
RISK FACTORS

Potential investors should carefully consider all of the information set out in this document and, in particular, should consider the following risks and special consideration associated with an investment in our Company before making any investment decision in relation to the [REDACTED]. If any of the possible events as described below materialises, our Group's business, financial position and prospects could be materially and adversely affected and the trading prices of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

This document contains certain forward-looking statements relating to our Group's plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results may differ materially from those as discussed in this document. Factors that could contribute to such differences are set out below as well as in other parts in this document.

RISKS RELATING TO OUR BUSINESS

A significant portion of our revenue was generated from contracts awarded by a limited number of customers and any significant decrease in the number of projects with our major customers may materially and adversely affect our financial condition and operating results

A significant portion of our revenue was derived from a limited number of customers during the Track Record Period. Our top five customers for each of FY2017, FY2018 and the five months ended 31 May 2019 accounted for approximately 100.0%, 98.5% and 97.9% of our revenue, respectively. During the Track Record Period, we secured new businesses mainly through direct invitation for tender by our customers, and contracts are normally awarded to us by our customers through a tendering process. In particular, a significant portion of our revenue during the Track Record Period was derived from Tai Kam Construction Engineering Company Limited, which is the main operating subsidiary of Tai Kam Holdings Limited being listed on the GEM of The Stock Exchange (stock code: 8321). Tai Kam Construction Engineering Company Limited has been one of our top five customers during the Track Record Period (being our largest customer in FY2017 and FY2018) which contributed revenue of approximately HK\$70.1 million, HK\$34.6 million and HK\$2.8 million, representing approximately 74.3%, 31.1% and 3.7% of our total revenue for FY2017, FY2018 and the five months ended 31 May 2019, respectively. Each of our two executive Directors, Mr. Sieh and Mr. Ho (being our Controlling Shareholders), were previously under the employment of Tai Kam Construction Engineering Company Limited before joining our Group in December 2016. For further details of the biographical information of Mr. Sieh and Mr. Ho, please refer to the section headed "Directors and senior management" in this document.

There is no assurance that we will continue to obtain contracts from our major customers in the future. If there is a significant decrease in the number of projects awarded by our major customers, and we are unable to secure suitable projects of a comparable size and quantity as replacements from other customers, our financial condition and operating results would be materially and adversely affected.

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A significant portion of our revenue during the Track Record Period was generated from public sector slope works projects and any significant reduction in the level of Government's spending on slope works may materially and adversely affect us

A significant portion of our revenue was derived from public sector slope works projects of which the project employers are Government departments and statutory bodies. For FY2017, FY2018 and the five months ended 31 May 2019, revenue attributable to public sector projects amounted to approximately HK\$89.8 million, HK\$106.0 million and HK\$58.9 million, representing approximately 95.2%, 95.3% and 78.2% of our total revenue, respectively.

The Government's spending budget on civil engineering projects (especially those involving slope works, being the principal types of works we undertook during the Track Record Period) may change from year to year, which in turn may be affected by various factors, including but not limited to changes in the Government's policies in relation to landslip prevention and mitigation, changes in the Government's public housing policy, 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. Any reduction or significant delay in the level of spending on construction projects by the Government or discontinuation of favourable Government programmes such as the Landslip Prevention and Mitigation Programme may affect our business and operating results. In the event that the Government reduces or delays its level of spending on construction projects and our Group fails to secure sufficient business through the private sector, the business and financial positions and prospects of our Group could be materially and adversely affected.

Delay in the commencement of public sector projects, which may be caused by factors such as political disagreements in relation to such projects, delay in approval of funding proposals due to political filibustering and objections or legal actions by the affected members of the public, and the occurrence of large scale demonstration or occupation activities may adversely affect our operations and results of operation

For FY2017, FY2018 and the five months ended 31 May 2019, revenue generated from public sector projects contributed approximately 95.2%, 95.3% and 78.2% of our total revenue, respectively. The delay in commencement of public sector projects may adversely affect the demand for our slope works services and our results of operation. Delay in the commencement of public sector projects may be caused by, among other things, political disagreements in relation to such projects, delay in approval of the funding proposals for public works due to political filibustering by law-makers and objections, protests or legal actions by affected residents or entities. Our engagement in public sector projects depend on the timing of the funding approval by the committees of the Legislative Council of Hong Kong, where filibustering by the members thereof has often led to delays in the passing of public works funding proposals in recent years. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material delay in the commencement of our projects as a result of political disagreements in relation to such projects, delay in approval of funding proposals due to political filibustering and objections or legal actions by the affected members of the public, and the occurrence of large scale demonstration or occupation activities.

