss/(gain) on disposal of property, plant and equipment	13	4	(1)	(97)
Interest expense for lease liabilities	—	—	—	16
<b>Operating profit before working capital changes</b>	17,161	19,687	9,287	4,648
Increase in contract assets	(5,642)	(6,129)	(5,269)	(6,515)
Increase in trade and other receivables	(1,916)	(2,197)	(45)	(1,196)
(Decrease)/increase in trade and other payables	(265)	2,019	2,249	6,582
<b>Cash generated from operations</b>	9,338	13,380	6,222	3,519
Income tax paid <i>(Note)</i>	—	(6,164)	—	—
<b>Net cash generated from operating activities</b>	<u>9,338</u>	<u>7,216</u>	<u>6,222</u>	<u>3,519</u>

*Note:* Our Group did not incur any actual tax paid in FY2017 and incur approximately HK\$6.2 million actual tax paid in FY2018 mainly because (i) our assessable profit for the year of assessment 2015/16 (i.e. financial year ended 31 December 2015) was fully offset by the loss brought forward from prior years, which has been agreed by the Inland Revenue Department (the "IRD"); (ii) according to a tax assessment letter issued by the IRD on 28 September 2018, our tax payable for the year of assessment 2016/17 (i.e. financial year ended 31 December 2016) was due on 9 November 2018 and we have fully settled the tax in November 2018; and (iii) according to another tax assessment letter issued by the IRD on 28 September 2018, the two installments of our tax payable for the year of assessment 2017/18 (i.e. financial year ended 31 December 2017) were due on 12 November 2018 and 8 January 2019, respectively. We have fully settled these two installments of tax payments in October 2018.

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For FY2017, FY2018 and the five months ended 31 May 2019, the respective differences between our profit before income tax and net cash generated from operating activities were mainly due to (i) the amount and timing of billing to and receipts from; and (ii) the amount and timing of payment to our suppliers.

### *Cash flows from investing activities*

	FY2017	FY2018	Five months ended 31 May 2018	
			2018	2019
			<i>(Unaudited)</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase of property, plant and equipment	(1,258)	(306)	(187)	(316)
Proceeds from disposal of property, plant and equipment	16	50	46	98
(Advances to)/repayment from directors	(386)	(3,706)	79	–
<b>Net cash used in investing activities</b>	<b><u>(1,628)</u></b>	<b><u>(3,962)</u></b>	<b><u>(62)</u></b>	<b><u>(218)</u></b>

During the Track Record Period, our cash inflows from investing activities primarily include proceeds from disposal of property, plant and equipment, whereas our cash outflows from investing activities primarily includes purchase of property, plant and equipment and advances to directors.

For FY2017, we recorded net cash used in investing activities of approximately HK\$1.6 million, which was primarily attributable to the purchase of a crane truck and an excavator of approximately HK\$1.3 million.

For FY2018, we recorded net cash used in investing activities of approximately HK\$4.0 million, which was mainly due to the cash advances by us to Mr. Sieh and Mr. Ho for their personal use and the purchase of motor vehicles and the renovation of our office.

For the five months ended 31 May 2018, we recorded net cash used in investing activities of approximately HK\$62,000, which was primarily attributable to the net effect of (i) the purchase of motor vehicles of approximately HK\$187,000; (ii) the proceeds from disposal of motor vehicle of approximately HK\$46,000; and (iii) the repayment from our directors of approximately HK\$79,000.

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For the five months ended 31 May 2019, we recorded net cash used in investing activities of approximately HK\$218,000, which was primarily attributable to the net effect of (i) the purchase of computer equipments and motor vehicles of approximately HK\$316,000, in aggregate; and (ii) the proceeds from disposal of motor vehicles of approximately HK\$98,000.

### *Cash flows from financing activities*

	FY2017	FY2018	Five months ended	
			2018	2019
			31 May	
			(Unaudited)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Payment of lease liabilities	–	–	–	(210)
Repayment to the directors	–	–	–	(3,589)
<b>Net cash used in financing activities</b>	<b>–</b>	<b>(2,000)</b>	<b>–</b>	<b>(4,806)</b>

For FY2018, we recorded net cash used in financing activities of approximately HK\$[REDACTED] million, which was attributable to the payment of [REDACTED] in FY2018.

