Sunray Engineering Group Limited
新威工程集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8616

SHARE OFFER

Sole Sponsor

AmCap
Ample Capital Limited
豐盛融資有限公司

Financial Adviser

Donvex
富域資本
Donvex Capital Limited
富域資本有限公司

Joint Global Coordinators

首盛資本集團
Alpha Financial Group

Lego Securities Limited
力高證券有限公司

Joint Bookrunners and Joint Lead Managers

首盛資本集團
Alpha Financial Group

Lego Securities Limited
力高證券有限公司

Enhanced Securities Limited
進陞證券

IMPORTANT

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

Sunray Engineering Group Limited
新威工程集團有限公司

(incorporated in the Cayman Islands with limited liability)

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

Number of Offer Shares	:	**250,000,000 Shares (subject to Offer Size Adjustment Option)**
Number of Public Offer Shares	:	**25,000,000 Shares (subject to reallocation)**
Number of Placing Shares	:	**225,000,000 Shares (subject to reallocation and Offer Size Adjustment Option)**
Offer Price (subject to a Downward Offer Price Adjustment)	:	**Not more than HK$0.28 per Offer Share and expected to be no less than HK$0.24 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full upon application in Hong Kong dollars and subject to refund) (If the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK$0.22 per Offer Share)**
Nominal Value	:	**HK$0.01 per Share**
Stock Code	:	**8616**

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ENHANCED 進陞證券 SECURITIES LIMITED

Joint Lead Managers

東方滙財證券有限公司 ORIENT SECURITIES LIMITED

AFG 高鉦証券

CHKL 中港通證券 CHINA-HONG KONG LINK SECURITIES

億聲證券有限公司 Brilliant Norton Securities Company Limited

利高證券 LEE GO SECURITIES

华夏常青 EVER-GREEN

順安證券 | 資產管理 SECURITIES | ASSET MANAGEMENT

利盟證券有限公司 Grand Partners Securities Limited

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

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

The Offer Price is expected to be determined by the Price Determination Agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or about Thursday, 16 April 2020 or such later date as may be agreed between the parties, but in any event not later than Monday, 20 April 2020. If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by that date or such later date as agreed by our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse. The Offer Price will not be more than HK$0.28 per Offer Share and is expected to be not less than HK$0.24 per Offer Share (subject to a Downward Offer Price Adjustment), unless otherwise announced. The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the above indicative Offer Price range at any time prior to the Price Determination Date. In such a case, notice of the reduction in the indicative Offer Price range will be available on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.sunray.com.hk.

Prospective investors of the Offer Shares should note that the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may in their absolute discretion, upon giving notice in writing to our Company, terminate the Underwriting Agreements with immediate effect if any of the events set forth under the section headed "Underwriting — Underwriting arrangements and expenses — Public offer — Grounds for termination" of this prospectus occurs at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Global Coordinators (for themselves and on behalf of the Underwriters) terminate the Underwriting Agreements in accordance with the terms of the Underwriting Agreements, the Share Offer will not proceed and will lapse.

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

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged of transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws of the United States. There will be no public offer of securities in the United States.

31 March 2020

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

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

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

If there is any change in the following expected timetable of the Share Offer, we will issue an announcement to be posted on the website of our Company at www.sunray.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

	2020 *(Note 1)*
Public Offer commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Tuesday, 31 March
Latest time for completing electronic applications under **HK eIPO White Form** service through one of the below ways *(Note 2)*: (1) the designated website **www.hkeipo.hk** (2) the IPO App, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**	11:30 a.m. on Tuesday, 7 April
Application lists of the Public Offer open *(Note 3)*	11:45 a.m. on Tuesday, 7 April
Latest time for lodging **WHITE** and **YELLOW** Application Forms and to give **electronic application instructions** to HKSCC *(Note 4)*	12:00 noon on Tuesday, 7 April
Latest time to complete payments for **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, 7 April
Application lists of the Public Offer close *(Note 3)*	12:00 noon on Tuesday, 7 April
Expected Price Determination Date *(Note 5)*	Thursday, 16 April
Where applicable, announcement of the Offer Price being set below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment (see the paragraph headed "Structure and Conditions of the Share Offer — Determining the Offer Price") on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.sunray.com.hk** on or before	Wednesday, 22 April

Announcement of (i) the final Offer Price; (ii) the indication of level of interest in the Placing; (iii) the level of applications in the Public Offer; and (iv) the basis of allotment of the Public Offer Shares to be published on the website of our Company at **www.sunray.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk** on or before	Wednesday, 22 April
Results of allocation in the Public Offer to be available at "Allotment Result" in the **IPO App** or at **www.tricor.com.hk/ipo/result** and **www.hkeipo.hk/iporesult** with a "search by ID Number/Business Registration Number" function from	Wednesday, 22 April
Results of allotment of the Public Offer (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels as described in the paragraph headed "How to Apply for Public Offer Shares — 11. Publication of results" in this prospectus from	Wednesday, 22 April
Despatch/collection of refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions in respect of wholly or partially unsuccessful applications and wholly or partially successful applications in case the final Offer Price is less than the maximum Offer Price paid for the applications pursuant to the Public Offer on or before *(Notes 7 to 11)*	Wednesday, 22 April
Despatch/Collection of Share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or before *(Notes 6 to 10)*	Wednesday, 22 April
Dealings in the Shares on GEM to commence at	9:00 a.m. on Thursday, 23 April

The application for the Public Offer Shares will commence on Tuesday, 31 March 2020 through Tuesday, 7 April 2020. Such time period is longer than the normal market practice of four days. The application monies (including brokerage fee, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Wednesday, 22 April 2020. The Price Determination Date is expected to be on or about Thursday, 16 April 2020, and in any event no later than Monday, 20 April 2020. The time period between the closing of application lists and the Price Determination Date is longer than the normal market practice. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Thursday, 23 April 2020.

Notes:

1. All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

2. You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** or at **IPO App** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website or **IPO App** prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above or "extreme conditions" caused by super typhoons in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 7 April 2020, the application lists will not open or close on that day. Further information is set forth in the paragraph headed "How to Apply for Public Offer Shares — 10. Effect of bad weather on the opening of the application lists" in this prospectus.

4. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "How to Apply for Public Offer Shares — 6. Applying by giving **electronic application instructions** to HKSCC via CCASS" in this prospectus.

5. The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Thursday, 16 April 2020, and in any event no later than Monday, 20 April 2020. If the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by that date or such later date as agreed by our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK$0.28 per Offer Share, applicants must pay the maximum Offer Price of HK$0.28 per Offer Share at the time of application, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, but will be refunded the surplus application monies, without interest, as provided in the section headed "How to Apply for Public Offer Shares" in this prospectus.

6. Share certificates for the Offer Shares are expected to be issued on Wednesday, 22 April 2020 but will only become valid certificates of title at 8:00 a.m. on Thursday, 23 April 2020 provided that (i) the Share Offer has become unconditional in all respects; and (ii) the Underwriting Agreements have not been terminated. If the Share Offer does not become unconditional or the Underwriting Agreements are terminated, we will make an announcement as soon as possible.

7. Applicants who have applied on **WHITE** Application Forms or through **HK eIPO White Form** Service for 1,000,000 Public Offer Shares or more Public Offer Shares may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 22 April 2020 or any other day as announced by us as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques.

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

9. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not collect their Share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

10. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the paragraph headed "How to Apply for Public Offer Shares — 14. Despatch/collection of share certificates and refund monies" of this prospectus.

11. Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications, and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. If you apply through the **HK eIPO White Form** services by paying the application monies through a single bank account, you may have e-Auto Refund payment instructions (if any) despatched to your application payment bank account. If you apply through the **HK eIPO White Form** services by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the designated website at **www.hkeipo.hk** or the **IPO App** by ordinary post and at your own risk. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.

IMPORTANT NOTICE TO INVESTORS

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

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

The contents on the website at www.sunray.com.hk, which is the official website of our Company, do not form part of this prospectus.

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This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk Factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

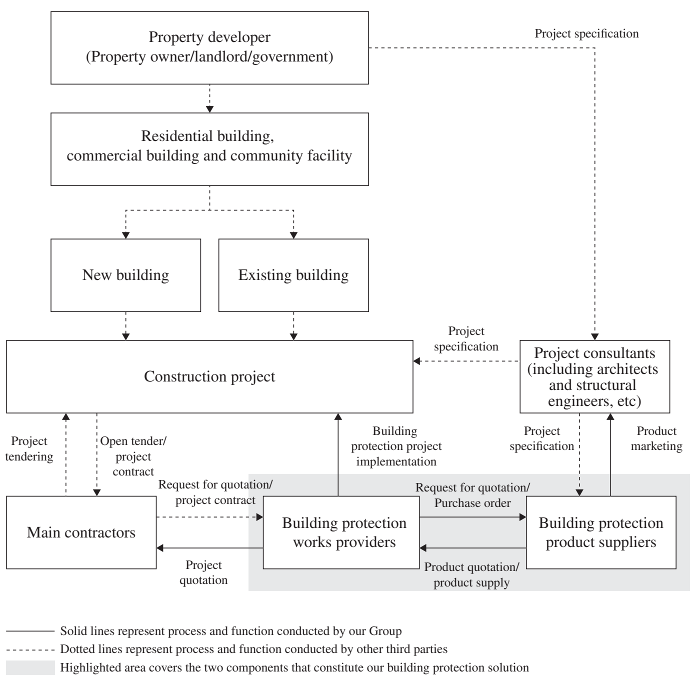
BUSINESS OVERVIEW

We are a Hong Kong-based building protection solution provider and our solutions integrate (i) the provision of building protection works with a focus on waterproofing works; and (ii) the supply of building protection products. According to the Frost & Sullivan Report, we ranked second in the building protection work market in Hong Kong with a market share of approximately 3.0% in terms of revenue in FY2019.

Our building protection solution: Building protection works generally involve the selection and use of appropriate building protection products in a building for water, thermal, acoustic and/or fire protection. In this connection, we mainly focus on waterproofing works. We are responsible for the overall management, implementation and supervision of our building protection works projects, selection and procurement of building protection products, coordination with customers or their consultants, environmental safety and quality control. On the other hand, we outsourced all labour-intensive building protection works to our subcontractors, such as the application of building protection products to the properties and testing in the manner directed by us. With respect to our business in the supply of building protection products, we identify, source, promote and distribute suitable building protection products to our customers to meet their varying needs and requirements. For more details, please refer to the paragraphs headed "Our provision of building protection works" and "Our supply of building protection products" in this section below, respectively.

Our synergistic business model: Our Directors believe that the dual capacity of our Group as both the building protection work provider and building protection product supplier created a synergy effect on our business, whereby our building protection works can boost the sale of our building protection products and thus, enhance our bargaining power for discount and better terms of distributorship with the brand owners or manufacturers of their products. At the same time, with a broad product portfolio under different brands sourced and distributed by us, our Directors are of the view that we can more accurately budget and select suitable products in preparing our quotations and ensuring steady supply of building protection products, thus placing us in a better position in quoting as well as undertaking building protection works projects. This synergistic business model is therefore conducive to giving the necessary leverage to reinforce the growth of our provision of building protection works and our supply of building protection products.

The following diagram summarises the business model of our building protection solutions:-



Our provision of building protection works — Our building protection works focus on waterproofing works and are complemented by flooring works and joint sealant works, where we are generally responsible for the project management of the projects. During the Track Record Period, our building protection works were carried out with the building protection products sourced and procured by us, and in various types of buildings in both public and private sectors such as residential buildings, commercial buildings and community facilities. For further details of our provision of building protection works, please refer to the paragraph headed "Business — Our business — (A) Our Building Protection Works" in this prospectus.

Our supply of building protection products — We identify, source, promote and distribute suitable building protection products to our customers to meet their varying needs and requirements. The building protection products supplied by us can be broadly categorised into (i) waterproofing products; (ii) tiling products; and (iii) flooring and other products. As at the Latest Practicable Date, we were the distributor of nine brands covering more than 400 building protection products, which were sourced from Independent Third Party brand owners and manufacturers from Germany, Switzerland and the United States. Since 2011, we also supplied our own-brand "DP ChemTech" and "DP" products, which are sourced from selected Independent Third Party suppliers from different jurisdictions such as PRC, Taiwan and Singapore. For further details of our supply of building protection products, please refer to the paragraph headed "Business — Our business — (B) Our supply of building protection products" in this prospectus.

Our revenue: The table below sets forth a breakdown of our revenue derived from the type of our services by geographical locations for the years/periods indicated:

	FY2018		**FY2019**		**FP2018**		**FP2019**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* *(Unaudited)*	*%*	*HK$'000*	*%*
Provision of building protection works								
-Hong Kong	76,317	49.8	106,372	55.5	42,743	52.1	63,016	61.5
-Macau	—	—	—	—	—	—	—	—
Supply of building protection products								
-Hong Kong	39,091	25.5	52,391	27.3	28,288	34.5	24,805	24.2
-Macau	37,829	24.7	32,968	17.2	11,008	13.4	14,628	14.3
	153,237	100.0	191,731	100.0	82,039	100.0	102,449	100.0

Our revenue from provision of building protection works

The following table sets forth the breakdown of our revenue by nature of building protection works provided by us during the Track Record Period:

	FY2018		**FY2019**		**FP2018**		**FP2019**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* *(Unaudited)*	*%*	*HK$'000*	*%*
Provision of building protection works								
- Waterproofing works	64,551	84.6	93,693	88.1	37,522	87.8	55,494	88.1
- Flooring works	4,545	6.0	7,304	6.9	3,678	8.6	3,598	5.7
- Joint sealant works	7,221	9.4	5,375	5.0	1,543	3.6	3,924	6.2
Total revenue from the provision of building protection works	76,317	100.0	106,372	100.0	42,743	100.0	63,016	100.0

During the Track Record Period and up to the Latest Practicable Date, we had undertaken 287 building protection works projects in Hong Kong, of which 56, 28, five and one building protection works projects had been completed during the corresponding year/period, respectively, and the total original contract sum of these completed projects amounted to approximately HK$143.8 million. For particulars of our building protection works projects completed during the Track Record Period and up to the Latest Practicable Date and the projects in progress as at the Latest Practicable Date, please refer to the paragraph headed "Business — Our business — Our project" in this prospectus.