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The work schedule of our public sector projects could affect our revenue recognised each year. Delay in the commencement of our public sector projects may adversely affect our operations and financial position including but not limited to our revenue recognised for a given year, resource allocation and our analysis of the forecasted amount and timing of cash inflows and outflows in relation to our projects.

Rising costs of construction workers may increase our costs of operation

For FY2017, FY2018 and the five months ended 31 May 2019, our direct labour cost was approximately HK\$27.5 million, HK\$32.6 million and HK\$18.5 million, representing 36.5%, 36.4% and 30.3% of our cost of services, respectively. The Hong Kong construction industry has in general been facing the problem of labour shortage and aging workforce. According to the statistics of the Construction Industry Council, around 43.8% of the 482,900 registered construction workers as at 31 March 2019 were aged over 50 whereas only about 14.7% were aged below 30. The decline in the number of workers in Hong Kong, especially workers with skills and experience for slope works, may result in project delays and increasing operating costs. According to the F&S Report, the average daily wages of general workers in Hong Kong have increased from approximately HK\$716.3 in 2013 to approximately HK\$1,002.3 in 2018, representing a CAGR of approximately 7.0%, mainly due to labour shortage which was caused by a decreasing number of new workers as well as an aging workforce.

Where subcontractors are engaged, the fees charged by our subcontractors may be determined based on their own labour costs, plants and equipment cost and the costs of construction materials. Therefore, if labour costs in Hong Kong keep increasing, our subcontracting costs may increase in the future, which could materially and adversely affect our business operations and financial condition.

Subcontracting expenses are a significant component of our cost of services. For FY2017, FY2018 and the five months ended 31 May 2019, our subcontracting expenses were approximately HK\$20.5 million, HK\$24.8 million and HK\$17.9 million, representing 27.1%, 27.7% and 29.2% of our cost of services, respectively. The sensitivity analysis as disclosed in the paragraph headed "Financial information – Principal components of results of operations – Cost of services" illustrates the impact of hypothetical fluctuations in our subcontracting expenses on our profits during the Track Record Period.

Our revenue is mainly derived from our slope works on a project-by-project basis and our business depends on our success rate on project tendering

During the Track Record Period, we undertake slope works on a project-by-project basis. Therefore, our customers are under no obligation to continue to award contracts to us and there is no guarantee that we will be able to secure new contracts in the future. Accordingly, the number and scale of contracts and the amount of revenue that we are able to derive therefrom are affected by a series of factors including but not limited to changes in our customers' businesses, changes in market conditions and changes in Government policies.

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Consequentially, our revenue may vary significantly from period to period, and it may be difficult to forecast the volume of our future business. 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 70.0%, 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.

Unsatisfactory performance by our subcontractors or unavailability of subcontractors may adversely affect our operations and profitability

Depending on the availability of our labour resources and the types of specialised 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.

In FY2017, FY2018 and the five months ended 31 May 2019, we have undertaken 12, 16 and 15 projects, respectively. Among these projects, we had delegated 50% or above of the works in three, five and four of our projects to our subcontractors in FY2017, FY2018 and the five months ended 31 May 2019, 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.

In addition, there is no assurance that our Group will always be able to secure services from suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, our operation and financial position may be adversely affected.

Any significant cost overruns may materially and adversely affect our business operation and financial performance

Our projects are generally awarded through tender. The contract sum quoted in the tender is determined after evaluation of our scope of work and taking into account (i) the scope of services; (ii) the price trend of the types of materials required; (iii) the complexity

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of the project; (iv) the estimated number and types of workers required; (v) the estimated number and types of machines required; (vi) the completion time requested by customers; (vii) the availability of our manpower and resources; (viii) subcontracting expenses; and (ix) the prevailing market conditions. For further details on our pricing strategy, please refer to the paragraph headed "Business – Pricing strategy" in this document.

Our profitability is therefore dependent on our ability to manage our staff costs and secure services from our subcontractors with competitive fees at or below our estimated costs, as well as our ability to execute the projects efficiently.

There is no assurance that our actual costs incurred will not exceed the estimated costs. 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.