For the five months ended 31 May 2019, we recorded net cash used in financing activities of approximately HK\$4.8 million, which was attributable to (i) the payment of [REDACTED] of approximately HK\$[REDACTED] million; (ii) the payment of lease liabilities of approximately HK\$0.2 million in relation to our office; and (iii) the repayment to our Directors of approximately HK\$3.6 million in the five months ended 31 May 2019.

### **Capital expenditures**

Our capital expenditures during the Track Record Period amounted to approximately HK\$1.9 million in aggregate, which comprised approximately HK\$0.3 million for motor vehicles and approximately HK\$0.8 million for furniture and fixtures and approximately HK\$0.1 million for the renovation of our office and approximately HK\$0.7 million for the purchase of a crane truck and an excavator. As at Latest Practicable Date, our Group owned certain machinery, including air compressors, crane truck and excavator, for performing slope works. We currently plan to apply for the registration as a probationary contractor on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the category of "Landslip preventive/remedial works to slopes/retaining walls" ("**Approved Specialist Contractor**") and intend to strengthen our machinery for the fulfillment of technical requirements of being registered as an Approved Specialist Contractor and increase our capacity and efficiency for performing slope works. For further details, please refer to the paragraph headed "Business – Business strategies" in this document.

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### WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration our internal resources presently available to our Group, including our existing cash and cash equivalents, available banking facilities, cash generated from our operations, and the estimated net [REDACTED] to be received by us from the [REDACTED], our Group has sufficient working capital for our present requirements for at least 12 months from the date of this document.

### NET CURRENT ASSETS

The following table sets forth a breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 31 December 2017 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>	As at 31 May 2019 <i>HK\$'000</i>	As at 31 August 2019 <i>HK\$'000</i> <i>(Unaudited)</i>
<b>Current assets</b>				
Contract assets	11,004	17,133	23,648	33,909
Trade and other receivables	4,735	8,932	11,093	10,027
Amounts due from directors	1,362	–	–	–
Pledged bank deposits	–	–	–	5,000
Cash and bank balances	11,180	12,434	10,929	4,050
<b>Total current assets</b>	28,281	38,499	45,670	52,986
<b>Current liabilities</b>				
Trade and other payables	5,557	7,576	14,158	13,280
Amounts due to directors	–	4,931	1,342	1,342
Lease liabilities	–	–	484	490
Current tax liabilities	3,951	883	2,892	4,161
<b>Total current liabilities</b>	9,508	13,390	18,876	19,273
<b>Net current assets</b>	18,773	25,109	26,794	33,713

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Our net current assets increased from approximately HK\$18.8 million as at 31 December 2017 to approximately HK\$25.1 million as at 31 December 2018 as a result of our business growth in FY2018. Such increase was mainly due to the increase in our contract assets of approximately HK\$6.1 million and our trade and other receivables of approximately HK\$4.2 million and cash and bank balances of approximately HK\$1.3 million.

Our net current assets increased from approximately HK\$25.1 million as at 31 December 2018 to approximately HK\$26.8 million as at 31 May 2019 as a result of our business growth in the five months ended 31 May 2019. Such increase was mainly due to the increase in our contract assets of approximately HK\$6.5 million and our trade and other receivables of approximately HK\$2.2 million.

As at 31 August 2019, being the latest practicable date for ascertaining our net current assets position, our net current assets amounted to approximately HK\$33.7 million which was higher than our net current assets as at 31 May 2019, which was mainly due to our business growth in the three months ended 31 August 2019. Such increase was mainly due to the increase in our contract assets of approximately HK\$10.3 million.

### **DISCUSSION ON SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

#### **Property, plant and equipment**

Our Group's property, plant and equipment mainly consist of (i) plant and machineries including air compressors, crane truck and excavator; (ii) motor vehicles (iii) furniture and fixtures; (iv) leasehold improvement; and (v) right-of-use assets. As at 31 December 2017 and 2018 and 31 May 2019, our property, plant and equipment amounted to approximately HK\$2.0 million, HK\$1.6 million and HK\$2.3 million, respectively.

The increase in our property, plant and equipment was mainly contributed by (i) the initial application of HKFRS 16 for the right-of-use assets in relation to our office of approximately HK\$0.8 million; and (ii) the addition of furniture and fixtures and motor vehicles of approximately HK\$0.3 million, in aggregate, for the five months ended 31 May 2019.