The following table sets forth the movement in the outstanding contract value of projects by nature of the building protection works in our backlog during the Track Record Period and up to the Latest Practicable Date:

	FY2018	FY2019	FP2019	From 1 October 2019 to the Latest Practicable Date
	HK$'000	*HK$'000*	*HK$'000*	*HK'000*
BY NATURE OF BUILDING PROTECTION WORKS				
Waterproofing works				
Outstanding contract value of projects in our opening backlog	81,094	139,599	156,249	159,193
Add: Value of new projects awarded and relevant variation orders in the financial year/period	123,056	110,343	58,438	83,306
Less: Revenue recognised in the financial year/period	(64,551)	(93,693)	(55,494)	(49,257)
Outstanding contract value of projects in our closing backlog	139,599	156,249	159,193	193,242
Flooring works				
Outstanding contract value of projects in our opening backlog	2,139	5,325	5,770	6,325
Add: Value of new projects awarded and relevant variation orders in the financial year/period	7,731	7,749	4,153	5,942
Less: Revenue recognised in the financial year/period	(4,545)	(7,304)	(3,598)	(3,908)
Outstanding contract value of projects in our closing backlog	5,325	5,770	6,325	8,359
Joint sealant works				
Outstanding contract value of projects in our opening backlog	7,538	9,085	10,039	6,473
Add: Value of new projects awarded and relevant variation orders in the financial year/period	8,768	6,329	358	2,880
Less: Revenue recognised in the financial year/period	(7,221)	(5,375)	(3,924)	(2,286)
Outstanding contract value of projects in our closing backlog	9,085	10,039	6,473	7,067
Total outstanding contract value of projects of all types of building protection works in our closing backlog	**154,009**	**172,058**	**171,991**	**208,668**

Our revenue from supply of building protection products

The following table sets forth the breakdown of our revenue by types of building protection products during the Track Record Period:

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* *(Unaudited)*	*%*	*HK$'000*	*%*
Waterproofing products	51,788	67.3	50,897	59.6	25,305	64.4	27,804	70.5
Tiling products	24,044	31.3	33,779	39.6	13,472	34.3	11,495	29.2
Flooring and other products	1,088	1.4	683	0.8	519	1.3	134	0.3
Total revenue from supply of building protection products	76,920	100.0	85,359	100.0	39,296	100.0	39,433	100.0

The following table sets forth a summary of the sales volume and average selling price (the revenue divided by the respective sales volume) of our three major types of building protection products for the Track Record Period:

	FY2018	FY2019	FP2018	FP2019
Sales volume				
- Waterproofing products (unit)	48,900	44,400	20,200	21,800
- Tiling products (unit)	51,800	75,400	34,800	21,400
- Flooring and other products (unit)	2,300	2,300	2,000	100
Average selling price *(HK$)*				
- Waterproofing products (per unit)	1,059	1,146	1,253	1,275
- Tiling products (per unit)	464	448	387	537
- Flooring and other products (per unit)	473	297	260	1,340

Notes:

1. Each unit is equivalent to a package of our products, regardless of their respective physical forms, size and volume contained in each package.
2. The sales volume of our products are based on our internal records and calculated to the nearest hundred.

The following table sets forth a breakdown of our revenue by brands of building protection products during the Track Record Period:

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000 (Unaudited)*	*%*	*HK$'000*	*%*
Third party brands								
- PCI	20,629	26.8	20,846	24.4	11,594	29.5	9,196	23.3
- BASF	18,828	24.5	20,796	24.4	9,034	23.0	9,581	24.3
- Tremco	5,716	7.4	14,684	17.2	4,194	10.7	3,767	9.6
- remmers	8,714	11.3	7,980	9.3	1,818	4.6	5,409	13.7
- W.R. Meadows	5,407	7.0	4,698	5.5	3,842	9.8	632	1.6
- Other brands *(Note)*	7,242	9.5	5,974	7.0	3,634	9.2	3,459	8.8
Subtotal	66,536	86.5	74,978	87.8	34,116	86.8	32,044	81.3
Our own-brands								
- DP ChemTech/ DP	10,384	13.5	10,381	12.2	5,180	13.2	7,389	18.7
Total revenue from supply of building protection products	76,920	100.0	85,359	100.0	39,296	100.0	39,433	100.0

Note: Other brands under our third party brands mainly consist of Epro, Schomburg, Vandex and Korodur.

Our cost of sales and services: Our Group's cost of sales and services mainly comprises (i) cost of materials; (ii) subcontracting costs; and (iii) direct staff costs. The following table sets forth a breakdown of our cost of sales and services during the Track Record Period:

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000 (Unaudited)*	*%*	*HK$'000*	*%*
Cost of materials	64,113	69.8	76,746	68.1	32,914	66.0	39,721	66.8
Subcontracting costs	21,164	23.0	26,706	23.7	12,567	25.2	14,989	25.2
Direct staff costs	6,048	6.6	8,479	7.5	3,866	7.7	4,282	7.2
Others	562	0.6	715	0.7	547	1.1	506	0.8
	91,887	100.0	112,646	100.0	49,894	100.0	59,498	100.0

For further details on our Group's cost of sales and services, please refer to the paragraph headed "Financial Information — Discussion and analysis of financial performance of our Group — Cost of sales and services" in this prospectus.

Our pricing strategy: For the supply of building protection products, we generally take into account the cost of sales for individual products we sourced and our overall cost of business operation when determining our quotation plus a mark up.

When preparing our quotations for the provision of building protection works, we generally take into account the estimated costs of both the building protection products and the subcontractors to be sourced and engaged by us plus a mark up.

CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

Customers

Our direct customers are principally main contractors and subcontractors of construction projects who engaged us as their building protection work provider; and/or purchase building protection products from us. Apart from our direct customers, we also market and promote our building protection products to architects, consultants and property owners. For FY2018, FY2019 and FP2019, our five largest customers in aggregate accounted for approximately 39.6%, 46.6% and 54.2% of our total revenue, respectively of which approximately 12.2%, 15.2% and 18.6% of our total revenue was attributable to the largest customer, respectively. For further details of our major customers, please refer to the paragraph headed "Business — Our customers" in this prospectus.

Suppliers and subcontractors

During the Track Record Period, our suppliers included (i) suppliers of building protection products and other building materials; and (ii) subcontractors who carried out all labour-intensive works in our building protection works projects, where they were generally responsible for the application of building protection products and conducting various tests. For FY2018, FY2019 and FP2019, our five largest suppliers of building protection products in aggregate accounted for approximately 79.2%, 72.8% and 75.5% of our total purchase, respectively of which approximately 36.2%, 36.4% and 28.7% was attributable to the largest supplier, respectively. On the other hand, our five largest subcontractors in aggregate accounted for approximately 83.3%, 83.8% and 88.4% of our total subcontracting costs, respectively, of which approximately 56.2%, 39.3% and 43.8% was attributable to the largest subcontractor, respectively. For further details of our major suppliers and subcontractors, please refer to the paragraph headed "Business — Our suppliers" in this prospectus.

Overlapping of customers and suppliers

For FY2018, FY2019 and FP2019, there were six, nine and one overlapping customers and suppliers, respectively. To the best knowledge and belief of our Directors, these entities and their ultimate beneficial owners are Independent Third Parties. Our sales to these customers amounted to approximately HK$16.0 million, HK$22.3 million and HK$5.3 million, which accounted for approximately 10.4%, 11.6% and 5.2% of our total revenue for FY2018, FY2019 and FP2019, respectively. During the same corresponding year/period, our purchases from these customers amounted to approximately HK$24.9 million, HK$1.5 million and HK$0.2 million, respectively, which accounted for approximately 37.6%, 2.0% and 0.5%, respectively, of our total purchase. Gross profit for the sales to these customers for FY2018, FY2019 and FP2019 was approximately HK$5.6 million, HK$8.7 million and HK$2.3 million, respectively, whereas the relevant gross profit margin for the corresponding year/period was approximately 35.0%, 39.0% and 42.9%, respectively. The terms of sales of building protection products we sold to such overlapping customers and suppliers were similar to those we provided to other customers. Our Directors are of the view that there are no unusual benefits to our Group or the overlapping customers and suppliers other than the profit and loss derived from the arm's length transaction with it as disclosed in the paragraph headed "Business — Our suppliers — Overlapping of customers and suppliers" in this prospectus.

COMPETITIVE STRENGTHS

Our Directors believe that our Group possesses the following competitive strengths which are described in greater details in the paragraph headed "Business — Competitive strengths" in this prospectus:

— We have a synergistic business model integrating the provision of building protection works and the supply of building protection products, which complement each other.

— We have an established operating history and proven track record as a provider of building protection solution, which enables us to maintain a stable relationship with our customers.

— We offer an extensive brand portfolio of building protection products and maintain a stable relationship with our building protection products suppliers and subcontractors.

— We have a dedicated management team with extensive industry experience.

COMPETITIVE LANDSCAPE AND MARKET SHARE

According to the Frost & Sullivan Report, the building protection works market in Hong Kong was relatively fragmented with an aggregated market share of approximately 10.9% for top five market players, which represented a market value of approximately HK$387.2 million for FY2019. In terms of the revenue, the Group ranked second with a market share of approximately 3.0% in the building protection works market in Hong Kong in FY2019. The market size of the building protection works market in Hong Kong had experienced growth from approximately HK$2,110.0 million in 2013 to approximately HK$3,644.9 million in 2019 at a CAGR of approximately 9.5%, and is projected to reach HK$4,323.0 million by 2023, at a CAGR of approximately 4.4% between 2019 and 2023. The growth is expected to be driven by (i) the growing demand from major applications such as waterproofing works on external wall and roof; and (ii) the growing construction sector.

The building protection products market in Hong Kong is relatively concentrated with limited number of market participants. With waterproofing products accounting for a large proportion of the building protection products market, the major participants of the building protection products market are mostly large waterproofing products manufacturers, while other market players, including international own-brand-manufacturers of tiling and flooring products, the distributors for these brands, and local own-brand manufacturers taking up the rest of the market. In FY2018, our Group had a market share of approximately 2.4% in the building protection products market in Hong Kong. The building protection products market had grown from approximately HK$1,029.7 million in 2013 to approximately HK$1,778.5 million in 2019 with a CAGR of approximately 9.5%, and is projected to reach approximately HK$2,094.6 million in 2023 at a CAGR of approximately 4.2% between 2019 and 2023. The growth is expected to be driven by (i) the building construction projects implemented by the government in both the private and public sectors in Hong Kong; and (ii) the higher expectation on building protection products by customers in terms of price, quality and delivery.

BUSINESS OBJECTIVES AND STRATEGIES

Our principal business objectives and strategies are to achieve sustainable growth in our business and increase long-term shareholder value, by continuing to actively seek business opportunities in the building protection industry in both private and public sectors in Hong Kong and Macau and enhance our building protection product portfolio. To this end, we intend to: (i) acquire additional machinery and equipment for carrying out building protection works to cope with our business expansion; (ii) expand our workforce; (iii) strengthen our financial position to pay for the upfront costs of our projects; and (iv) expand our building protection product mix and continue to develop our own-brand “DP ChemTech” and “DP” products. For more details, please refer to the section headed “Business Objective, Future Plans and Use of Proceeds” in this prospectus.

CONTROLLING SHAREHOLDERS

Immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares to be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), Ultra Success, which is wholly-owned by Mr. Lam, will hold 75% of our Company’s entire issued share capital. Ultra Success and Mr. Lam will be our Controlling Shareholders within the meaning of the GEM Listing Rules. For further details, please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus. Mr. Lam is the chairman of our Board, the chief executive officer and an executive director of our Company.

KEY OPERATIONAL AND FINANCIAL DATA

The following tables present a summary of key operational and financial data during the Track Record Period and should be read in conjunction with our financial information included in the Accountants’ Report set forth in Appendix I to this prospectus, including the notes thereto.

Selected information extracted from consolidated statements of profit or loss and other comprehensive income

	FY2018	FY2019	FP2018	FP2019
	HK$'000	*HK$'000*	*HK$'000 (Unaudited)*	*HK$'000*
Revenue	153,237	191,731	82,039	102,449
Cost of sales and services	(91,887)	(112,646)	(49,894)	(59,498)
Gross profit	61,350	79,085	32,145	42,951
Other income	358	265	161	110
Other gains and losses	827	381	128	(540)
Impairment losses, net of reversal	—	(274)	(151)	(1,554)
Selling and distribution costs	(6,820)	(8,059)	(3,714)	(2,857)
Administrative expenses	(28,260)	(29,943)	(13,820)	(13,523)
Finance costs	(284)	(169)	(121)	(31)
Listing expenses	—	(5,074)	—	(6,283)
Profit before taxation	27,171	36,212	14,628	18,273
Income tax expense	(5,256)	(7,202)	(2,906)	(4,199)
Profit and total comprehensive income for the year/period	21,915	29,010	11,722	14,074
Profit and total comprehensive income for the year/period attributable to:				
Owners of the Company	15,564	20,793	7,442	14,074
Non-controlling interests	6,351	8,217	4,280	—
	21,915	29,010	11,722	14,074

For FY2018 and FY2019, our overall revenue increased by approximately 25.1% from approximately HK$153.2 million to HK$191.7 million. For FP2019, our Group's revenue recorded an increase of approximately 24.9% as compared to FP2018. The increase during the respective year and period was mainly attributable to the increase in both the provision of our building protection works and sales of building protection products. For more details of the fluctuation of the revenue, please refer to the paragraphs headed "Financial Information — Discussion and analysis of financial performance of our Group — Revenue" in this prospectus.

The following table sets forth our gross profit and gross profit margins by types of services during the Track Record Period:

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*margin %*	*HK$'000*	*margin %*	*HK$'000 (Unaudited)*	*margin %*	*HK$'000*	*margin %*
Provision of building protection works	26,312	34.5	40,975	38.5	15,478	36.2	25,228	40.0
Supply of building protection products	35,038	45.6	38,110	44.6	16,667	42.4	17,723	44.9
Total gross profit	61,350	40.0	79,085	41.2	32,145	39.2	42,951	41.9

The following table sets forth our gross profit and gross profit margins by types of building protection works during the Track Record Period:

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*margin %*	*HK$'000*	*margin %*	*HK$'000 (Unaudited)*	*margin %*	*HK$'000*	*margin %*
Provision of building protection works								
- Waterproofing works	23,220	36.0	38,090	40.7	14,218	37.9	22,841	41.2
- Flooring works	1,704	37.5	1,808	24.8	957	26.0	1,214	33.7
- Joint sealant works	1,388	19.2	1,077	20.0	303	19.6	1,173	29.9
Total gross profit from provision of building protection works	26,312	34.5	40,975	38.5	15,478	36.2	25,228	40.0

The following table sets forth our gross profit and gross profit margins by types of building protection products during the Track Record Period:

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*margin %*	*HK$'000*	*margin %*	*HK$'000 (Unaudited)*	*margin %*	*HK$'000*	*margin %*
Waterproofing products	21,957	42.4	20,988	41.2	9,557	37.8	12,760	45.9
Tiling products	12,418	51.6	16,758	49.6	6,843	50.8	4,880	42.5
Flooring and other products	663	60.9	364	53.3	267	51.4	83	61.9
Total gross profit from the supply of building protection products	35,038	45.6	38,110	44.6	16,667	42.4	17,723	44.9

Our Group's gross profit amounted to approximately HK$61.4 million and HK$79.1 million for FY2018 and FY2019, respectively, whereas our gross profit margin was approximately 40.0% and 41.2% for the respective years. The increase in our gross profit was mainly attributable to the net effect of (i) the growth in our overall revenue during the respective year; (ii) the improvement in our overall gross profit margin derived from the provision of building protection works; and (iii) the slight decrease in our gross profit margin derived from the supply of building protection products. Our Group's gross profit also increased from approximately HK$32.1 million in FP2018 to HK$43.0 million in FP2019, which was mainly attributable to the increase of the gross profit generated from our provision of building protection works.