We are subject to credit risk in relation to the collectability of our trade receivables, contract assets and retention receivables

There can be no assurance that our customers will settle our invoices on time and in full. In addition, when undertaking contract works, some of our customers may, depending on the contract terms and our negotiation, hold up a certain percentage of each payment made to us as retention money. Such percentage generally represents up to 10% of each payment made to us subject to a maximum of 5% of the total contract sum. As at 31 December 2017 and 2018 and 31 May 2019, retention receivables of approximately HK\$0.4 million, HK\$1.2 million and HK\$2.4 million, respectively, were retained by our customers as retention money. Retention money withheld is generally released to us after the expiry of the defect liability period. However, there is no assurance that such retention money will be released by our customers to us on a timely basis and in full accordingly. Besides, some of our customers adopt a "pay when paid" policy with us and they have the right to pay us after collection of payments from their customers. In the event our customers fail to collect payment from their customers, this will, in turn, adversely affect the collectability of our payments from our customers.

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 during the defect liability period of the 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. Our Group recorded contract assets of approximately HK\$11.0 million, HK\$17.1 million and HK\$23.6 million as at 31 December 2017 and 2018 and 31 May 2019, respectively. For details of the subsequent settlement of these contract assets, please refer to the paragraph headed "Financial

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Information – Net current assets – Subsequent settlement of contract assets (excluding retention receivables)” in this document. There is no assurance that we will be able to bill all or any part of contract assets for our services completed according to the payment terms of the contracts.

As at 31 December 2017 and 2018 and 31 May 2019, we recorded trade receivables of approximately HK\$2.7 million, HK\$4.0 million and HK\$3.9 million, respectively, of which nil, HK\$119,000 and nil were past due but not impaired. In the event that we are unable to collect a substantial portion of our trade receivables or retention receivables within the payment terms or at all, our cash flows and financial positions will be adversely affected.

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. As at 31 December 2017 and 2018 and 31 May 2019, retention receivables of approximately HK\$0.4 million, HK\$1.2 million and HK\$2.4 million, respectively were retained by our customers as retention money. Further, our customer may request us to provide performance guarantee issued by banks or insurance companies in the amount of certain percentage of the estimated contract sum in favour of our customer, which may result in the lock-up of a portion of our capital for potentially a prolonged period of time and thereby affecting our liquidity position. For further information, please refer to the paragraph headed “Business – Our customers – Principal terms of engagement” in this document.

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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Failure to complete our projects on a reliable and timely basis could materially affect our reputation, our financial performance or may subject us to claim

The contracts with our customers generally contain a liquidated damages clause under which we are liable to pay liquidated damages to our customers if we are unable to deliver or perform the contractual works within the time specified in or in accordance with the contract. Liquidated damages are generally determined on the basis of a fixed sum per day and/or according to certain damages calculating mechanism as stipulated under the contract.

Delay in a project may occur from time to time due to various unforeseen factors such as shortage of manpower, delays by subcontractors, industrial accidents, and delay in delivery of materials. If there is any delay on our part in completion of a project, we may be liable to pay liquidated damages under the contract. There is no assurance that there will not be any delay in our existing and future projects resulting in claims in relation to liquidated damages, which in turn will have adverse impact on our reputation, business, financial condition and results of operations.

We may be a party to legal proceedings from time to time and we cannot assure you that such legal proceedings will not have a material adverse impact on our business. In particular, there may be potential employees' compensation claims and common law personal injury claims

We may receive claims in respect of various matters from our customers, subcontractors, workers and other parties concerned with our works from time to time. Such claims may include in particular employees' compensation claims and common law personal injury claims in relation to personal injuries suffered by workers as a result of accidents arising out of and in the course of employment of the injured workers. During the Track Record Period and up to the Latest Practicable Date, we encountered several incidents of claims arising out of our operations. Please refer to the paragraph headed "Business – Litigations and claims" in this document for further information.

There is no assurance that we will not be involved in any claims or legal proceedings, nor can we assure you that any such claims or legal proceedings would not have a material adverse impact on our business. Should any claims against us fall outside the scope and/or limit of insurance coverage, our financial position may be adversely affected. Regardless of the merits of any 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 if they were published by the press. If the aforesaid claims were successfully made against our Group, we may need to pay damages and legal costs, which in turn could adversely affect our revenue, results of operations and financial position.

Legal proceedings can be time-consuming, expensive, and may divert our management's attention away from the operation of our business. Any claims or legal proceedings to which we may become a party in the future may have a material and adverse impact on our business.