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### Trade and other receivables

#### *Trade receivables*

Our trade and other receivables as at 31 December 2017 and 2018 and 31 May 2019 amounted to approximately HK\$4.7 million, approximately HK\$8.9 million and approximately HK\$11.1 million, respectively. The following table sets forth a breakdown of our trade and other receivables:

	<b>As at 31 December 2017 HK\$'000</b>	<b>As at 31 December 2018 HK\$'000</b>	<b>As at 31 May 2019 HK\$'000</b>
Trade receivables	2,725	3,975	3,928
Other receivables	316	2	–
Prepayments	1,247	4,108	5,617
Utility and other deposits	447	847	1,548
	<u>4,735</u>	<u>8,932</u>	<u>11,093</u>

Our trade receivables increased from approximately HK\$2.7 million as at 31 December 2017 to approximately HK\$4.0 million as at 31 December 2018, representing an increase of approximately 45.9%, which was mainly due to our business growth as evidenced by our increase in revenue from approximately HK\$94.3 million for FY2017 and to approximately HK\$111.2 million for FY2018.

Our trade receivables remained relatively stable at approximately HK\$4.0 million as at 31 December 2018 and approximately HK\$3.9 million as at 31 May 2019.

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### *Trade receivables turnover days*

The following table sets forth our trade receivables turnover days during the Track Record Period:

	FY2017	FY2018	Five months ended 31 May 2019
Trade receivables turnover days ( <i>Note</i> )	6.4 days	11.0 days	7.9 days

*Note:* Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables (not including other receivables) divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 151 days for the five months ended 31 May 2019).

The credit period that we granted to customers generally ranged from 30 to 60 days. Some of our customers adopt a "pay when paid" policy with us and they have the rights to pay us after collection of payments from their customers. Therefore, we normally issue our invoices to such customers when we obtained notification of payment from them. Our trade receivables turnover days increased from approximately 6.4 days for FY2017 to approximately 11.0 days for FY2018, which was mainly due to (i) our business growth in FY2018 resulting in the increase in our trade receivables and (ii) the fluctuation of the amounts settled by different customers to us as at the respective reporting dates due to the different settlement practices of different customers. Our trade receivables turnover days was approximately 7.9 days for the five months ended 31 May 2019. Such decrease in our trade receivables turnover days was mainly due to the fluctuation of the amounts settled by different customers to us as at the respective reporting dates due to the different settlement practices of different customers.

### *Trade receivables ageing analysis and subsequent settlement*

The following is an ageing analysis of trade receivables presented based on the invoice dates:

	As at 31 December 2017 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>	As at 31 May 2019 <i>HK\$'000</i>
Within 30 days	2,725	3,856	3,928
91 days to 1 year	—	119	—
	<u>2,725</u>	<u>3,975</u>	<u>3,928</u>

*Note:* Our Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9 which permits the use of lifetime ECL provision for all trade receivables. As at 31 December 2017 and 2018 and 31 May 2019, the ECL rate for trade receivables were 0.26%, 0.26% and 0.15%, respectively. As the ECL rates are close to be zero, no provision has been made during the Track Record Period accordingly.

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As at the Latest Practicable Date, 100.0% of our trade receivables as at 31 May 2019 had been settled.

### *Prepayments*

Our prepayments increased from approximately HK\$1.2 million as at 31 December 2017 to approximately HK\$4.1 million as at 31 December 2018, and further increased to approximately HK\$5.6 million as at 31 May 2019, which was mainly due to the prepayment of [REDACTED] in relation to the [REDACTED] of approximately HK\$[REDACTED] million and HK\$[REDACTED] million in FY2018 and the five months ended 31 May 2019, respectively.

### *Concentration*

As at each of 31 December 2017, 31 December 2018 and 31 May 2019, our top five customers contributed 100.0% of our trade receivables. For further information regarding our customer concentration risk and our Directors' view as to the sustainability of our business model in view of our customer concentration, please refer to the section headed "Business – Our customers – Customer concentration" in this document.

### **Performance guarantee**

In March 2019, performance bond of HK\$2.0 million was issued by an insurance company in favour of our Group's customer as security for the due performance and observance of our Group's obligations under the contract entered into between our Group and our customer. If our Group fails to provide satisfactory performance to our customer to whom performance guarantee has been given, such customer may demand the insurance company to pay to them the sum or sum stipulated in such demand. The performance guarantee will be released upon completion of the contract.