During FY2018 and FY2019, the gross profit from our provision of building protection works accounted for approximately 42.9% and 51.8% of our overall gross profit for the respective years, with a gross profit margin of approximately 34.5% and 38.5%, respectively, which was mainly attributable to the net effect of the increase of gross profit margin in our waterproofing works and the decrease of gross profit margin in our flooring works. Such gross profit margin also increased from approximately 36.2% in FP2018 to 40.0% in FP2019 due to the overall increase in gross profit margin in our waterproofing works, flooring works and joint sealant works, which was in turn mainly attributed from (i) the higher gross profit margin we charged for the waterproofing works in a commercial building project in Taikoo to cater for the higher requirement of the customer; (ii) the higher gross profit margin we charged for a number of complex flooring work projects during the period; and (iii) the higher gross profit margin we charged for a joint sealant work project for a luxury hotel to cater for the higher requirement of the customer. On the other hand, the gross profit for our supply of building protection products amounted to approximately HK$35.0 million and HK$38.1 million, representing approximately 57.1% and 48.2% of our overall gross profit for FY2018 and FY2019, respectively, and such decrease was mainly attributable to the slight decrease in our gross profit margin for all three types of products we supplied. The gross profit margin of supply of building protection products remained relatively stable during the Track Record Period. For more details, please refer to the paragraphs headed "Financial Information — Discussion and analysis of financial performance of our Group — Gross profit and gross profit margin — (i) Analysis of gross profit margin of building protection works" and "Financial Information — Discussion and analysis of financial performance of our Group — Gross profit and gross profit margin — (ii) Analysis of gross profit margin by types of building protection products" in this prospectus, respectively.

Our profit for the year/period amounted to approximately HK$21.9 million, HK$29.0 million, HK$11.7 million and HK$14.1 million for FY2018, FY2019, FP2018 and FP2019, respectively, representing a net profit margin of approximately 14.3%, 15.1%, 14.3% and 13.7%, respectively. The overall growth in our profit for the year and net profit margin was mainly attributable to the overall growth in our revenue and gross profit margin outweighing the increase in our selling and distribution costs and administrative expenses.

Selected information extracted from consolidated statements of financial position

	As at 31 March		As at 30 September
	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*
Current assets	166,510	133,225	163,236
Current liabilities	52,685	36,413	50,927
Net current assets	113,825	96,812	112,309
Net assets	123,240	104,121	118,195
Total assets	177,992	141,840	170,280

Our net current assets decreased by approximately HK$17.0 million from approximately HK$113.8 million as at 31 March 2018 to approximately HK$96.8 million as at 31 March 2019, which was mainly attributable to the net effect of (i) the net profit for FY2019 of approximately HK$29.0 million; and (ii) payment of dividend of approximately HK$47.6 million to Mr. Lam in FY2019. The net current assets then increased to HK$112.3 million as at 30 September 2019 due to the net profit of approximately HK$14.1 million generated in FP2019. The net assets decreased from approximately HK$123.2 million as at 31 March 2018 to approximately HK$104.1 million as at 31 March 2019, despite the net profit of approximately HK$29.0 million earned in FY2019, mainly due to the dividend of approximately HK$47.6 million paid to Mr. Lam in FY2019. The net assets then increased to approximately HK$118.2 million as at 30 September 2019, which was mainly due to the net profit of approximately HK$14.1 million generated in FP2019. For more detailed analysis of the fluctuations, please refer to the paragraphs headed "Financial Information — Net current assets" and "Financial Information — Analysis of various items in the consolidated statements of financial position" in this prospectus.

Selected information extracted from consolidated statements of cash flows

	FY2018	FY2019	FP2018	FP2019
	HK$'000	*HK$'000*	*HK$'000 (Unaudited)*	*HK$'000*
Net cash generated from operating activities	41,198	1,501	8,765	12,917
Net cash (used in)/ generated from investing activities	(4,054)	(2,146)	2,598	(292)
Net cash used in financing activities	(17,357)	(57,960)	(12,194)	(2,885)
Net increase / (decrease) in cash and cash equivalents	19,787	(58,605)	(831)	9,740
Cash and cash equivalents at beginning of the year	70,089	89,876	89,876	31,271
Cash and cash equivalents at end of the year	89,876	31,271	89,045	41,011
Operating cash flows before movements in working capital	31,184	39,715	16,074	21,763

The drop in our net cash generated from operating activities from approximately HK$41.2 million to approximately HK$1.5 million during FY2019 was primarily due to the increase in contract assets and decrease in trade and other payables in FY2019. For FP2019, our net cash generated from operating activities increased from approximately HK$1.5 million in FY2019 to HK$12.9 million in FP2019 mainly due to the increase in trade and other payables. The decrease in the net cash used in investing activities in FY2019 was the cumulative effect of the relative increase in the cash generated from the (i) the receipt of repayment from a director of approximately HK$1.2 million, as compared with nil in FY2018; and (ii) the proceeds from disposal of property and equipment in aggregate of approximately HK$4.4 million, as compared with approximately HK$2.3 million in FY2018, offsetting the cash outflow in FY2019. For FP2019, our net cash used in investing activities decreased from approximately HK$2.1 million in FY2019 to HK$0.3 million in FP2019 mainly due to no advances to a director in FP2019 as compared to FY2019. The increase in net cash used in financing activities was primarily due to the cash payment of dividend of approximately HK$43.7 million to Mr. Lam in FY2019. For FP2019, our net cash used in financing activities decreased from approximately HK$58.0 million in FY2019 to HK$2.9 million in FP2019 mainly due to no dividends paid in FP2019 as compared to FY2019. For more detailed analysis of the fluctuations, please refer to the section headed "Financial Information — Liquidity and capital resources" in this prospectus.

KEY FINANCIAL RATIOS

	Note	As at / For the year ended 31 March 2018	As at / For the year ended 31 March 2019	As at/For six months ended 30 September 2019
Current ratio	1	3.2 times	3.7 times	3.2 times
Quick ratio	2	2.9 times	3.3 times	3.0 times
Gearing ratio	3	2.2%	2.3%	1.4%
Debt to equity ratio	4	N/A	N/A	N/A
Interest coverage	5	96.7 times	215.3 times	590.5 times
Return on total assets	6	12.3%	20.5%	8.3%
Return on equity	7	17.8%	27.9%	11.9%
Net profit margin	8	14.3%	15.1%	13.7%

Notes:

1. Current ratio is calculated based on total current assets divided by total current liabilities as of the end of the respective year/period.
2. Quick ratio is calculated based on total current assets less inventories (if any) in current assets, divided by total current liabilities as of the end of the respective year/period.
3. Gearing ratio is calculated based on the total debt (lease liabilities) divided by the total equity as at the respective year/period end and multiplied by 100%.
4. Debt to equity ratio is calculated by the net debt (lease liabilities) divided by the total equity as at the respective year/period end and multiplied by 100%.
5. Interest coverage is calculated by the profit before interest and income tax divided by the interest (or preferable share dividend) for the respective year/period.
6. Return on total asset is calculated by the profit for the year/period divided by the total assets as at the respective year/period end and multiplied by 100%.
7. Return on equity is calculated by the profit for the year/period divided by the total equity as at the respective year/period end and multiplied by 100%.
8. Net profit margin is calculated by the profit for the year/period divided by the revenue for the respective year/period and multiplied by 100%.

DIVIDENDS

On 31 December 2018, a special dividend of approximately HK$47.6 million was declared and such dividend was (i) settled by cash of approximately HK$43.7 million; and (ii) offset against the amount due from Mr. Lam of approximately HK$3.9 million which did not result in any cash outflow. Save as the above, no dividend has been paid or declared by other companies comprising our Group during the Track Record Period and up to the Latest Practicable Date. We currently do not have any predetermined dividend distribution ratio. There is no assurance that our Group will declare dividends. The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on, among other things, our Group's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors. Investors should note that historical dividend distributions shall not be indicative of our future dividend payment. For further details, please refer to the paragraph headed "Financial Information — Dividends" in this prospectus.

FUTURE PLANS AND PROPOSED USE OF PROCEEDS

Based on the Offer Price of HK$0.26 per Share (being the mid-point of the indicative Offer Price range of HK$0.24 to HK$0.28 per Share), the net proceeds of the Share Offer, after deduction of underwriting fees and other expenses payable by our Company in relation to the Share Offer, are estimated to be approximately HK$29.0 million. Our Company currently intends to use the net proceeds from the Share Offer in the following manner:

Approximate amount of net proceeds	Intended applications
Approximately HK$2.8 million or approximately 9.8%	Acquire additional machinery and equipment for building protection works
Approximately HK$8.4 million or approximately 29.1%	Expand our workforce
Approximately HK$9.0 million or approximately 31.0%	Strengthen our financial position for payment of upfront cost
Approximately HK$8.7 million or approximately 30.1%	Expand our building protection product mix and continue to develop our own-brand "DP ChemTech" and "DP" products

For further details on our future plans and use of proceeds, please refer to the section headed "Business Objective, Future Plans and Use of Proceeds" in this prospectus.

Please also refer to the paragraph headed "Business Objective, Future Plans and Use of Proceeds — Reasons for the Listing" in this prospectus for detailed reasons for the Listing.

OFFERING STATISTICS

	Based on an Offer Price of HK$0.22 per Offer Share, after Downward Offer Price Adjustment of 10%	Based on the Offer Price of HK$0.24 per Share	Based on the Offer Price of HK$0.28 per Share
Market capitalisation at Listing *(Note 1)*	HK$220 million	HK$240 million	HK$280 million
Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share *(Note 2)*	HK$0.15	HK$0.15	HK$0.16

Notes:

1. The calculation of our market capitalisation is based on 1,000,000,000 Shares which will be in issue immediately following completion of the Share Offer, but takes no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus.
2. The unaudited pro forma adjusted consolidated net tangible assets per Share is determined after the adjustments as described in note 3 in the paragraph headed "Unaudited Pro Forma Financial Information - A. Unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company" in Appendix II to this prospectus and on the basis that 1,000,000,000 Shares are issued and outstanding as set out in the section headed "Share Capital" in this prospectus, but takes no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or the options which may be granted under the Share Option Scheme.

LEGAL PROCEEDINGS AND NON-COMPLIANCE MATTERS

During the Track Record Period, we were a party to an employee's compensation claim which has been settled. During the Track Record Period and up to the Latest Practicable Date, our Group recorded two personal injury accidents, where both injured persons have filed employees' compensation claims against our Group. Our Directors confirm that the liabilities of our Group under these claims were covered by insurance taken by the relevant main contractors. Please refer to the paragraph headed "Business — Legal proceedings" in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we had records of certain non-compliance of Hong Kong regulatory requirements. For details, please refer to the paragraph headed "Business — Non-compliance matters" in this prospectus.

RISK FACTORS

There are a number of risks involved in our business and operations. They can be classified into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risk related to Hong Kong; (iv) risks relating to the Public Offer; and (v) risks relating to statements made in this prospectus. Believe that our major risks include:

— We derive our revenue from projects and purchase orders of a non-recurrent nature, where there is no guarantee that our customers will provide us with new business or that we will secure new contracts.

— Our Group determines the contract price based on our estimated time and costs involved in the project. An under-estimation or ineffective cost management may adversely affect our Group's financial results.

— The recent outbreak of COVID-19 worldwide may significantly and adversely impact our business operation and financial performance.

— The timing of our payment to suppliers may not match our receipt of payment from our customers.

— We rely on our major subcontractors to help complete our building protection works projects. Any material surges of their charges or any substandard work by our subcontractors will affect us to a large extent.

— We rely on independent third party suppliers for production of all our own-brand building protection products.

— We rely on brand owners and manufacturers for the supply of building protection products to us to satisfy our business operation needs. Failure to secure a steady supply of these products may adversely affect our results of business operations.

A detailed discussion of the risk factors is set forth in the section headed "Risk Factors" in this prospectus. Prospective investors should read the "Risk Factors" section in its entirety before making any investment decision in the Listing.

LISTING EXPENSES

Based on the Offer Price of HK$0.26 (being the mid-point of the Offer Price range stated in this prospectus), the estimated listing expenses in connection with the Share Offer are approximately HK$36.0 million, of which approximately HK$5.1 million and HK$6.3 million have been charged to profit or loss for the FY2019 and FP2019, respectively, and approximately HK$7.8 million is expected to be charged to profit or loss for the remaining period of the financial year ending 31 March 2020 and approximately HK$16.8 million is expected to be directly attributable to issue of Shares and accounted as a deduction from equity upon the successful listing under the relevant accounting standards. Prospective investors should note the financial performance of our Group for the year ending 31 March 2020 will be materially and adversely affected by the aforementioned listing expenses.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, our Group had 197 on-going building protection work projects with an outstanding contract value of approximately HK$208.7 million. Based on our management's estimation taking into account the progress of the projects and their respective timetable, revenue expected to be derived from these projects after the Latest Practicable Date will amount to approximately HK$5.2 million, HK$104.0 million, HK$71.8 million, HK$21.3 million and HK$6.4 million for the period from the Latest Practicable Date to 31 March 2020 and for each of the four years ending 31 March 2024, respectively.

Despite the substantial increase in our outstanding contract value, our Directors believe that our revenue for FY2020 is expected to remain stable. Based on the unaudited consolidated management account of our Group for the four months ended 31 January 2020, we recorded a decrease in our overall revenue of 14.0% as compared to the corresponding period of FY2019, as a result of the combination of decreases in our revenue generated from (i) provision of building protection works of 1.2%; and (ii) supply of building protection products of 28.7%, respectively.

To the best knowledge and information of our Directors, the decrease in our revenue generated from provision of building protection works was primarily due to delays in four of our projects from their original schedule, of which (i) in one project, the relevant main contractor took extended time to complete its internal approval procedure for the shop drawings submitted by us, for which we have subsequently obtained the approval and commenced our work in December 2019; and (ii) in the other three projects, there were delays by the other subcontractors in completing the early phases of works, including basement excavation works that are more complex and more prone to delay due to technical difficulties encountered during the works progress, before we could commence our works. The three projects thereof have commenced in February and March 2020.

On the other hand, to the best knowledge of our Directors, the decrease in our revenue generated from supply of building protection products was primarily due to the decrease in the demand for our tiling products and waterproofing products following the completion of a Macau project in September 2019 by one of our customers, which contributed revenue of approximately HK$8.2 million, or 24.0%, of our revenue generated from supply of building protection products for the four months ended 31 January 2019. Excluding this Macau project, the decrease in our revenue generated from supply of building protection products would change from approximately 28.7% to 6.2% for the four months ended 31 January 2020 as compared to the corresponding period of FY2019. However, we recorded an increase of 101.4% in our revenue generated from the supply of building protection products for the two months ended 29 February 2020 as compared to the corresponding period of FY2019. The increase was mainly due to increase in purchase orders of waterproofing products placed by our customers for their respective projects including (i) a sport centre project in Macau; (ii) a hotel project in Macau; (iii) a service apartment project in Macau; (iv) a health tower in Hong Kong; and (v) a data center in Hong Kong, which contributed approximately 25.1% of our revenue generated from the supply of building protection products for the two months ended 29 February 2020.