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We are exposed to certain inherent risks relating to slope works

Prior to commencement of our projects, ground investigation may be conducted and our customers may supply us with the ground investigation report. However, information contained in these reports may not be sufficient to reveal the actual geology beneath our construction site due to technical limitations such as the limitation in the scope of underground investigation that can be carried out at the site.

There may be discrepancies between the actual geological conditions and the findings set out in these investigation reports. For instance, such investigations may not reveal the existence of rocks or identify any antiquities, monuments, structures beneath the site, artificial underground obstructions, bombs, contaminated soil, presence of unknown obstacles due to historical use of site, existing methane gas generated during construction, collapse of temporary structures, and land subsidence which may not have been anticipated at the preliminary stage. Such difficult or dangerous conditions at the underground level or at the work site may cause difficulties to our work, affect our work progress, incur additional project expenses and result in personal injuries or even fatality of our site workers.

Our profitability may be affected by the potential increase in depreciation expenses upon our planned acquisition of machinery

It is part of our business strategies to acquire additional machinery by utilising a portion of our net [REDACTED] from the [REDACTED], as further discussed in the paragraph headed "Business – Business Strategies" in this document.

It is estimated that we will incur additional annual depreciation expenses of approximately HK\$1.1 million upon our acquisition of additional machinery. Our planned investments in machinery will increase our fixed costs (including depreciation expenses) but there is no assurance that there will be a satisfactory increase in our operational and financial performance as a result. Should we be unable to obtain more projects and increase our profitability after such planned investments, our business and financial positions and prospect may be adversely affected.

Our profitability may be affected by the potential increase in staff costs upon our planned recruitment of additional staff

It is part of our business strategies to strengthen our manpower to increase our service capacity. We intend to utilise a portion of our net [REDACTED] from the [REDACTED] for recruiting additional staff, as further discussed in the paragraph headed "Business – Business strategies" in this document.

We expect to incur additional annual staff costs of approximately HK\$[REDACTED] million arising from recruiting and retaining all the additional staff under our recruitment plan. Our planned recruitment will increase our staff costs and there is no assurance that there will be a satisfactory increase in our operational and financial performance as a result. Should we be unable to obtain more projects and increase our profitability after such planned recruitment, our business and financial positions and prospect may be adversely affected.

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Our insurance coverage may not be adequate to cover potential liabilities

Certain risks disclosed elsewhere in this section such as risks in relation to customer concentration, our ability to obtain new contracts, our ability to retain and attract personnel, availability and performance of subcontractors, project and cost management, our ability to maintain and renew our registrations, credit risk and liquidity risk, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Insurance policies covering losses from acts of war, terrorism, or natural catastrophes are also either unavailable or cost prohibitive.

Further, we may be subject to liabilities against which we are not insured adequately or at all or liabilities against which cannot be insured. Should any significant liabilities arise due to accidents, natural disasters, or other events which are not covered or are inadequately covered by our insurance, our business may be adversely affected, potentially lead to a loss of assets, lawsuits, employee compensation obligations, or other forms of economic loss.

We cannot guarantee that our current levels of insurance are sufficient to cover all potential risks and losses. In addition, we cannot guarantee that we can renew our policies or can renew our policies on similar or other acceptable terms. If we suffer from severe unexpected losses or losses that far exceed the policy limits, it could have a material and adverse effect on our business, financial position, results of operations and prospect.

There is no assurance that we will be able to renew our registration under the Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme) of the Construction Industry Council

A-City Workshop, our principal operating subsidiary, is currently registered under the Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme) of the Construction Industry Council, which is due for renewal upon its expiry on 6 February 2024. Main contractors of certain types of public sector projects are required to engage subcontractors who are registered under the Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme) of the Construction Industry Council.

Renewal of registration under the Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme) is required every five years and is generally subject to certain technical and relevant industry experience requirements. A-City Workshop did not encounter any failure in renewing its registration under the Registered Specialist Trade Contractors Scheme since it first obtained the registration. There is no assurance that we will be able to renew such registration every time in the future. In the event of non-renewal of such registration, our reputation, our ability to obtain future businesses, and our business and financial position and prospects could be materially and adversely affected.