The performance guarantee was secured by (i) corporate guarantee provided by A-City workshop; and (ii) personal guarantees provided by our Controlling Shareholders, Mr. Ho and Mr. Sieh; and (iii) a pledged deposit in the sum of HK\$0.6 million (as included in utility and other deposits) placed by A-City workshop with the insurance company. The personal guarantees provided by our Controlling Shareholders will be released and replaced by a corporate guarantee by our Company upon [REDACTED].

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### Amounts due from/(to) Director(s)

The following table sets out our amounts due from/(to) Directors as at the dates indicated:

	As at	As at	As at	Maximum amount outstanding during		
	31 December	31 December	31 May	the year ended		the five
	2017	2018	2019	2017	2018	months
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	ended
						31 May
						2019
						<i>HK\$'000</i>
Mr. Ho	1,246	(2,247)	(459)	1,359	2,905	N/A
Mr. Sieh	116	(2,684)	(883)	232	2,316	N/A
	<u>1,362</u>	<u>(4,931)</u>	<u>(1,342)</u>			

Details of the amounts due from/(to) Directors are summarised in note 17 to the Accountants' Report set out in Appendix I to this document. The amount due from/(to) Directors are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

As at 31 May 2019, there was an amount due to Directors of approximately HK\$1.3 million, representing cash advanced by Mr. Sieh and Mr. Ho to us for financing our operations. All outstanding balance of amount due to Directors will be fully settled by our internal resources before [REDACTED].

### Contract assets

The contract assets primarily represent our Group's rights to considerations from customers for the provision of slope works, which arise when: (i) our Group completed the relevant services under such contracts but yet to be certified by architects, surveyors or other representatives appointed by customers; and (ii) our customers withhold certain amounts payable to our Group as retention money to secure the due performance of the contracts for one year after the expiry of the defect liability period of construction project. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to our customer.

## FINANCIAL INFORMATION

Our Group's contract assets are analysed as follows:

	<b>As at 31 December 2017 HK\$'000</b>	<b>As at 31 December 2018 HK\$'000</b>	<b>As at 31 May 2019 HK\$'000</b>
Unbilled revenue	10,605	15,927	21,252
Retention receivables	399	1,206	2,396
	11,004	17,133	23,648

Our contract assets (excluding retention receivables) increased from approximately HK\$10.6 million as at 31 December 2017 to approximately HK\$15.9 million as at 31 December 2018. Such increase was mainly due to the increase in the number of contract works that the relevant services were completed but were not yet certified as at 31 December 2018. In particular, some of the works of our major projects were performed close to the end of FY2018 and such works were not yet certified as at 31 December 2018, including Project #01, Project #02 and Project #04, details of which are set out in the paragraph headed "Business – Projects undertaken during the Track Record Period" in this document, resulting in the increase in the contract assets as at 31 December 2018 as compared to that in 2017. Out of approximately HK\$15.9 million contract assets (excluding retention receivables) as at 31 December 2018, approximately HK\$9.9 million was related to Project #01, Project #02 and Project #04.

Our contract assets (excluding retention receivables) increased from approximately HK\$15.9 million as at 31 December 2018 to approximately HK\$21.3 million as at 31 May 2019. Such increase was mainly due to the increase in the number of contract works that the relevant services were completed but were not yet certified as at 31 May 2019. In particular, some of the works of our major projects were performed close to the five months ended 31 May 2019 and such works were not yet certified as at 31 May 2019, including Project #05, Project #03, Project #02 and Project O11, details of which are set out in the paragraph headed "Business – Projects undertaken during the Track Record Period" in this document, resulting in the increase in the contract assets as at 31 May 2019 as compared to as at 31 December 2018. Out of approximately HK\$21.3 million contract assets (excluding retention receivables) as at 31 May 2019, approximately HK\$17.0 million was related to Project #05, Project #03, Project #02 and Project O11.

As at 31 December 2017 and 2018 and 31 May 2019, the ECL rate for contract assets were 0.26%, 0.26% and 0.15%, respectively. As the ECL rates are close to be zero, no provision has been made during the Track Record Period accordingly.