Our Directors confirm that the decrease in revenue for the four months ended 31 January 2020 had occurred before the outbreak of COVID-19 in January 2020 and was not due to the social unrest since 2019 or any quality issue related the services or products provided by us. Moreover, to our Directors' understanding, our generation of revenue is to some extent affected by the progress of our and/or our customers' projects, which are subject to delays for reasons beyond our control at times. In light of the above, our Directors do not consider such decrease to be representative of our overall financial performance so far in FY2020 or constitute a material adverse change in our financial and trading position or sustainability of our Group, given that (i) we recorded increase in our overall revenue by approximately 6.5% for the ten months ended 31 January 2020 as compared to the same period of FY2019 after including the revenue growth during FP2019, signifying an overall growth of our business between the relevant periods; and (ii) our overall revenue for FY2020 will remain stable as compared to our overall revenue for FY2019.

Our Directors also expected a decrease in our Group's profit for FY2020 as compared to that for FY2019 which is mainly attributable to (i) an expected increase in listing expenses to be recognised in FY2020; and (ii) the impairment loss of HK$1.6 million recognised in FP2019 due to a credit impairment of a debtor (for further details on the impairment loss, please refer to the paragraph headed "Financial Information — Discussion and analysis of financial performance of our Group — Impairment loss, net of reversal" in this prospectus).

According to the Frost & Sullivan Report, the Hong Kong economy faces harsh challenges due to weak domestic and external demand amid social unrest arising from anti-government protests since June 2019 and the US-China trade tension. In addition to these unfavourable circumstances, the outbreak of COVID-19 in Hong Kong since January 2020 which has escalated into a global pandemic as at the Latest Practicable Date, may further deteriorate, the Hong Kong economy, resulting in the contraction of various industries including the property development market and construction industry, and may therefore adversely affect building protection works providers going forward. For further details, please refer to the paragraphs headed "The recent outbreak of COVID-19 worldwide may significantly and adversely impact our business operation and financial performance." and "The state of political environment in Hong Kong may adversely affect our performance and financial condition." under the section headed "Risk Factor" in this prospectus.

Outbreak of COVID-19

The recent outbreak of COVID-19 has endangered the health of many people globally, resulting in many countries and cities being subject to lockdown and/or travel restrictions of varying severity to combat the spread of COVID-19. Our Directors notice the following impacts on our Group:

(i) In late January 2020 after the Chinese New Year, two out of our 197 on-going building protection work project sites were voluntarily closed for no longer than two weeks for cleansing. The said suspensions resulted in delay of recognition of our revenue generated from provision of building protection works in these projects. Based on the discussion with our customers, our Directors confirmed that, as at the Latest Practicable Date, (a) the said project sites were closed voluntarily as a health safety precautionary measure to mitigate the risk of spread of the COVID-19 in the work sites and to provide a safe and healthy working environment to all workers; (b) there was no confirmed case of infection in the project sites that we were engaged; (c) the construction works and the building protection works at the said suspended project sites had already resumed; (d) the said suspensions had no impact on the timetables of the respective projects as those were covered by the below-mentioned time buffers; and (e) the remaining 195 of our on-going building protection work project sites had never been closed due to the outbreak of COVID-19.

As confirmed by our Directors, our Group would generally leave room for time buffers in devising our project timetable to accommodate for any unexpected delay or disruption of our work progress for reasons beyond our control. As at the Latest Practicable Date, none of our existing projects' estimated completion dates were affected by the outbreak of COVID-19 and the time buffers in the relevant project timetables have not been fully utilised as at the Latest Practicable Date.

However, based on our discussion with the main contractors of our building protection works projects, if any personnel working in the construction site has been confirmed positive for COVID-19, the relevant main contractor(s), property developer(s) or ultimate customer(s) of our building protection works projects would consider suspending all works in the relevant construction site for at least 14 days, and our building protection works would be held up during the suspension period. If the outbreak of COVID-19 persists for a substantial period or there are personnel working at the construction site(s) who are infected with COVID-19 from time to time whereby the construction site(s) have to be suspended from time to time correspondingly, the original time buffer may not be able to absorb the delay or disruption to the construction site(s). If such circumstances arise, our Directors consider that such suspension will, subject to its duration and frequency, delay our work progress and project timetable and the generation of our revenue. As a result, we may have to pay liquidated damages or compensation to our customers. All of these will adversely affect our business operation and financial performance as a result.

(ii) as at the Latest Practicable Date, three of our suppliers are based in the PRC, which accounted for less than 1.0% of our total purchase for FP2019; and one of which is the supplier of our own-brand building protection products. As confirmed by the said supplier, its operation was temporarily affected in February 2020 due to shortage of raw materials arising from the suspension of operation of its upstream suppliers and certain transportation restrictions imposed in the PRC. Nevertheless, the said supplier supplied and delivered our products to us without disruption during the said period. As at the Latest Practicable Date, the affected transportation and its upstream suppliers of raw materials have resumed normal operation, and it has also implemented precautionary measures, such as health safety protocols and special work arrangements among its staff and workers, to mitigate the risk of COVID-19 on its business operation.

Furthermore, while the outbreak of COVID-19 has started to spread to other countries where our major suppliers of building protection products are located, including the United States, Germany and Spain, our purchase orders for building protection products after the Track Record Period and up to the Latest Practicable Date had not encountered any disruption in delivery due to any operation suspension or transportation restrictions and the products were delivered to us on schedule. Since the outbreak of COVID-19 and up to the Latest Practicable Date, neither had these suppliers expressed any difficulties in meeting our demands or delivery schedules given that the then measures to stop widespread of COVID-19 implemented by these countries at that time did not materially affect their operation and did not materially impact freight transportation. Hence, our business in the supply of building protection products had not been adversely affected by the spread of COVID-19 during this period. In particular: -

(i) *United States*: Our major suppliers in the United States are mainly located in Ohio, Illinois and Kansas, which are not the epicenter of COVID-19 in the United States. Our Directors noted that Ohio, Illionois and some counties in Kansas have implemented "stay at home" orders, which aim at restricting the general public to stay at their place of residence unless special circumstances and maintaining their social distance from each other. Under this order, while non-essential business are required to cease operation, essential businesses and operations, which include manufacturers and distributors serving construction businesses, are to the exception. Our Directors believe that our major suppliers in the United States fall within the definition of essential businesses and operations due to their business natures, and hence they were able to continue their operations as at the Latest Practicable Date. For instance, W.R. Meadows, our supplier located in Illinois, has announced that it is an essential business and all of its facilities are open and operating.

(ii) Germany: Our Directors noted that Germany government encouraged people to reduce social contacts and certain businesses involving close social contacts such as restaurants, service companies in the field of personal care had to be closed to mitigate the spread of COVID-19. Our Directors believe that our major suppliers in Germany would not fall within the ambit due to their business nature, and hence they were able to continue their operations as at the Latest Practicable Date. For instance, PCI announced that all its production sites in Germany are open and work so that a reliable supply and delivery to its customers and partners in all sales regions is ensured.

On the other hand, one of the suppliers of our own-brand products is located in Barcelona of Spain, being one the epicentres of the spread of COVID-19 in Europe. However, our purchase orders for building protection products after the Track Record Period and up to the Latest Practicable Date had not encountered any disruption in delivery due to any transportation restrictions and the products were delivered to us on schedule. To the best knowledge and belief of our Directors, there was no material shortage in their inventory level to cater for our need as a result of COVID-19 after the Track Record Period and up to the Latest Practicable Date. Our Directors note that the operation of this supplier may be subject to the prevailing tough and precautionary measures to stop widespread of COVID-19 and thus, its normal operation and production would be affected. In such circumstances, we can engage other suppliers in Taiwan and PRC for the supply of our own-brand building protection products.

However, since mid-March 2020, the reported number of confirmed cases of COVID-19 in Europe and the United States has been increasing drastically. As a result, the countries where our major suppliers are located including the United States, Germany and Spain had started implementing tough measures, for instance, putting their countries or cities under strict lockdown, restricting movement of people, suspending or limiting business operations in the countries or cities. Our Directors believe that along the implementation of these measures, the business and operations of our suppliers will be disrupted as they may not be able to operate their production plants in full swing. The situation will be worse off if the spread of COVID-19 intensifies and the inventory stock of these suppliers are sold out before they can be replenished on time whereby the supply chain of our building protection products will be adversely affected and our onward delivery of products to our customers will also be disrupted, particularly, when there is any transportation bans or restrictions following escalation of the spread of COVID-19. In consequence, we may not be able to fulfil our contractual obligations with our customers, which may result in loss of our contracts with them or we may be liable to pay damages or compensation to our customers for their loss suffered due to our delay or default.

Save for the aforesaid, our Directors confirm that the occurrence of the outbreak of COVID-19 have not resulted in any material adverse impact on the business operation and financial performance of our Group up to the Latest Practicable Date, such as (i) there is no loss or cancellation of our contracts or purchase orders after the Track Record Period and as at the Latest Practicable Date; (ii) none of our customers have, or have expressed their intention to, (a) delay, suspend or terminate our existing building protection projects or their purchase orders for our building protection products, or (b) reduce their demand of our services and products; and (iii) we have not experienced any instance of material labour shortage or suspension of works of our subcontractors in our building protection works projects.

As at 31 January 2020, the cash balance of our Group was approximately HK$49.7 million. In the worst case scenario that all projects are suspended and no operation can be performed, and no products can be sold to our customers due to the outbreak of COVID-19, our Group will not incur any material costs and subcontracting costs. Our Directors believe that our Group's cash balance will be able to support the monthly cash demands for not less than 12 months assuming there is no redundant or pay cut to current staff.

The widespread of COVID-19 globally would result in slowdown of global economy and the operation and financial performance of our customers may be adversely affected, and their demand for our services and building protection products may be reduced as a result. Furthermore, they may become unable to settle the payments due to us for our building protection works rendered and/or the building protection products supplied to them within the agreed schedule or at all. In such event, we may incur significant impairment loss for the outstanding payments owed to us by our customers in both segments.

Notwithstanding that, our Directors will continue to monitor the progress of both our secured projects and our quotations for pipeline projects along with the development of these events in case any of the said potential adverse impacts materialises, which may negatively affect the financial performance and business operation of our Group.In addition, we already have the following measures in place to mitigate possible disruption on our business operations in the event of the outbreak of the COVID-19:

(i) to avoid shortage in supply of building protection products due to temporary closure of our suppliers' production facilities, transportation restrictions or disruption of the supply chain of building protection products, we would obtain quotations from different suppliers and subcontractors and retain the quotations of the other suppliers/subcontractors for back-up purpose;

(ii) as at the Latest Practicable Date, we have entered into cooperation agreements with three suppliers, which are located in the PRC, Taiwan and Singapore (as the distributor of the manufacturer in Spain), for the supply of our own-brand building protection products. As at the Latest Practicable Date, to the best knowledge of our Directors, while the manufacturer in Spain is subject to a nationwide lockdown imposed, the operation of our said suppliers in Taiwan and the PRC is in normal operation. Nevertheless, the supply of our own-brand building protection products can generally be undertaken by any one of such suppliers interchangeably, in the event any one of them whose production facilities are subject to temporary closure;

(iii) we would prepare a selection of alternative building protection products being supplied by different suppliers with similar specifications as backup for our building protection works projects. In the event the supply of the building protection products originally accepted by our customers become unavailable, we will recommend the alternatives to our customers;

(iv) we would discuss and prepare the internal contingency plans for different scenarios during the planning stage of our building protection work projects. The contingency plans would generally include, but not limited to, the contacts of the parties involved in the projects, the assignment of alternate personnel to replace any project team members in the event they have fallen ill, and the details of alternate suppliers and subcontractors; and

(v) we will proactively and regularly communicate with our customers, suppliers and subcontractors to keep track of their situations, to enable us to react promptly in case of any adverse material effects caused by the spread of the COVID-19 on their operations.

Since the aforementioned business contingency plans mainly leveraged on our existing business relationship with our customers, suppliers and subcontractors, our Directors are of the view that the implementation of these plans will not incur any material additional costs that will significantly affect our financial performance and business operations.

In line with our continuing efforts to provide a safe and healthy working environment to our own employees, we have implemented the following measures in response to the outbreak of COVID-19:

(i) precautionary measures for our offices:

a. circulating a memorandum to our employees for the purpose of reminding them the importance of good personal and public hygiene, suggesting our staff to monitor body temperature regularly;

b. requiring our employees to report to their supervisors or the human resources staff upon showing symptoms of infection (e.g. cough, shortness of breath), and seek immediate medical consultation;

c. requiring our employees to wear surgical masks and frequently use alcohol hand sanitisers;

d. disinfecting our office frequently, in particular areas with high human contacts, such as conference rooms and pantries; and

e. monitoring and keeping track of the development of the COVID-19 in Hong Kong, and when necessary, updating the work from home policies, providing flexible working arrangement, and limiting non-essential business travel.

(ii) precautionary measures for project sites:

a. requiring our employees and the workers of our subcontractors to wear surgical masks and reminding them of good personal and public hygiene when entering the project sites;

b. reminding our employees and workers of our subcontractors to ensure and maintain a hygienic environment of the project sites; and

c. circulating the guidelines on health safety precautions against COVID-19 issued by the relevant main contractors and the Construction Industry Council to our employees and workers of our subcontractors. Such guidelines generally include health safety protocols such as measuring body temperature before entry to the project site, wearing surgical mask at all time in the project site, and washing hands before entering or leaving the project site, etc.

Our Directors have confirmed that, save as disclosed above, since 30 September 2019 and up to the date of this prospectus, there had been no material adverse change in the financial and trading position or prospects of our Group and no event had occurred that would materially and adversely affect the information shown in the Accountants' Report as set out in Appendix I to the prospectus.