Failure to properly supervise site works as a Registered Specialist Contractor may result in prosecution or disciplinary action

A-City Workshop is registered as a Registered Specialist Contractor under the sub-register of "site formation works" category. For private sector projects, a person is required to appoint a Registered Specialist Contractor to carry out specialised works (such as site formation works) pursuant to section 9 of the Buildings Ordinance. Therefore, our

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customers may appoint us to act as a Registered Specialist Contractor pursuant to the requirement of section 9 of the Buildings Ordinance. The duties of a Registered Specialist Contractors are: (i) to provide continuous supervision to the carrying out of the works; (ii) to notify the Building Authority of any contravention of the regulations that would result from carrying out the works; and (iii) to comply generally with the Buildings Ordinance.

If we are appointed by our customer to act as a Registered Specialist Contractor in a private sector project and we fail to properly supervise the carrying out of the site works pursuant to the requirements of the Buildings Ordinance, we and our Directors may be subject to prosecution or disciplinary action, details of which are set out in the paragraph headed "Regulatory Overview – Contractor licensing regime and operation" in this document. There is no assurance that such incidents will not occur in the future. In such event, our reputation, business operations and financial position may be materially and adversely affected.

There is no assurance that we will be able to renew our registration with the Buildings Department as a Registered Specialist Contractor in the future

A-City Workshop is currently registered as a Registered Specialist Contractor under the sub-register of "site formation works" category since June 2017, which is due for renewal upon its expiry on 19 May 2020. Renewal of the aforementioned registration with the Buildings Department is required every three years. Pursuant to the Buildings Ordinance, the Building Authority may refuse an application for renewal of registration (a) if it is satisfied that the applicant is no longer suitable (for any reason) for registration on the relevant register; or (b) if the applicant fails to provide relevant information and documentary proof required by the Building Authority. According to the Practice Note for Registered Contractors No. 38 issued by the Buildings Department, in considering an application for renewal of registration, the Building Authority may take into account, among other factors, whether the applicant is inactive in the relevant works and whether the applicant has any conviction, disciplinary or suspension records in respect of labour safety offences, malpractice or misconduct in building works or construction related activities, provisions under the Buildings Ordinance, etc.

There is no assurance that we will be able to renew such registration every time in the future. In the event of non-renewal of such registration, the business and financial positions and prospects of our Group could be materially and adversely affected.

Our historical revenue, gross profit and gross profit margin may not be indicative of our future performance

For FY2017, FY2018 and the five months ended 31 May 2019, our gross profit amounted to approximately HK\$18.9 million, HK\$21.6 million and HK\$14.2 million, respectively; while our gross profit margin was 20.0%, 19.4% and 18.9%, respectively. 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 the future which will depend on our capability to secure new business opportunities and to control our costs. There is no assurance that our operating and financial performance in the future will remain at a level comparable to those recorded during the Track Record Period.

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There is an inherent risk in using our historical financial information to project our future financial performance, as they do not have any positive implication or may only reflect on our past performance under certain conditions. Our future performance will depend on, among others, our ability to secure new contracts, control our costs, market conditions in Hong Kong, and competition among contractors. All these may reduce the number of projects awarded to us and/or limit profit margin of our projects.

In addition, our profit margin may also fluctuate from period to period due to factors such as (i) our ability to accurately estimate our costs when submitting a tender; (ii) the complexity and size of the project; (iii) subcontracting expenses; (iv) prices of materials; and (v) our pricing strategy. There is no assurance that our profit margin will remain stable in the future and that we can maintain our current level of performance.

Our success and continued growth are dependent on our key management team

Our Directors believe that our success, to a large extent, is attributable to, among other things, the contribution of Mr. Ho and Mr. Sieh, each being our executive Director, and Mr. Lau Chiu Ming, our project manager. Details of their background and experience are set out in the section headed "Directors and senior management" in this document.

Our key personnel as well as their experience in the slope works industry in Hong Kong are crucial to our operations and financial performance. In addition, in order for A-City Workshop to maintain its registration as a Registered Specialist Contractor under the sub-register of "site formation works" category, among other things, A-City Workshop must have a minimum of one Authorised Signatory to act for it for the purpose of the Buildings Ordinance and one Technical Director who shall, among other things, provide technical support for the execution of works and ensure that the works are carried out in accordance with the Buildings Ordinance. As at the Latest Practicable Date, both the roles of Authorised Signatory and Technical Director of A-City Workshop were taken up by Mr. Ho. For further details, please refer to the paragraph headed "Business – Licences and registrations" in this document.

Although we have entered into a service agreement with each of our executive Directors, there could be an adverse impact on our operations should any of our executive Directors terminate his service agreement with us or otherwise cease to serve our Group and appropriate persons could not be found to replace them. There is no assurance that we will be able to attract and retain capable staff in the future. In such event, the business and financial positions and prospects of our Group as well as our ability to maintain our licences and qualifications could be materially and adversely affected.