### *Subsequent settlement of contract assets (excluding retention receivables)*

Up to Latest Practicable Date, 100.0% of our contract assets (excluding retention receivables) as at 31 May 2019 had been certified and billed and 100.0% of our contract assets (excluding retention receivables) as at 31 May 2019 had been settled.

## FINANCIAL INFORMATION

### Trade and other payables

Our trade and other payables as at 31 December 2017 and 2018 and 31 May 2019 amounted to approximately HK\$5.6 million, approximately HK\$7.6 million and approximately HK\$14.2 million, respectively. The following table sets forth a breakdown of our trade and other payables:

	As at 31 December 2017 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>	As at 31 May 2019 <i>HK\$'000</i>
Trade payables	5,354	7,226	12,514
Accruals and other payables	203	350	1,644
	5,557	7,576	14,158

Our trade payables mainly comprised payables to subcontractors and material suppliers. Our trade payables increased from approximately HK\$5.4 million as at 31 December 2017 to approximately HK\$7.2 million as at 31 December 2018 and further increased to approximately HK\$12.5 million as at 31 May 2019, representing an increase of approximately 35.0% and approximately 73.2%, respectively. Such increase was mainly due to our business growth resulting in the increase in our subcontracting expenses for FY2018 and the five months ended 31 May 2019.

### *Trade payables turnover days*

The following table sets out our trade payables turnover days during the Track Record Period:

	FY2017	FY2018	Five months ended 31 May 2019
Trade payables turnover days ( <i>Note</i> )	25.9 days	25.6 days	24.4 days

*Note:* Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables (not including accruals and other payables) divided by cost of services for the year/period, then multiplied by the number of days of the year (i.e. 365 days for a full year or 151 days for the five months ended 31 May 2019).

Our trade payables turnover days was approximately 25.9 days for FY2017, approximately 25.6 days for FY2018 and approximately 24.4 days for the five months ended 31 May 2019, which remained relatively stable.

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## FINANCIAL INFORMATION

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### *Trade payables ageing analysis and subsequent settlement*

The following is an ageing analysis of trade payables based on the invoice dates:

	<b>As at 31 December 2017 HK\$'000</b>	<b>As at 31 December 2018 HK\$'000</b>	<b>As at 31 May 2019 HK\$'000</b>
Within 30 days	5,226	7,192	11,808
31 days to 60 days	52	–	634
61 days to 90 days	74	7	–
Over 90 days	2	27	72
	5,354	7,226	12,514

Up to the Latest Practicable Date, 98.7% of our trade payables as at 31 May 2019 had been settled.

### **INDEBTEDNESS**

The following table sets forth our Group's indebtedness as at the dates indicated. As at 31 August 2019, being the most recent practicable date for the purpose of the disclosure of our indebtedness position, save as disclosed below, we do not have any debt securities, term loans, borrowings or indebtedness in the nature of borrowing, mortgages, charges, contingent liabilities, or guarantees. Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there were no material covenants related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing. Our Directors confirmed that there had not been any material change in our indebtedness or contingent liabilities since 31 August 2019 and up to the date of this document. Our Directors confirmed that as at the Latest Practicable Date, we did not have any immediate plan for additional material external debt financing.

## FINANCIAL INFORMATION

	As at 31 December		As at 31 May	As at 31 August
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
				<i>(Unaudited)</i>
<b>Current liabilities</b>				
Amounts due to directors ( <i>Note 1</i> )	–	4,931	1,342	1,342
Lease liabilities ( <i>Note 2</i> )	–	–	484	490
	<u>–</u>	<u>–</u>	<u>484</u>	<u>490</u>
<b>Non-current liabilities</b>				
Lease liabilities ( <i>Note 2</i> )	–	–	125	–
	<u>–</u>	<u>–</u>	<u>125</u>	<u>–</u>

*Notes:*

1. All outstanding balance of amounts due to directors were non-trade in nature and will be fully settled by our internal resources before [REDACTED].
2. Upon the initial adoption of HKFRS 16 “Lease” on 1 January 2019, our Group measures the rights-of-use assets and lease liabilities by using the incremental borrowing rate at initial application date. As at 31 May 2019, our Group had recognised lease liabilities of approximately HK\$609,000, of which approximately HK\$484,000 had been classified under current liabilities. As at 31 August 2019, our Group had recognised lease liabilities of approximately HK\$490,000, of which approximately HK\$490,000 had been classified under current liabilities.