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

"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s) or, where the context so requires, any of them to be used in connection with the Public Offer
"Articles of Association" or "Articles"	the articles of association of our Company, conditionally adopted by the then Shareholders on 18 March 2020 with effect on the Listing Date, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Audit Committee"	the audit committee of our Board
"Big Group"	Big Group Asia Limited, company incorporated in the BVI on 5 September 2018 with limited liability and an indirect wholly-owned subsidiary of our Company
"Board"	the board of Directors
"building protection solution(s)"	the business in which our Group principally engages for provision of one-stop solution by integrating (i) provision of building protection works including the selection and use of appropriate building protection products in a building for protection against water, thermal, acoustic and/or fire; and (ii) the supply of building protection products whereby we identify, source, promote and distribute suitable building protection products to our customers to meet their varying needs and requirements
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate, a method of assessing the average growth of a value over time

"Capitalisation Issue"	the issue of 749,999,999 Shares to be made upon capitalisation of certain sum standing to the credit of the share premium account of our Company as referred to in the paragraph headed "Statutory and General Information — A. Further information about our Company and our subsidiaries — 3. Written resolutions of the sole Shareholder" in Appendix IV to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"close associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Companies Law"	the Companies Law (as revised), of the Cayman Islands, as amended, modified and supplemented from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Company" or "our Company"	Sunray Engineering Group Limited (新威工程集團有限公司) incorporated as an exempted company with limited liability in the Cayman Islands on 12 February 2019
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the GEM Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at our general meeting or are in a position to control the composition of a majority of our Board, which as at the date of this prospectus consist of Mr. Lam and Ultra Success

"core connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"COVID-19"	Novel Coronavirus (COVID-19) or Novel Coronavirus Pneumonia, a respiratory illness that was first reported in Wuhan, the PRC
"Deed of Indemnity"	the deed of indemnity dated 18 March 2020 given by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) regarding certain indemnities, details of which are set out in the paragraph headed "E. Other information — 1. Tax and other indemnities" in Appendix IV to this prospectus
"Director(s)"	the director(s) of our Company
"Downward Offer Price Adjustment"	an adjustment that has the effect of setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range
"DP ChemTech HK"	DP ChemTech Limited, a company incorporated in Hong Kong on 4 April 2014 with limited liability and an indirect wholly-owned subsidiary of our Company
"Fair Building"	Fair Building Material Company Limited (燁信建材有限公司), a company incorporated in Macau on 29 September 2006 with limited liability and an indirect wholly-owned subsidiary of our Company
"FP2018"	the six months ended 30 September 2018
"FP2019"	the six months ended 30 September 2019
"Frost & Sullivan"	Frost & Sullivan Limited, independent market research agency engaged by our Company
"Frost & Sullivan Report"	a report commissioned by us and independently prepared by Frost & Sullivan
"FY2018"	the financial year ended 31 March 2018
"FY2019"	the financial year ended 31 March 2019
"FY2020"	the financial year ending 31 March 2020
"GDP"	gross domestic product
"GEM"	the GEM of the Stock Exchange

"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
"**GREEN** Application Form(s)"	the application form(s) to be completed by **HK eIPO White Form** Service Provider, designated by our Company
"Group", "our Group", "we" or "us" or "our"	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries
"**HK eIPO White Form**"	the application for Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** at **www.hkeipo.hk** or at **IPO App**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified in the **IPO App** or on the designated website at **www.hkeipo.hk**
"HK$" or "Hong Kong dollars" or "HK dollars" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKFRS(s)"	Hong Kong Financial Reporting Standards, which include the Hong Kong Accounting Standards, amendments and interpretations issued by the HKICPA, as in effect from time to time
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Government"	the Government of the Hong Kong, including all governmental subdivisions and instrumentalities thereof or, where the context requires, any of them

"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of our Company
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which, as far as our Directors are aware after having made all reasonable enquiries, is/are independent and not a connected person of our Company within the meaning of the GEM Listing Rules
"IPO App"	the mobile application for **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
"Joint Bookrunners"	Alpha Financial Group Limited, Lego Securities Limited and Enhanced Securities Limited, being the joint bookrunners for the Share Offer
"Joint Lead Managers"	Alpha Financial Group Limited, Lego Securities Limited, Enhanced Securities Limited, AFG Securities Limited, All EverGreen Securities Limited, Brilliant Norton Securities Company Limited, China-Hong Kong Link Securities Company Limited, CIS Securities Asset Management Limited, Grand Partners Securities Limited, Lee Go Securities Limited and Orient Securities Limited, being the joint lead managers for the Share Offer
"Joint Global Coordinators"	Alpha Financial Group Limited and Lego Securities Limited, being the joint global coordinators for the Share Offer
"Karcenar HK"	Karcenar Limited (嘉士拿有限公司) with the business name of Sunray Engineering Company, a company incorporated in Hong Kong on 31 January 1989 with limited liability, and an indirect wholly-owned subsidiary of our Company
"Karcenar Macau"	Karcenar Sunray Engineering Company Limited (嘉士拿新威工程有限公司), a company incorporated in Macau on 5 September 2003 with limited liability, and an indirect wholly-owned subsidiary of our Company
'"Latest Practicable Date"	22 March 2020, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
"Listing"	the listing of the Shares on GEM of the Stock Exchange
"Listing Date"	the date on which dealings in the Shares on GEM first commence, which is expected to be on Thursday, 23 April 2020

"Listing Division"	the listing division of the Stock Exchange
"Macau"	Macau Special Administrative Region of the PRC
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"MOP"	Macau Pataca, the lawful currency of Macau
"Mr. Lam"	Mr. Lam Ka Wing (林嘉榮), the chairman of our Board, chief executive officer, an executive Director, a Controlling Shareholder and the spouse of Mrs. Lam
"Mrs. Lam"	Ms. Wong Pui Yee Edith (汪佩儀), an executive Director and the spouse of Mr. Lam
"Nomination Committee"	the nomination committee of our Board
"OEM"	an abbreviation of Original Equipment Manufacturing under which the manufacturer develops and manufactures a product in accordance with its customer's specifications that ultimately will be branded by its customer for sale
"Offer Price"	the final price per Offer Share (exclusive of any brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$0.28 per Offer Share and not less than HK$0.24 per Offer Share at which the Offer Shares are to be offered for subscription pursuant to the Share Offer, to be determined as further described in "Structure and Conditions of the Share Offer" in this prospectus, subject to any Downward Offer Price Adjustment
"Offer Share(s)"	collectively, the Public Offer Shares and the Placing Shares
"Offer Size Adjustment Option"	the option expected to be granted by our Company to the Joint Global Coordinators (for themselves and on behalf of the Placing Underwriters), pursuant to which our Company may be required by the Joint Global Coordinators to allot and issue up to 37,500,000 additional Offer shares, representing up to 15% of the Offer Shares initially available under the Share Offer at the Offer Price to cover any over-allocation in the Placing as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus

"Placing"	the conditional placing of the Placing Shares by the Placing Underwriters for and on behalf of our Company at the Offer Price subject to the terms and conditions as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Placing Shares"	the 225,000,000 Shares being initially offered by our Company for subscription at Offer Price under the Placing (subject to reallocation and the Offer Size Adjustment Option), as described under the section headed "Structure and Conditions of the Share Offer" of this prospectus
"Placing Underwriters"	the underwriters of the Placing that are expected to enter into the Placing Underwriting Agreement
"Placing Underwriting Agreement"	the underwriting agreement expected to be entered into on or around 16 April 2020 by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Global Coordinators and the Placing Underwriter(s) relating to the Placing Agreement
"PRC"	the People's Republic of China and, except where the context otherwise requires and only for the purpose of this prospectus, references in this prospectus to China or the PRC exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan region
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
"Price Determination Agreement"	the agreement to be entered into between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or around the Price Determination Date to fix the Offer Price
"Price Determination Date"	the date, expected to be on or about Thursday, 16 April 2020, but in any event no later than Monday, 20 April 2020, on which the Offer Price will be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company for the purpose of the Share Offer
"Primary Winner"	Primary Winner Investment Limited, a company incorporated in the BVI on 5 September 2018 with limited liability and an indirect wholly-owned subsidiary of our Company

"Profit Partner"	Profit Partner Investments Limited, a company incorporated in the BVI on 28 July 2011 with limited liability and an indirect wholly-owned subsidiary of our Company
"Public Offer"	the offer of the Public Offer Shares for subscription by members of the public in Hong Kong for cash at the Offer Price (plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, on and subject to the terms and conditions described in this prospectus and the Application Forms relating thereto
"Public Offer Shares"	the 25,000,000 Shares (subject to reallocation) initially offered by our Company for subscription in the Public Offer, as described under the section headed "Structure and Conditions of the Share Offer" of this prospectus
"Public Offer Underwriter(s)"	the underwriters of the Public Offer, whose names are set out under the section "Underwriting" of this prospectus
"Public Offer Underwriting Agreement"	the underwriting agreement dated 30 March 2020 entered into among our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters relating to the Public Offer
"Remuneration Committee"	the remuneration committee of our Board
"Reorganisation"	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the section headed "History, Development and Reorganisation" to this prospectus
"Reporting Accountants"	Deloitte Touche Tohmatsu, Certified Public Accountants
"SFC" or "Securities and Futures Commission"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share Offer"	the Public Offer and the Placing

"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 18 March 2020, the principal terms of which are summarised under the paragraph headed "D. Share Option Scheme — 1. Share Option Scheme" in Appendix IV to this prospectus
"Shareholder(s)"	shareholder(s) of our Company from time to time
"Share(s)"	ordinary share(s) of par value of HK$0.01 each in the share capital of our Company
"Sole Sponsor"	Ample Capital Limited, being the sole sponsor for the Listing and a licensed corporation under the SFO to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO
"sq.ft."	square foot (feet)
"sq.m."	square meter(s)
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"subsidiary(ies)	has the meaning ascribed thereto under the GEM Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Success Worldwide"	Success Worldwide Group Limited, a company incorporated in the BVI on 21 September 2018 with limited liability and a direct wholly-owned subsidiary of our Company
"Sunray Engineering"	Sunray Engineering (HK) Company Limited (新威工程(香港)有限公司), a company incorporated in Hong Kong on 15 December 2006 with limited liability and an indirect wholly-owned subsidiary of our Company
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Tech Link"	Tech Link Construction Engineering Limited (科聯建築工程有限公司), a company incorporated in Hong Kong on 4 February 2002 with limited liability and an indirect wholly-owned subsidiary of our Company
"Track Record Period"	comprises the period for the two years ended 31 March 2019 and the six months ended 30 September 2019

"TWD"	Taiwan dollars, the lawful currency of Taiwan
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Ultimate Power"	Ultimate Power Enterprises Limited, a company incorporated in the BVI on 21 September 2018 with limited liability and an indirect wholly-owned subsidiary of our Company
"Ultra Success"	Ultra Success Industries Limited, a company incorporated in the BVI on 30 October 2018 with limited liability, which is a corporate shareholder of the Company and wholly-owned by Mr. Lam
"Underwriters"	the Public Offer Underwriter(s) and the Placing Underwriter(s)
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"US$"	United States dollars, the lawful currency of United States
"UV"	ultra violet radiation
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Offer Shares to be issued in the applicant's or applicants' own name(s)
"Withdrawal Mechanism"	a mechanism which requires our Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information (e.g. the Offer Price) in the prospectus; (b) extend the offer period and allow potential investors, if they so desire, to confirm their applications using an opt-in approach (i.e. requiring investors to positively confirm their applications for shares despite the changes)
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Offer Shares to be deposited directly into CCASS
"%"	percent

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

If there is any inconsistency between the Chinese names of entities and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with "" and the Chinese translation of company names in English which are marked with "*" is for identification purpose only.*

This prospectus contains certain statements and information that are "forward-looking" and uses forward-looking terminology such as "anticipate", "believe", "could", "estimate", "expect", "may", "ought to", "should" or "will" or similar terms, in particular, in the sections headed "Business", "Risk Factors" and "Financial Information" in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

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

- our business and operating strategies and the various measures to implement such strategies;
- our dividends;
- our operations and business prospects, including development plans for its existing and new businesses;
- the future competitive environment for the industries in which we operate;
- the regulatory environment as well as the general industry outlook for the industries in which we operate;
- future developments in the industries in which we operate;
- the effects of the global financial markets and economic crisis; and
- other factors beyond our control.

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

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. The business, financial condition or results of operations of our Group could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

We believe that there are certain risks involved in our business and operations. They can be classified into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risk relating to Hong Kong; (iv) risks relating to Macau; (v) risks relating to the Share Offer; and (vi) risks relating to statements in this prospectus.

RISKS RELATING TO OUR BUSINESS

The recent outbreak of COVID-19 worldwide may result in the slowdown of global economy, which may affect the recoverability of our trade receivables, increase our impairment losses and significantly and adversely impact our business operation and financial performance.

The recent outbreak of COVID-19 in Hong Kong since January 2020 has increased uncertainties to the economy in Hong Kong in 2020, which had already been weakened by anti-government protests since June 2019 and the US-China trade tension. For 2019 as a whole, real GDP in Hong Kong contracted by approximately 1.2%, being the first annual decline since 2009. Our Directors recognise that, if the development of COVID-19 persists or intensifies, the economy in Hong Kong may be adversely affected. In such event, the resultant unfavourable economic conditions of Hong Kong, dampened market sentiment and decreased purchasing power of the general public could be a disincentive for property developers or other ultimate customers to commence new construction projects, thus delaying or reducing the number of new projects to be awarded to us. Health safety risks during the outbreak of COVID-19 may also lead to labour shortage, increase in wages of the workers, and interruption of our business operation, delaying the work progress of our projects as a result. For instance, based on our discussion with the main contractors of our building protection works projects, if any personnel working in the construction site has been confirmed positive for COVID-19, the relevant main contractor(s), property developer(s) or ultimate customer(s) of our building protection works projects would consider suspending all works in the relevant construction site, including our building protection works, for at least 14 days. In addition, there is no assurance that the workers or personnel of our Group, the main contractors or other subcontractors working at the construction sites would not be infected by COVID-19. In such event, the relevant workers or personnel would need to be quarantined and the building protection projects handled by them may be suspended or delayed as a result.

On the other hand, while we are allowed to take into account time buffer in devising the relevant timetable for our existing projects, we had not taken into account the outbreak of COVID-19 in devising the duration of the time buffer at the time. Hence, if the outbreak of COVID-19 persists or further escalates and/or any personnel working at the construction site(s) are infected with COVID-19 from time to time whereby the construction site(s) have to be suspended from time to time correspondingly and all our building protection works would be held up during suspension, resulting in delay in our work progress, the original time buffer for the existing projects may not be able to absorb the delay or disruption to the construction site(s). In such event, we may not be able to complete the building protection works as scheduled, and we may be liable to pay liquidated damages and/or compensation to our customers according to the terms of the contracts with individual customers. Our business and financial condition will therefore be adversely affected. Even if the spread of the current COVID-19 can cease, there is no assurance that another outbreak of COVID-19 or other disease outbreak will not happen in the future. In such event, our business operation and financial performance may be adversely affected.

Furthermore, with COVID-19 spreading globally, there is no assurance that our major suppliers of building protection products, with their headquarters and/or manufacturing facilities located in countries with reported cases of COVID-19 including the PRC, Taiwan, Germany, Spain, and the United States, would be able to (a) maintain their normal business operation without disruptions; and/or (b) deliver the building protection products to us without delay in the event that restrictions on freight logistics are imposed, and there is no guarantee that we would be able to source building protection products from alternative suppliers in time to satisfy the purchase orders of our customers or for use in our building protection works projects if COVID-19 persists for a substantial period. In particular, since mid-March 2020, the reported number of confirmed cases of COVID-19 in the United States, Germany, Spain and other European countries has been increasing drastically. Our Directors believe that along the implementation of the tough measures by the governments of these countries to stop widespread of COVID-19, the business and operations of our suppliers will be disrupted as they may not be able to operate their production plants in full swing. The situation will be worse off if the spread of COVID-19 intensifies and the inventory stock of these suppliers are sold out before they can be replenished on time whereby the supply chain of our building protection products will be adversely affected and our onward delivery of products to our customers will also be disrupted, particularly, when there is any transportation bans or restrictions following escalation of the spread of COVID-19. In consequence, we may not be able to fulfil our contractual obligations with our customers, which may result in loss of our contracts with them or we may be liable to pay damages or compensation to our customers for their loss suffered due to our delay or default.

On the other hand, the spread of COVID-19 both in Hong Kong and globally would adversely affect global economy because in order to stop further spread of COVID-19, many countries across the world have started implementing tough measures, for instance, putting their countries or cities under strict lockdown, restricting movements of people, suspending or limiting business operations, which would result in slowdown of global economy. Hence, the operation and financial performance of our customers may be adversely affected, and their demand for our services and building protection products may be reduced as a result. Furthermore, they may become unable to settle the payments due to us for our building protection works rendered and/or our building protection products supplied to them within the agreed schedule or at all. In such event, we may incur significant impairment loss for the outstanding payments owed to us by our customers in both segments of the provision of building protection works and the supply of building protection products. These adverse impacts, if materialise and persist for a substantial period, may significantly and adversely affect our business operation and financial performance.