We believe that an experienced management team as well as dedicated members of staff will contribute significantly to our future growth. Accordingly, the loss of services of any of our key management without suitable and timely replacements may lead to disruption in our operations, loss or deterioration of important business relations and have a material adverse effect on our business operations and prospects.

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Our business plan may not be implemented successfully which may adversely affect our prospect

Our Directors are of the view that the future plan of our Group has been prepared after due enquiry by reference to the expected future prospect of slope works industry and policies of the Government and the continuation of our competitive advantages and other factors considered relevant. Some of our future business strategies are based on certain assumptions, as discussed in the section headed "Future plans and use of [REDACTED]" in this document. The successful implementation of our business plan may be affected by a number of factors including the availability of sufficient funds, Government policies in relation to landslip prevention and mitigation, the economic conditions, our ability to maintain our existing competitive advantages, our relationships with our customers, the threat of substitutes and new market entrants as well as other factors disclosed elsewhere in this section headed "Risk factors".

In particular, we intend to apply for registration as a probationary contractor on the List of Approved Specialist Contractors ("**Approved Specialist Contractor**") for Public Works under the category of LPM as one of our business strategies. Based on their assessment, our executive Directors confirm that A-City Workshop will be eligible to become an Approved Specialist Contractor and tender for Government contracts once we have (i) obtained additional funding for satisfying the working capital requirement, and (ii) acquired certain machinery specified in the Contractor Management Handbook – Revision B published by the Development Bureau. Nevertheless, there is no assurance that we will be successful with our first application for the aforesaid registration or at all. Further, even if we become an Approved Specialist Contractor, we cannot guarantee that we will be able to obtain those public sector contracts that we tender for directly from the Government.

There is no assurance that our business plan can be successfully implemented. Should there be any material adverse change in our operating environment which results in our failure to implement our business plan or any part thereof, our business and financial position and prospect may be adversely affected.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

The Government's budget and funding for slope works projects may be adversely affected by lawmakers' filibustering in the Legislative Council

The majority of our Group's revenue during the Track Record Period was derived from public sector projects. However, in recent years, filibustering by Hong Kong lawmakers has in certain cases led to the failure of or delay in the funding approval for certain public sector projects by the committees of the Legislative Council. Therefore, there is a risk that the Government's budget and funding for slope works projects (and/or for infrastructure or other public projects that involve or require slope works) may be delayed, reduced or otherwise adversely affected as a result of lawmakers' filibustering in the Legislative Council. In addition, there is also a risk that after being awarded with a Government slope works contract, the commencement date and the scope of works may be delayed, reduced, or otherwise adversely affected as a result of lawmakers' filibustering in the Legislative Council. In such cases, our business and financial position and prospect could be materially and adversely affected.

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Industrial actions or strikes may affect our business

Typical construction works are divided into various disciplines, and each requires highly specialised labour. Industrial action of any one discipline may disrupt the progress of our construction works. During the Track Record Period, our projects did not encounter any strike action. However, there is no assurance that industrial actions or strikes will not be launched in the future. Such industrial actions or strikes may adversely impact our business performance and hence profitability and results of operation. Any delays in completing our works caused by such action may affect our business, financial conditions and results of operations.

RISKS RELATING TO THE [REDACTED]

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

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

Investor may experience dilution if we issue additional Shares in the future

Our Company may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the [REDACTED] and [REDACTED].

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

RISK FACTORS

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

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

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

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

RISKS RELATING TO THE DOCUMENT

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

Certain facts, statistics, and data presented in the section "Industry overview" and elsewhere in this document relating to the industry in which we operate have been derived, in part, from various publications and industry-related sources prepared by government officials or independent third parties. In addition, certain information and statistics set forth in this document have been extracted from a market research report commissioned by us and prepared by F&S, an independent market research agency. Our Company believes that the sources of the information are appropriate sources for such information, and the Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this document. In addition, our Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sponsor, nor any parties involved in the [REDACTED] have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly such information and statistics may not be accurate and should not be unduly relied upon.

RISK FACTORS

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

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

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

Prior to the publication of this document, there may be press or other media, which contains certain information referring to us and the [REDACTED] that is not set out in this document. We wish to emphasise to potential investors that neither we nor any of the Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED], the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the "Professional Parties") involved in the [REDACTED] has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information.

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