### Banking facilities

As at 31 August 2019, our Group had banking facilities with credit limit amounting to approximately HK\$10.0 million. The banking facility was secured by (i) personal guarantees of Mr. Ho and Mr. Sieh, all of which will be replaced by the corporate guarantee of the Company upon [REDACTED]; and (ii) a bank deposit of HK\$5.0 million placed by A-City Workshop.

The unutilized banking facilities as at 31 August 2019 amounted to approximately HK\$10.0 million.



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### Commitments

As at 31 December 2017 and 2018, the total future minimum lease payments payable by our Group under non-cancellable operating leases are as follow:

	As at 31 December	
	2017	2018
	HK\$'000	HK\$'000
Within one year	91	503
In the second to fifth years	<u>–</u>	<u>336</u>
	<u>91</u>	<u>839</u>

The lease typically run for an initial period of 2 years. Upon the initial adoption of HKFRS 16 “Lease” on 1 January 2019, our Group measures the rights-of-use assets and lease liabilities by using the incremental borrowing rate at initial application date. As at 31 May 2019, our Group had recognised lease liabilities of approximately HK\$609,000, of which approximately HK\$484,000 had been classified under current liabilities. As at 31 August 2019, our Group had recognised lease liabilities of approximately HK\$490,000, of which approximately HK\$490,000 had been classified under current liabilities.

### Potential litigations

During the Track Record Period, we have been involved in certain litigation and claims, details of which are disclosed in the section headed “Business – Litigations and claims” in this document. Our Directors are of the opinion that the litigations and claims are not expected to have a material impact on our financial position. Accordingly, no provision has been made to our Group’s financial statements.

### Off-balance sheet arrangements and commitments

As at the Latest Practicable Date, we did not have any off-balance sheet arrangements or commitments.

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### KEY FINANCIAL RATIOS

	As at/For the year ended 31 December		As at/For the five months ended 31 May
	2017	2018	2019
Revenue growth	N/A	17.9%	45.0%
Net profit growth	N/A	15.6%	(71.2)%
Gross profit margin	20.0%	19.4%	18.9%
Net profit margin before interest and tax	17.6%	17.1%	5.7%
Net profit margin	14.8%	14.5%	2.9%
Net debt to equity ratio	Net cash	Net cash	Net cash
Interest coverage	N/A	N/A	266.4
Return on total assets	46.0%	40.1%	4.6%
Return on equity	68.0%	60.6%	7.7%
Current ratio	3.0	2.9	2.4
Quick ratio	3.0	2.9	2.4
Gearing ratio	0%	18.6%	6.8%

#### Revenue growth

Our revenue increased from approximately HK\$94.3 million for FY2017 to approximately HK\$111.2 million for FY2018, while our revenue increased from approximately HK\$51.9 million for the five months ended 31 May 2018 to approximately HK\$75.3 million for the five months ended 31 May 2019. Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for the reasons of the increase in our revenue.

#### Net profit growth

Our profit and total comprehensive income for the year increased from approximately HK\$13.9 million for FY2017 to approximately HK\$16.1 million for FY2018, while our profit and total comprehensive income decreased from approximately HK\$7.7 million for the five months ended 31 May 2018 to approximately HK\$2.2 million for the five months ended 31 May 2019. Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for the reasons of the fluctuation in our net profit.

#### Gross profit margin

Our gross profit margin was approximately 20.0% for FY2017 and approximately 19.4% for FY2018, representing a decrease of approximately 0.6 percentage points, while our gross profit margin remained broadly stable at approximately 19.1% for the five months ended 31 May 2018 and approximately 18.9% for the five months ended 31 May 2019. Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for the reasons of fluctuation in our gross profit margin.

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## FINANCIAL INFORMATION

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### Net profit margin before interest and tax

Our net profit margin before interest and tax decreased from approximately 17.6% for FY2017 to approximately 17.1% for FY2018. Such decrease was mainly due to the decrease in gross profit margin as discussed in the paragraph headed "Period-to-period comparison of results of operations" in this section.