We derive our revenue from projects and purchase orders of a non-recurrent nature and there is no guarantee that our customers will provide us with new business or we will secure new contracts or new purchase orders.

We provide building protection solutions that integrate the provision of building protection works with the building protection products sourced by us; and the distribution and supply of building protection products. Our building protection solutions are provided and supplied on a project-by-project or on-request basis and, which are non-recurring and we do not have any long term commitment with our customers. Thus, the number of our customers varies from year to year.

As at the Latest Practicable Date, we had 197 ongoing building protection works projects and all these projects use the building protection products sourced and supplied by us. There is no assurance that our existing customers will continue to provide us with new projects or business opportunities after the completion of our current projects and purchase orders. There is also no assurance that we will be invited to provide quotations for their new building protection works projects. Even if invited, we cannot guarantee that our quotations will be selected by our customers. We may have to lower our contract price and selling price or offer more favourable terms to our customers to increase the competitiveness of our quotations. As such, our profitability will be adversely affected. On the other hand, any failure to reduce our costs accordingly may materially or adversely affect our chance to secure a project or purchase orders and thereby also affect our profitability and results of operations.

If we cannot maintain similar amount of contracts or obtain new projects or purchase orders, in aggregate with a similar or larger contract sum on a continuous basis, our results of operations, financial condition as well as business prospects may be materially and adversely affected.

Our Group determines the contract price based on our estimated time and costs involved in the project. An under-estimation or ineffective cost management may adversely affect our Group's financial results.

During the Track Record Period, our customers would generally invite us to submit quotations for their consideration before awarding us the contracts. When submitting our quotations, our estimations are based on the information obtained from the potential customers. We will then take into account, among others, the availability of the manpower and resources required, subcontracting costs, building protection product costs; and the length and complexity of relevant projects. We adopt a cost-plus pricing model in setting out quotations. However, there is no assurance that the actual amount of time and costs we incurred would not exceed our estimation during the performance of our projects. Hence, we may suffer losses if there is any underestimation or overrun, therefore our quotations may have inherent risks, such as the risk of losses from underestimated costs, liquidated damages payable for delayed completion, unforeseen difficulties in completing the projects or incidents that may cause an increase in any unexpected time or cost.

For instance, our operating costs and gross profits may vary substantially from our original estimates as a result of:

- our failure to accurately estimate the subcontracting costs and cost of building protection products;

- any unanticipated technical problems requiring us to incur additional time and costs;
- any failure of our subcontractors in carrying out the building protection works on time and/or up to our customers' required standard, which may force us to incur additional costs in carrying out the rectification works; and
- any exacerbation of any or most of the aforesaid factors alongside with the growth in the number of the projects in terms of both their size and complexity.

Our Group's building protection works contracts can be divided into two types, namely, lump sum fixed price contract and remeasurement contract. For the lump sum fixed price contract, the contract sum would be fixed and determined upon signing of the contract. For the remeasurement contract, the final contract sum is subject to remeasurement of the works done, with schedules of rates that are based on the agreed unit rates and the estimated quantity of each item to be consumed in the project being fixed and determined upon signing of the contract. Our Group will be paid based on the actual amount of works done in the project, which normally will be measured by our customers upon completion of the works. For more details, please refer to the paragraphs headed "Business — Our Business - (A) Our Building Protection Works - Revenue breakdown by type of contracts" in this prospectus. For both types of contracts, if we are unable to maintain our costs within our original estimations in the course of carrying out the contracts; or if we are not able to fully cover any increases in costs such as those arising from overrun during the course of the project; or if the additional works undertaken by us are not covered in the variation orders provided in the contracts, our financial results would be adversely affected.

We rely on our major subcontractors to carry out all labour-intensive works in our building protection works projects. Any material surges of their charges or any substandard work by our subcontractors will affect us to a large extent.

We engage third party subcontractors to undertake the labour-intensive works in all our building protection works projects where they are generally responsible for the application of building protection products designated by us to areas of the properties covered in our scope of engagement and conducting various tests. For FY2018, FY2019 and FP2019, our subcontracting costs accounted for approximately 23.0%, 23.7% and 25.2% of our total cost of sales and services, respectively.

Generally, our customers require us to provide quotations for building protection works projects on an all-inclusive basis (which mainly include subcontracting charges, and building protection product costs). Any unexpected change in the subcontracting charges may result in cost overrun or even losses in the relevant projects, which may affect our profitability. For further details, please refer to the sensitivity analysis illustrating the impact of hypothetical fluctuations in the subcontracting charges on our profit before tax for the Track Record Period as set out in the paragraphs headed "Financial Information — Key factors affecting our results of operations — Cost of sales and services and gross profit margin" in this prospectus. There is no guarantee that our subcontracting costs will be stable. If we are unable to factor these potential fluctuations into our quotations and pass all or part of such additional costs to our customers, or reduce other costs, our financial results and position may be materially and negatively affected.

Furthermore, we may not be able to monitor the performance of our subcontractors at all times. Accordingly, we are exposed to the risks associated with non-performance, delayed performance or sub-standard performance by our subcontractors, which may subject us to liability under the relevant contract with our customers and incur additional costs as a result. These events may adversely affect our profitability, financial performance and reputation, and can result in litigation or damages claims made against us.

If our subcontractors violate any applicable laws, rules or regulations during the course of our building protection works projects, we, as the primary obligor, may sometimes be subject to prosecutions by relevant authorities. For instance, pursuant to the Employment Ordinance, (i) a principal contractor is, or (ii) a principal contractor and every superior subcontractor are, jointly and severally, liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. In the event of violation by our subcontractors in their obligations to pay their employees, and we become liable to pay the wages in lieu of our subcontractors, it may adversely affect our financial position.

Furthermore, we cannot assure you that there will not be any dispute with our major subcontractors, or that we will be able to maintain business relationships with them. On the other hand, we have not entered into any long term agreement with our subcontractors. If we cannot locate alternative subcontractors for replacement in a timely manner and/or on comparable commercial terms, our business operation may be hindered, which would adversely affect our profitability.

The timing of our payment to suppliers may not match our receipt of payment from customers.

To commence a new project and in the course of carrying out the project, we have to incur substantial upfront costs in the early stage of the project and working capital from time to time in carrying out the project before such costs can be recovered from our customers. These upfront costs include, among others, the cost for procurement of building protection products and the subcontracting charges paid in advance. We receive progress payment with reference to the value of the portion of the works completed. As such, we may incur net cash outflows at the early stage of our projects and may suffer from cash flow shortcomings. Generally, the value of the building protection works completed is assessed by the customer who will verify our Group's claims for progress payments by issuing a payment certificate and we can then issue an invoice for the amount of works certified. There is no assurance that we will receive payments from our customers before we are required to settle our subcontractors' and product suppliers' invoices and other current liabilities, and if our customers delay in settling our bills, we may experience cash flow mismatch associated with the receipt of settlements from our customers and our payments be made to suppliers and subcontractors. During the Track Record Period, after taking into account our contract asset of approximately HK$41.6 million, HK$70.1 million and HK$91.2 million as at 31 March 2018, 31 March 2019 and 30 September 2019, respectively, when calculating trade receivable turnover days, our adjusted trade receivable turnover days would then become 150.2 days, 140.5 days and 172.2 days for FY2018, FY2019 and FP2019, respectively. The extent of the cash flow mismatch could also be indicated by the fact that for FY2018 and FY2019, our Group experienced a significant drop in our cash flow generated from operating activities from approximately HK$41.2 million to HK$1.5 million, despite the increase in FP2019 which amounted to HK$12.9 million. Our Directors believe that we might face liquidity risk from time to time as a result of the mismatch of our operating cashflow, which would happen when we cannot settle our upfront cost and the working capital required in the form of trade payables by converting our trade receivables and contract assets into cash. We expect that the cash outflow for our business operation will increase correspondingly when the number of projects we take up increases along with our expansion plan. If there is no additional funding from the Share Offer, our cash balance may not be sufficient to sustain our business should there be any adverse changes to our financial position, nor can we further strengthen our market position in the building protection services market in Hong Kong by expanding our market share through undertaking more large-scale building protection work projects.

The billing and settlement of our contract assets might be delayed due to reasons beyond our control.

Our contract assets amounted to approximately HK$41.6 million, HK$70.1 million and HK$91.2 million as at 31 March 2018 and 2019 and 30 September 2019, respectively. The contract assets, which in summary, represent the amount of uncertified and unbilled completed works and the amount of retention receivables. As to the latter, our customers normally withhold up to 5% of the total contract sum as retention money, half of which will generally be released to us after completion of our work and the remaining balance will generally be released to us subsequent to the expiry of the defects liability period ranging from 12 to 24 months. During the Track Record Period, retention money held by our customers amounted to approximately HK$10.5 million, HK$13.7 million and HK$15.7 million as at 31 March 2018, 31 March 2019, and 30 September 2019, respectively.

Despite the terms of the contracts providing the settlement within one month after receipt of our payment application by the customers, the subsequent billing and settlement of these contract assets will depend on the timing of certification of our works by our customers, which would vary among different customers based on their own certification process and approval procedures for payments. Hence, these contract assets would not be immediately available for use in our daily operation. Apart from the aforesaid, our liquidity pressure will be further intensified taking into account the facts that (i) the number of sizeable projects will increase along with our expansion plan and thus, our customers may need additional time to certify a larger scope of works whereby we may be exposed to a more substantial cash flow mismatch; and (ii) in order to ensure that the terms under our subcontracts may comply with the proposed SOPL once the legislation comes into effect, we have to pay our subcontractors in accordance with the payment terms under the subcontracts irrespective of whether we have received payments from our customers.

In light of the above, if our customers fail to settle our progress payments in time, we may not have sufficient cash as expected to meet our payment obligations in relation to the costs incurred in our projects.

If the above circumstances happen, we may breach our contractual obligations in relation to the settlement of subcontracting costs and our subcontractors may refuse to continue to work for us. Furthermore, we may not have sufficient financial resources to procure the necessary building protection products and materials to complete our projects on time or at all. Both of the above may result in the breach of our contractual obligations in relation to projects that we have undertaken or committed. As a result, our business operations, financial position and results of operations may be materially and adversely affected.

During the Track Record Period, our Group experienced an increase in adjusted trade receivable turnover days and aged receivables, and any delays and/or defaults of certification of value of works completed and issuing the final accounts by our customers may confer upon our Group an exposure to considerable credit risk and liquidity risk

During the Track Record Period, after taking into account our contract asset in the calculation of trade receivable turnover days, our Group had recorded a relatively long adjusted trade receivable turnover days for the provision of building protection works which was approximately 255.1 days, 224.0 days, and 253.6 days for FY2018, FY2019, and FP2019, respectively. Furthermore, our Group's contract assets which were aged over 180 days increased from approximately HK$11.2 million as at 31 March 2018 to approximately HK$17.0 million as at 31 March 2019 and approximately HK$34.3 million as at 30 September 2019. Given that contract asset is recognised mainly when our Group completes the provision of building protection works under such services contracts but yet to be certified by our customers and is reclassified to trade receivables at the point at which it is invoiced to our customer, the increase was attributable to the fact that the interim payment applications of the relevant building protection projects were still under review by the main contractors as at 31 March 2019 and 30 September 2019, respectively. For further information, please refer to the paragraph headed "Financial Information — Analysis of various items in the consolidated statements of financial position — Contract assets and contract liabilities" in this prospectus. The timing for certification of the completed work by our customers varies from different projects and different customers based on their own certification process and approval procedures. It would take longer time for our customers to certify our building protection works when (i) our Group has already completed substantial amount of building protection works upon the submission of interim payment application; or (ii) before our customers issue the final accounts for our building protection works upon the practical completion of the projects (i.e. upon the time when the entire project is completed and the building is reasonably fit for occupation). This therefore may suggest that our Group might experience a longer time to collect our trade receivables and contract assets. Further, in FY2020, we also recognised an impairment loss of HK$1.6 million due to credit impairment of a debtor. For further details, please refer to the paragraph headed "Financial Information — Discussion and analysis of financial performance of our Group — Impairment losses, net of reversal" in this prospectus. As such, we are exposed to credit risks of our customers and our liquidity is dependent on our customers' certifying the value of works completed and issuing the final accounts for our building protection works and we have no assurance that any progress payment or any future retention money will be released by our customers to us on a timely basis and in full. Any late payment, whether arising from payment practice of our customers or delay in completion of the projects, may adversely affect our future liquidity position.

Our business and results of operation are susceptible to any unfavourable change in our cost of sales and services, and the market conditions.

Our revenue is mainly derived from the provision of building protection works in Hong Kong with the building protection products sourced and supplied by us; and the supply of building protection products to contractors and subcontractors in Hong Kong and Macau. As such, any drastic change in the market demands for building protection works and our building protection products in Hong Kong and Macau will have a corresponding impact on our business, particularly the price of our services and products.

We source and supply building protection materials for use in our building protection works projects and for onward sale to third-party contractors and sub-contractors. For FY2018, FY2019 and FP2019, our cost of materials amounted to approximately HK$64.1 million, HK$76.7 million and HK$39.7 million, respectively, representing approximately 69.8%, 68.1% and 66.8%, respectively of our cost of sales and services for each of the respective year/period.

However, there is no guarantee that the quality of building protection materials and products sourced and supplied by our Group can meet our and our customers' required standards as it is beyond our control, and thus if they are found defective, we may be forced to replace these building protection materials and products obtained from other suppliers at our own expenses. This may also delay our delivery of products and our provision of building protection works. Furthermore, we cannot guarantee our cost of sales and services will be stable or that our current suppliers will continue to provide building protection products at an acceptable price to our Group. If this happens, we may have to source these required building protection products from alternative providers at a higher price. As a result, our failure in factoring these potential fluctuations into each of our quotations, and pass on, part or the whole of, such increases to our customers or reduce other costs, may materially and negatively affect our financial results and position.

Any unfavourable changes of the above and the market conditions in the building protection work market and building protection products market in Hong Kong and Macau could have a material adverse effect on our sales, operation, financial condition, profitability or cash flows and we could record lower net profit margin or even suffer a net loss.

Our historical growth rate, revenue and profit margin may not be indicative of our future growth rate, revenue and profit margin.

For FY2018, FY2019 and FP2019, our revenue amounted to approximately HK$153.2 million, HK$191.7 million and HK$102.4 million, respectively. For the same year/period, our net profit amounted to approximately HK$21.9 million, HK$29.0 million and HK$14.1 million, respectively, whereas our net profit margin for the same year/period was approximately 14.3%, 15.1% and 13.7% respectively. For discussion of our results of operation, please refer to the paragraph headed "Financial Information — Discussion and analysis of financial performance of our Group" in this prospectus.