Our net profit margin before interest and tax was approximately 17.4% for the five months ended 31 May 2018 and approximately 5.6% for the five months ended 31 May 2019, representing a decrease of approximately 11.8 percentage points. Such decrease was mainly due to the non-recurring [REDACTED] of approximately HK\$[REDACTED] million incurred by our Group during the five months ended 31 May 2019. Our net profit margin before interest and tax (excluding [REDACTED]) slightly decreased from approximately 17.4% for the five months ended 31 May 2018 to approximately 16.8% for the five months ended 31 May 2019. Such slight decrease was mainly due to the increase in our administrative expenses as discussed in the paragraph headed "Period to period comparison of results of operations" in this section.

### Net profit margin

Our net profit margin was approximately 14.8% for FY2017 and approximately 14.5% for FY2018, representing a decrease of approximately 0.3 percentage points. This was mainly due to the decrease in net profit margin before interest and tax and the tax effect of the non-deductible [REDACTED] recognised in FY2018 and the two-tiered profits tax rates regime.

Our net profit margin was approximately 14.8% for the five months ended 31 May 2018 and approximately 2.9% for the five months ended 31 May 2019, representing a decrease of approximately 11.9 percentage points. Such decrease was mainly due to the non-recurring [REDACTED] recognised in the five months ended 31 May 2019 as discussed above.

### Return on equity

Return on equity is calculated as profit for the year/period divided by the ending total equity as at the financial year-end date.

Our return on equity decreased from approximately 68.0% for FY2017 to approximately 60.6% for FY2018, which was mainly because (i) during FY2018, there was cash advances by us to Mr. Sieh and Mr. Ho for their personal use of approximately HK\$5.1 million which was subsequently offset by the dividend of approximately HK\$10.0 million during the same financial year and such amount had therefore not been immediately put into use for any investments to further grow our business operations and to generate returns; and (ii) a slight decrease in our gross profit margin from approximately 20.0% in FY2017 to approximately 19.4% in FY2018.

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Our return on equity decreased from approximately 27.3% for the five months ended 31 May 2018 to approximately 7.7% for the five months ended 31 May 2019. Such decrease was mainly because the non-recurring [REDACTED] recognised in the five months ended 31 May 2019 as discussed above. Our return on equity (excluding [REDACTED]) for the five months ended 31 May 2019 would be approximately 36.9%. Such increase was mainly due to the increase in our adjusted profit and total comprehensive income (excluding [REDACTED]) for the five months ended 31 May 2019 as a result of our business growth as mentioned above in the paragraph headed "Period to period comparison of results of operations" above in this section.

### **Return on total assets**

Return on total assets is calculated as profit for the year/period divided by the ending total assets as at the financial year-end date.

Our return on total assets decreased from approximately 46.0% for FY2017 to approximately 40.1% for FY2018. Similar to the reason for the decrease in our return on equity, the decrease in our return on assets was mainly due to the cash advances by us to our Directors during FY2018 and the slight decrease in our gross profit margin in FY2018 as compared to that in FY2017.

Our return on assets decreased from approximately 18.5% for the five months ended 31 May 2018 to approximately 4.6% for the five months ended 31 May 2019, such decrease was mainly because the non-recurring [REDACTED] recognised in the five months ended 31 May 2019 as discussed above. Our return on assets (excluding [REDACTED]) for the five months ended 31 May 2019 would be approximately 22.1%. Such increase was mainly due to the net effect of (i) the increase in our adjusted profit and total comprehensive income (excluding [REDACTED]) for the five months ended 31 May 2019 as a result of our business growth as mentioned above in the paragraph headed "Period to period comparison of results of operations" above in this section and (ii) the increase in our property, plant and equipment as at 31 May 2019.

### **Current ratio**

Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.

Our current ratio remained broadly stable at approximately 3.0 times as at 31 December 2017, approximately 2.9 times as at 31 December 2018 and approximately 2.4 times as at 31 May 2019.

### **Quick ratio**

Quick ratio is calculated as current assets minus inventories, then divided by current liabilities as at the respective reporting dates. Due to our business nature, we did not maintain any inventories during the Track Record Period. As such, our quick ratio is the same as our current ratio.

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## FINANCIAL INFORMATION

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### **Inventories turnover days**

Due to the nature of our business, we did not maintain any inventories during the Track Record Period. As such, analysis of inventories turnover days is not applicable.

### **Gearing ratio**

Gearing ratio is calculated as total borrowings (i.e. amounts due to directors and lease liabilities) divided by the total equity as at the respective reporting date.

Our gearing ratio was zero as at 31 December 2017 and approximately 18.6% as at 31 December 2018. As at 31 December 2018, we recorded an amounts due to our directors of approximately HK\$4.9 million which representing cash advanced by Mr. Sieh and Mr. Ho to us for financing our operations.

Our gearing ratio was approximately 18.6% as at 31 December 2018 and approximately 6.8% as at 31 May 2019. Such decrease was mainly due to the repayment to our Directors by approximately HK\$3.6 million during the five months ended 31 May 2019.

### **Net debt to equity ratio**

Net debt to equity ratio is calculated as net debts (i.e. payables incurred not in the ordinary course of business net of cash and cash equivalents) divided by total equity as at the respective reporting date.

We recorded net cash positions as at both 31 December 2017, 2018 and 31 May 2019.

### **Interest coverage**

Interest coverage is calculated as profit before finance costs and income tax divided by finance costs of the respective reporting years/period.

Our interest coverage was zero as at 31 December 2017 and 2018, respectively, while it was approximately 266.4 times for the five months ended 31 May 2019. Since our Group recognised the lease liabilities as at 31 May 2019 under the initial application of HKFRS 16, interest expense incurred by our lease liabilities of approximately HK\$16,000 was recorded for the five months ended 31 May 2019.

## **RELATED PARTY TRANSACTIONS**

We did not have any significant related party transactions during the Track Record Period save as the amounts due from/to directors and the key management personnel remuneration. For further details, please refer to note 23 to the Accountants' Report in Appendix I in this document.

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### FINANCIAL RISK AND CAPITAL MANAGEMENT

Our Group is exposed to interest rate risk, credit risk and liquidity risk in the normal course of business. For further details of our financial risk management, please refer to “Business – Risk management and internal control systems” and note 25 in section II of the Accountants’ Report set out in Appendix I to this document.

The Group’s capital management objectives are to ensure the Group’s ability to continue as a going concern and to maintain capital structure in order to minimise the costs of capital, support its business and maximise shareholders’ value.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose, net debt is defined as borrowings (including lease liabilities) net of cash and bank balance. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, share buyback, issue new shares and raise new debts.

### UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

Please refer to “Unaudited [REDACTED] Financial Information” in Appendix II to this document for further details.

[REDACTED]

Our Directors estimate that the total amount of expenses in relation to the [REDACTED] is approximately HK\$[REDACTED] million. Out of the amount of approximately HK\$[REDACTED] million, approximately HK\$[REDACTED] million is directly attributable to the issue of the [REDACTED] and is expected to be accounted for as a deduction from equity upon [REDACTED]. The remaining amount of approximately HK\$[REDACTED] million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$[REDACTED] million that shall be charged to profit or loss, [REDACTED], approximately HK\$[REDACTED] million and approximately HK\$[REDACTED] million has been charged for each of FY2017, FY2018 and the five months ended 31 May 2019, respectively and approximately HK\$[REDACTED] million is expected to be incurred for the seven months ending 31 December 2019. Expenses in relation to the [REDACTED] are non-recurring in nature. Our Group’s financial performance and results of operations for FY2019 will be affected by the expenses in relation to the [REDACTED].

### DIVIDEND

For each of FY2017, FY2018 and the five months ended 31 May 2019, we declared dividends payables of nil, approximately HK\$10.0 million and nil, respectively to our then shareholders. The dividend was paid by setting off against the amounts due from Mr. Sieh and Mr. Ho during FY2018. The declaration and payment of future dividends will be subject to the decision of our Board having regard to various factors including our operation and financial performance profitability, business development, prospects, capital requirements

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and economic outlook. It is also subject to the approval of our Shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payment ratio.

### **DISTRIBUTABLE RESERVES**

Our Company was incorporated on 30 January 2019. As at 31 December 2017, 2018 and 31 May 2019, our Company had no reserves available for distribution to our Shareholders.

### **DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES**

Our Directors confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which, had they been required to comply with Rules 17.15 to 17.21 of the GEM Listing Rules, would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that, save for the expenses in connection with the [REDACTED], up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 31 May 2019, and there have been no events since 31 May 2019 which would materially affect the information shown in our consolidated financial information included in the Accountants' Report set forth in Appendix I to this document.