The inherent risk of using such historical financial information of us to project or estimate our financial performance in the future, is that they only reflect our past performance under particular conditions. We may not be able to sustain our historical growth rate, revenue and profit margins for various reasons, including, intensification of competition among building protection works subcontractors, aggravation in labour shortage, and other unforeseen factors such as adverse weather conditions, any of which may delay the completion of our projects, reduce the number of projects awarded to us, and/or reduce the profit margins of our projects.

We cannot assure you that we will be able to achieve the same performance as we did during the Track Record Period. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

We rely on independent third party suppliers for production of all our own-brand building protection products.

We do not have any production facilities or production lines of our own, and we have to rely on independent third party suppliers for the supply of our own-brand building protection products under our "DP ChemTech" and "DP" brands. However, our control over these external suppliers in respect of their production process, quality control and their product quality is to some extent, limited. We cannot assure you that (i) there will not be any unexpected interruption of their supply of products to us or any increase in the production costs for any reason beyond our control or expectation, such as introduction of new regulatory requirements, import restrictions, loss of their certifications or licences, power interruptions, fires or other events; (ii) they can always supply the required quantity of building protection products to us in a timely manner; or (iii) the products provided to us by them can meet our quality requirements. If any of these events occurs, we may not be able to find alternative suppliers promptly on comparable commercial terms, which may lead to a shortage of building protection products and/or project delay. As a result, our business operation would be interrupted or discontinued and, thus, our financial performance and operation results may be adversely affected.

Furthermore, though we have entered into cooperation agreements with our external suppliers, which specify (i) the supplier will be responsible for the quality control of the products; (ii) the supplier undertakes not to use our trademark other than for the purpose of the cooperation agreements; and (iii) the supplier shall keep strictly confidential on all information derived from the transactions with us, there is no assurance that such measures are effective to protect our intellectual property rights against leakage by our external suppliers.

We rely on brand owners and manufacturers for the supply of building protection products to us to satisfy our business operation needs. Failure to secure a steady supply of these products may adversely affect our results of business operations.

The success of our business, to a large extent, rely on our ability to secure steady supply of building protection products from third party brand owners and manufacturers. During the Track Record Period, we were granted distributorship for nine brands covering over 400 building protection products from independent third-party brand owners and manufacturers. Out of these nine brands to which we acquired distribution right, we entered into written distribution agreements with respect to four of them, i.e. BASF, TREMCO, Vandex and PCI, during the Track Record Period.

The termination or failure in renewal of such distribution agreements and arrangements with the brand owners may materially and adversely affect our business operation and financial results. If we cannot fulfil our obligation or under other condition as specified in the distribution agreements such as the minimum purchase requirements, the brand owners are entitled to terminate the distribution agreements with us. The duration of each of these distribution agreements with brand owners is generally three to four years and we cannot assure you that such distribution agreements can be renewed, or can be renewed on commercially reasonable terms in the future.

Introduction of new building protection products in Hong Kong and Macau with similar characteristics with our building protection products may adversely affect our profit margin.

During the Track Record Period, we sourced and offered over 400 building protection products in nine brands to customers in Hong Kong and Macau from Independent Third Party brand owners and manufacturers from Germany, Switzerland and the United States. We also supplied our own-brand building protection products sourced from selected independent third-party suppliers from jurisdictions such as the PRC, Taiwan and Singapore. For details, please refer to the paragraphs headed "Business - (B) Our supply of building protection products - Our Building Protection Products" in this prospectus.

There is no guarantee that there will not be any introduction of new building protection products which are well received in Hong Kong and Macau with similar or better quality than the existing products distributed and supplied by us. There is also no guarantee that we could be able to purchase new building protection products at a price acceptable to our customers, and/or that we would be able to obtain distributorship of the new building protection products. If new building protection products are offered in Hong Kong and Macau and that they have similar or better quality than the building protection products currently distributed and supplied by us, our competitive advantage of having an extensive brand portfolio and range of building protection products may be weakened or even lost, which may in turn adversely affect our business and profit margin.

Shortage of labour and increase of labour costs may affect our projects and our performance.

According to the Frost & Sullivan Report, the building protection works market is labour intensive. There is no assurance that the supply of labour and average labour costs will be stable. All labour intensive projects are more susceptible to labour shortage. Shortage of labour may lead to a significant increase in the costs of labour as our Group or our subcontractors may need to increase the wages in order to retain sufficient labour. We may not be able to shift the increase in labour costs onto our customers. As such, our staff cost and/or subcontracting costs, which include the labour costs of our subcontractors, will increase and thus lower our profitability.

The labour costs have kept increasing in recent years. According to the Frost & Sullivan Report, the estimated average daily wage of workers engaging in the building protection work market in Hong Kong, such as painters and decorators, had increased from HK$858 per day per worker in 2013 to HK$1,210 per day per worker in 2019, representing a CAGR of approximately 5.9%. We cannot assure you that the labour supply and average labour costs will remain stable in the future. If we or our subcontractors fail to retain existing labour and/or recruit sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to complete our projects on schedule and may be subject to liquidated damages claims from our customers and/or incur loss.

There is no guarantee that we would not be subject to any claims in relation to defects of our building protection works or breach of contract as a result of delay, which may result in further costs to make good the defects, and/or deduction of the retention monies to be released and/or claims from our customers against us.

As a building protection works provider, we may be subject to claims in relation to defects of our works. In general, our customers require us to provide a defect liability period, during which we will remain responsible for remedying any defects or imperfections discovered in relation to our work done. In the event that substantive remedial actions are required to be taken during the defect liability period, we may have to incur significant time and costs or be subject to claims from our customers against us. If we fail to make good the defects as required, our customers may reduce or forfeit the retention monies withheld from us and further claim damages from us.

In some projects, our contracts may set out that we have to complete each stage of our work following the schedule set by our customers. If we fail to complete the works on or before the due date as scheduled, we may be required to compensate our customers according to the mechanism stated in our contracts, unless they agree to grant us time extension to complete the remaining works.

Our building protection works may also be delayed or disrupted due to unforeseen circumstances that are beyond our expectation or control, including: (i) inclement weather conditions which may prevent the application of building protection products; and/or (ii) other construction risks such as work injuries and disputes with customers, suppliers, subcontractors and other project parties.

As such, we cannot guarantee that we will be able to complete every project on time or at all, nor can we assure you that our customers would grant us sufficient time extensions to complete the outstanding works. If we fail to complete our building protection works projects on time, significant liquidated damages or other penalties may be imposed upon us, which would in turn adversely affect our profitability and operating results.

Any material litigation and disputes may adversely affect our Group's performance.

Owing to the nature of our business, we are exposed to the risks of getting into disputes with our customers, subcontractors, workers and other parties concerned with our projects of various reasons. Such disputes may be in connection with the delivery of substandard works, late completions of works, labour compensations or personal injuries in relation to the works. For example, contractual claims may arise regarding the payment of outstanding contract fees with our subcontractors, and personal injuries compensation claims may arise in relation to any industrial accidents happened in our project sites.

There is an inherent risk of accidents resulting in personal injuries, property damages and/or fatalities in the project sites in general. We cannot guarantee that our employees, or those of our subcontractors will follow our safety measures and/or will not breach any applicable rules, laws and regulations. If any such employees fails to follow safety measures at our project sites, personal injuries, property damage or fatal accidents may be resulted and may lead to claims or other legal proceedings against our Group.

In the event that we are subject to any contractual disputes, litigations and other legal proceedings, our management's attention and internal resources may be significantly diverted for the handling of such cases, which can be both costly and time consuming. Regardless of the merits of the case, these disputes may damage our relationship with the relevant customers, suppliers, subcontractors or workers, and may affect our reputation in the building protection works and products markets, thus adversely affect our business operations, financial results and profitability.

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

Our insurance may not fully cover all the potential loss and claims arising from our operation. Typical claims such as accidents and personal injuries suffered by workers retained by us and our subcontractors are generally covered by the insurance policy maintained by the main contractors of the building protection works projects. For details, please refer to the section headed "Business — Insurance" in this prospectus.

Nevertheless, we and/or our officers (as the case may be) may be exposed to claims in respect of matters that are not covered by the insurance policies we maintained. In addition, as to the insurance policies we maintained, there may be circumstances (such as fraud, gross negligence, natural disasters and acts of God) in which certain loss and claims would not be covered adequately, or at all.

In the event that we experience substantial loss, damages or claims arising from our operation at work sites which are not covered by the insurance policies, we may have to incur tremendous expenditure in making compensations, which would adversely affect our operating results and financial position.

With respect to loss and claims which are covered by our insurance policies, it may be a difficult and lengthy process to recover such losses from our insurers. In addition, we may not be able to recover the full amount of such loss from the insurer. We cannot assure you that our policies would be sufficient to cover all potential loss, regardless of the cause, or that we can recover such losses from our insurers.

Our business has to be operated with various registrations and certificates and the loss of or failure to obtain and/or renew any or all of these registrations and/or certifications could materially and adversely affect our business.

Pursuant to the laws of Hong Kong, we are required to obtain and maintain certain registrations and certificates in order to operate certain parts of our business. For details, please refer to the section headed "Laws and Regulations" in this prospectus. For carrying on our business, Sunray Engineering is registered as a subcontractor with trade codes covering (i) other structural and civil trades — expansion joints (ii) finishing wet trades — others (floor hardener) ; (iii) tanking and waterproofing; (iv) painting; and (v) other finishing trades and components — others (joint sealant work) ; whereas

Karcenar Limited trading as Sunray Engineering Company is registered as a subcontractor with trade codes covering (i) finishing wet trades — others (floor hardener); (ii) tanking and waterproofing; (iii) painting; (iv) other finishing trades and components — others (joint sealant). For more details, please refer to the paragraphs headed "Business — Licences and permits".

Renewal of these qualifications is generally subject to certain technical and relevant industry experience requirement. As such, there is no assurance that all these qualifications can be maintained or obtained/renewed in a timely manner or at all. Any changes in the existing policies by Government authorities in relation to the construction industries may result in our failure to obtain or maintain such qualifications. If we cannot maintain these qualifications, our reputation, our ability to obtain future business, our business and results of operations may be materially and adversely affected.

We rely on key management personnel.

Our success and growth is, to a large extent, attributable to the continued commitment of our executive Directors and our senior management team and our capability to identify, hire, retain suitable and qualified employees, including management personnel with the necessary industry expertise as described in the section headed "Directors and Senior Management" in this prospectus. Our Directors and members of senior management, in particular Mr. Lam Ka Wing (our executive Director, chairman of the Board and chief executive officer of our Group) and Mr. Wong Hang Tai (the general manager of our Group), are important to us as they have extensive experience and business connections in the construction industry in Hong Kong. Any unanticipated departure of our Directors and/or our senior management team without appropriate replacement may have a material adverse impact on our business operations and profitability.

There is no assurance that we will pay dividends in the future.

On 31 December 2018, a special dividend of approximately HK$47.6 million was declared and such dividend was (i) settled by cash of approximately HK$43.7 million; and (ii) offset against the amount due from a shareholder of approximately HK$3.9 million which did not result in any cash outflow. Save as the above, no dividend has been paid or declared by our Group during the Track Record Period and up to the Latest Practicable Date. We currently do not have any predetermined dividend distribution ratio. There is no assurance that our Group will declare dividends. The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on, among other things, our Group's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors. For details of our dividend, please refer to the paragraph headed "Financial Information — Dividends" in this prospectus. We cannot assure investors when or whether we will pay dividends in the future.

We are exposed to foreign exchange rate fluctuations.

We principally conduct our business in Hong Kong and Macau and our functional currency is Hong Kong dollars. The sales of our Group are mainly denominated in Hong Kong dollars. However, some of our waterproofing products are sourced from overseas countries and the PRC and settled in currencies including Euro, US Dollars, Hong Kong dollars and Renminbi. Therefore, we may be subject counties and to risks associated with foreign exchange rate fluctuations, particularly the Hong

Kong dollars against the Renminbi or Euro. There can be no assurance that the exchange rate of Renminbi or Euro will remain stable against Hong Kong dollar (or other currencies) in the market and it may be fluctuated and affected by, among other things, changes in global political and economic conditions, which are beyond our control. Any fluctuations in the exchange rate of Hong Kong dollars against other currencies may expose us to exchange rate risks and may adversely affect our financial results and profitability.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Market conditions and trends in the construction industry and in the overall economy will affect our performance.

All of our operations and management took place in Hong Kong and Macau during the Track Record Period. The continued availability of large construction projects will affect the future growth and level of profitability of the construction industry in Hong Kong and Macau. The nature, extent and timing of such projects will, however, be determined by a variety of factors such as the land supply in Hong Kong and Macau and public housing policy, the government budgets, the investment of property developers and the general conditions and prospects of Hong Kong's and Macau's economy. They may affect the availability of construction projects from the public sector or private sector.

Other than the Government's public spending, other factors can affect the construction industry as well. These other factors include cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. If there is any recurrence of recession in Hong Kong and Macau, deflation or any changes in Hong Kong's and Macau's currency policy, or if the demand for construction works in Hong Kong and Macau deteriorates, our operations and profitability could be adversely affected.

We operate in a competitive environment.

The building protection works market is relatively fragmented. There are other industry players who provide similar services to ours. According to the Frost & Sullivan Report, there were approximately 320 subcontractors registered at the Construction Industry Council as the "Tanking and Waterproofing" subcontractors. Some of our competitors may have certain advantages, including stronger reputation, greater access to capital, longer operating history, longer and more established relationship with main contractors, and greater marketing and other forms of resources. Further, new participants may enter the industry provided that they possess all the relevant licences and qualifications required.

Our Group contributed to approximately 3.0% of the total revenue in the building protection works market in Hong Kong in FY2019. If the competition among building protection works providers intensifies, we may be under pressure to reduce our quotation, which would have an adverse impact on our project profitability and operating results. We cannot guarantee that we can cope with the enhanced competition in the future or that we can maintain our current position in the industry.

RISKS RELATING TO HONG KONG

The state of economy in Hong Kong may adversely affect our performance and financial condition.

For FY2018, FY2019 and FP2019, our revenue derived from Hong Kong accounted for approximately 75.3%, 82.8% and 85.7% of the total revenue of our Group, respectively, and all of our revenue generated from building protection works, which amounts for approximately 49.8%, 55.5% and 61.5% of our total revenue during the Track Record Period, was derived in Hong Kong. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks, terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

For example, if the recent Sino-United States trade war persists and as a result the Hong Kong economy deteriorates along with the global economic environment and the series of protests and strikes triggered by the opposition to the extradition bill proposed by the Hong Kong government, the demand for building protection works and products and the overall construction industry in Hong Kong could be affected, which may in turn have an adverse impact on our business, financial condition and results of operations.

The state of political environment in Hong Kong may adversely affect our performance and financial condition.

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

For instance, in 2019 there had been a series of protests and strikes triggered by the opposition to the extradition bill proposed by the Hong Kong Government. In the event such social unrest persists, the property market and the construction industry could be adversely affected, and it may also lead to delay in the award of the potential projects bid by us, which may in turn have an adverse impact on our business, financial condition and results of operations.

Our future contracts may be caught by the proposed Security of Payment Legislation ("SOPL") for the construction industry.

The Development Bureau of the Hong Kong Government issued a consultation document on the proposed SOPL for the construction industry with the aim to help main contractors, sub-contractors, consultants and suppliers in receiving payments on time for their work and provide a mechanism whereby disputes can be resolved quickly. In the private sector, only construction contracts relating to a "new building" as defined in the Buildings Ordinance of which the main contract has an original value in excess of HK$5 million will be covered by the SOPL. Once the SOPL comes into effect, parties can agree payment periods between applications and payments, but not exceeding 60 calendar days for interim payments or 120 days for final payments. Further, amounts due for construction works can be claimed as statutory payment claims and parties may be granted the right to suspend the performance of works until the relevant payment is made. For further details in relation to the SOPL, please refer to the section headed "Laws and Regulations" in this prospectus.

In the event that our future contracts are caught by the SOPL, we may be required to pay the subcontractors within 60 calendar days for interim payments and 120 calendar days for final payments even before we are paid by our customers. As such, it may create pressure on our cash flows and may adversely affect our liquidity position as well as affect our financial capacity to undertake new projects.

RISKS RELATING TO MACAU

Conducting business in Macau involves certain political risks.

For FY2018, FY2019 and FP2019, our Macau revenue was approximately HK$37.8 million, HK$33.0 million and HK$14.6 million, representing approximately 24.7%, 17.2% and 14.3% of the total revenue of our Group, respectively. Conducting business in Macau involves certain risks not typically associated with investments in companies based and operated mainly in Hong Kong, such as risks relating to changes in Macau governmental policies, changes in Macau laws or regulations or their interpretation, changes in exchange control regulations, potential restrictions on foreign investment and repatriation of capital, measures that may be introduced to control inflation, such as interest rate increases, and changes in the rates or method of taxation. In addition, the Group's operations in Macau are exposed to the risk of changes in laws and policies that govern operations of Macau based companies. In the event that there is a downturn in the economy of Macau or there are changes in laws and policies governing the Group's business, the Group's business operation and hence financial results and financial position may be severely affected.

Our business could be affected by the limitations of the Macau Pataca exchange markets.

Part of our revenue from Macau is denominated in Macau Patacas, the lawful currency of Macau. Although currently permitted, we cannot assure you that the Macau Patacas will continue to be freely exchangeable into Hong Kong dollars. Also, because the currency market for Macau Patacas is relatively small, our ability to convert large amounts of Macau Patacas into Hong Kong dollars over a relatively short period may be limited. As a result, we may experience difficulty in converting Macau Patacas into Hong Kong dollars.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained.

Prior to the Share Offer, no public market for our Shares existed. Following the completion of the Share Offer, the Stock Exchange will be the only market on which the Shares will be publicly traded. We cannot assure our investors that an active trading market for our Shares will be developed or be sustained after the Share Offer. In addition, we cannot assure our investors that our Shares will be traded in the public market subsequent to the Share Offer at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by the Price Determination Agreement, and may not be indicative of the market price of the Shares following the completion of the Share Offer. If an active trading market for our Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of our Shares could be materially and adversely affected.

Since there will be (i) a gap of several days between the closing of application lists and the Price Determination Date; and (ii) a gap of several days between the closing of application lists and the trading of the Offer Shares, holders of the Offer Shares are subject to the risk that the price of the Offer Shares could fall during the period before the trading of the Offer Shares begins.

The range of the Offer Price of the Offer Shares is HK$0.24 to HK$0.28 (subject to a Downward Offer Price Adjustment) and the Offer Price of the Offer Shares is expected to be determined on the Price Determination Date which is expected to be about five business days after the closing of the application lists. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the closing of application lists and about four business days after the Price Determination Date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of unfavourable market conditions, or other adverse effects, that could occur between the time of sale and the time trading begins.

The trading price and volume of our Shares may be volatile, which could result in substantial loss to our investors.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including (i) variations in the level of liquidity of our Shares; (ii) changes in securities analysts' (if any) estimates of our financial performance; (iii) investors' perceptions of our Group and the general investment environment; (iv) changes in laws, regulations and taxation systems which affect our operations; and (v) the general market conditions of the securities markets in Hong Kong. In particular, the trading price performance of our competitors whose securities are listed on the Stock Exchange may affect the trading price of our Shares. These macroeconomic, market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to macroeconomic, market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons. The market price of our Shares may change unexpectedly due to factors such as (i) variations in our revenue, net income and cash flow; (ii) the success or failure of our efforts in implementing business and growth strategies; and (iii) our involvement in material litigation as well as recruitment or departure of key personnel. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

As there will be a gap of several days between the pricing and the trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins. The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until the Listing Date. As a result, investors may not be able to sell or otherwise deal in our Shares during the period between the Price Determination Date and the Listing Date.

Accordingly, Shareholders are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

Investors for our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price is higher than the net tangible asset value per Share. Hence, investors of our Offer Shares will experience an immediate dilution in the unaudited pro forma adjusted net tangible asset value to HK$0.15 and HK$0.16 per Share based on the Offer Price at HK$0.24 and HK$0.28 per Offer Share respectively.

We may need to raise additional funds due to changes in business conditions, or to finance our future plans, whether in relation to our existing operations or any future acquisitions. If additional funds are raised by way of issuing Shares or equity-linked securities other than on a pro-rata basis to existing Shareholders, our existing Shareholders' shareholding may be reduced, the earnings per Share and the net tangible asset value per Shares would diminish and/or such newly issued securities may have rights, preferences and privileges superior to the Shares of our existing Shareholders.

Future disposal or perceived disposal of a substantial number of Shares of our existing Shareholders in the public market could materially and adversely affect the prevailing market price of our Shares.

Disposal of substantial amounts of our Shares in the public market after the completion of the Share Offer, or the perception of such disposal could adversely affect the market price of our Shares and materially impair our future ability to raise capital through offerings of new Shares. There is no assurance that our major Shareholders would not dispose of their shareholdings. Any significant disposal of our Shares by any of the major Shareholders could materially affect the prevailing market price of our Shares. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise further capital. We cannot predict the effect of any significant future disposal on the market price of our Shares.

The interest of our Controlling Shareholders may not always coincide with the interest of our Group and those of our other Shareholders.

Our Controlling Shareholders have significant influence over the operations and business strategies of our Group, and may have the ability to require our Group to effect corporate actions according to their own desires by virtue of their shareholding in our Group. The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders chooses to cause our Group's business to pursue strategic objectives that conflict with the best interests of other Shareholders, those other Shareholders' interest may be adversely affected as a result.

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

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

Possible setting of the Offer Price after making a Downward Offer Price Adjustment.

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Offer Share. It is therefore possible that the final Offer Price will be set at HK$0.22 per Offer Share upon the making of a full Downward Offer Price Adjustment. In such situation, the Share Offer will proceed and the Withdrawal Mechanism will not apply.

If the final Offer Price is set at HK$0.22 per Offer Share, the estimated net proceeds we will receive from the Share Offer will be reduced to HK$20.8 million and such reduced proceeds will be used as described in the section headed "Business Objective, Future Plans and Use of Proceeds".

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

Investors should read the entire prospectus and should not rely on any information contained in press articles or other media coverage regarding us and the Share Offer.

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us and the Share Offer. Prior to the publication of this prospectus, there may be press and media coverage regarding the Share Offer and us. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and our investors should not rely on such information.

Certain facts, forecast and other statistics in this prospectus obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this prospectus are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words “aim”, “anticipate”, “believe”, “could”, “predict”, “potential”, “continue”, “expect”, “intend”, “may”, “might”, “plan”, “seek”, “will”, “would”, “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed “Risk Factors” in this prospectus. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purposes of giving information with regard to our Company.

Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other person or party involved in the Share Offer.

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

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer.

The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is expected to be entered into on or around 16 April 2020. The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement to be entered into.

For full information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON SALE OF THE OFFER SHARES

Each person acquiring the Public Offer Shares under the Public Offer will be required to, or by his/her acquisition of the Offer Shares be deemed to, confirm that he/she is aware of the restrictions on the offers of the Offer Shares described in this prospectus and the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus or the related Application Forms and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON GEM

We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer as mentioned in this prospectus (including any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme).

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

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing of our Shares on GEM and at all times thereafter, our Company must maintain the "minimum prescribed percentage" of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

No part of our Shares or loan capital is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

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

DEALINGS AND SETTLEMENT

Dealings in the Shares are expected to commence at 9:00 a.m. on Thursday, 23 April 2020. The Shares will be traded in board lots of 10,000 Shares each and are freely transferable. The stock code of the Shares will be 8616.

Our Company will not issue any temporary document of title.

HONG KONG BRANCH SHARE REGISTRAR AND STAMP DUTY

All of our Shares will be registered on our Company's branch register of members to be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Our Company's principal register of members will be maintained by the principal share registrar and transfer office, Estera Trust (Cayman) Limited, at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands.

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

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of the Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles.

PROFESSIONAL TAX ADVICE RECOMMENDED

If investors are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or exercise of any rights in relation to, the Offer Shares, they should consult an expert. None of our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective directors, advisers, officers, employees, agents, affiliates and/or representatives or any other persons or parties involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Offer Shares.

PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedure for application for the Public Offer Shares is set out in "How to Apply for Public Offer Shares" and on the relevant Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in "Structure and Conditions of the Share Offer".

LANGUAGE

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

ROUNDING

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

CURRENCY TRANSLATIONS

Unless otherwise specified, translation of US$ into HK$ in this prospectus are based on the exchange rate set out below (for the purpose of illustration only):

US$1.00: HK$7.78

No representation is made that any amount in US$ and HK$ can be or could have been converted at the relevant dates at the above exchange rate or at any other rate.

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Lam Ka Wing (林嘉榮)	Flat D, 65/F., Tower 3 Grand Promenade 38 Tai Hong Street Sai Wan Ho Hong Kong	Chinese
Ms. Wong Pui Yee Edith (汪佩儀)	Flat D, 65/F., Tower 3 Grand Promenade 38 Tai Hong Street Sai Wan Ho Hong Kong	Chinese
Independent non-executive Directors		
Mr. Ng Kwun Wan (吳冠雲)	Flat 509, 5/F, Shing Chung House Mei Chung Court, Tai Wai Sha Tin, New Territories Hong Kong	Chinese
Ms. Cho Mei Ting (曹美婷)	Room C, 12/F, Block 17 Phase 2 108 Route Twisk Cairnhill Tsuen Wan, New Territories Hong Kong	British
Mr. Ho Ka Kit (何家傑)	Flat A, 29/F, Tower 2 Residence Oasis 15 Pui Shing Road Tseung Kwan O, New Territories Hong Kong	Chinese

Please refer to the section headed "Directors and Senior Management" in this prospectus for further details of our Directors and senior management members.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	**Ample Capital Limited** Unit A, 14/F Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong *(A licensed corporation under the SFO to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities)*
Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Public Offer Underwriters	**Alpha Financial Group Limited** Room A, 17/F Fortune House 61 Connaught Road Central, Central Hong Kong *(A licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)* **Lego Securities Limited** Room 301, 3/F China Building 29 Queen's Road Central Central Hong Kong *(A licensed corporation under SFO to carry out type 1 (dealing in securities) regulated activities)*
Joint Bookrunner, Joint Lead Manager and Public Offer Underwriter	**Enhanced Securities Limited** 37/F, Times Tower 393 Jaffe Road Wanchai Hong Kong *(A licensed corporation under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 6 (advising on corporate finance) regulated activities)*

Joint Lead Managers and Public Offer Underwriters	**AFG Securities Limited** Room B, 17/F., Fortune House 61 Connaught Road Central Central Hong Kong *(A licensed corporation under the SFO to carry out type 1 (dealing in securities) regulated activities)* **All EverGreen Securities Limited** Unit 7, 11th Floor Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong *(A licensed corporation under the SFO to carry out type 1 (dealing in securities) regulated activities)* **Brilliant Norton Securities Company Limited** Suite 804, 8/F Jubilee Centre 46 Gloucester Road Wanchai Hong Kong *(A licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities)* **China-Hong Kong Link Securities Company Limited** 19/F, 80 Gloucester Road Wanchai Hong Kong *(A licensed corporation under the SFO to carry out type 1 (dealing in securities) regulated activities)* **CIS Securities Asset Management Limited** 21/F, Centre Point 181-185 Gloucester Road Wanchai Hong Kong *(A licensed corporation under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities)*

	Grand Partners Securities Limited 9/F, Connaught Harbourfront House 35-36 Connaught Road West Hong Kong *(A licensed corporation under the SFO to carry out type 1 (dealing in securities) regulated activities)*
	Lee Go Securities Limited Unit 02 12/F West Exchange Tower 322 Des Voeux Road Central Hong Kong *(A licensed corporation under the SFO to carry out type 1 (dealing in securities) regulated activities)*
	Orient Securities Limited Room 3101, 31/F China Merchants Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong *(A licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities)*
Financial adviser	**Donvex Capital Limited** Room 1305-6, 13/F Carpo Commercial Building 18-20 Lyndhurst Terrace Central Hong Kong
Legal advisers to our Company	*as to Hong Kong law:* **Hastings & Co.** 5/F, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong **Mr. Alan C.Y. Yung** *Barrister-at-law, Hong Kong* 3206-3207 Alexandra House 18 Chater Road Central Hong Kong

	As to Macau law: **Leong Hon Man Law Office** 12/F, China Law Building 409 Avenida da Praia Grande Macau
	As to Cayman Islands law: **Appleby** 2206-19 Jardine House 1 Connaught Place Central, Hong Kong
Legal advisers to the Sole Sponsor and the Underwriters	*as to Hong Kong law:* **TC & Co.** Units 2201-2203, 22/F., Tai Tung Building 8 Fleming Road Wanchai Hong Kong
Auditors and reporting accountants	**Deloitte Touche Tohmatsu** *Certified Public Accountants* 35/F., One Pacific Place 88 Queensway Hong Kong
Internal control consultant	**Billy Ho and Associates CPA Limited** Suite 1103-4, Chinachem Golden Plaza 77 Mody Road Tsim Sha Tsui, Kowloon Hong Kong
Industry consultant	**Frost & Sullivan Limited** 1706, One Exchange Square Central Hong Kong
Compliance adviser	**Alpha Financial Group Limited** Room A, 17/F Fortune House 61 Connaught Road Central Central Hong Kong
Receiving bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered office in the Cayman Islands	P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Head office and principal place of business in Hong Kong	Unit 803-804, 8/F. Laford Centre 838 Lai Chi Kok Road Cheung Sha Wan Kowloon, Hong Kong
Company's website	**www.sunray.com.hk** *(Information contained in the above website does not form part of this prospectus)*
Company secretary	Mr. Lam Kwun Leung *(Member of the HKICPA)* Flat D, 32/F, Block 3 South Horizon Ap Lei Chau Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	Mr. Lam Ka Wing Flat D, 65/F., Tower 3 Grand Promenade 38 Tai Hong Street Sai Wan Ho Hong Kong
	Mr. Lam Kwun Leung Flat D, 32/F, Block 3 South Horizon Ap Lei Chau Hong Kong
Compliance officer	Ms. Wong Pui Yee Edith
Audit Committee	Mr. Ng Kwun Wan *(Chairman)* Ms. Cho Mei Ting Mr. Ho Ka Kit
Remuneration Committee	Ms. Cho Mei Ting *(Chairlady)* Mr. Ho Ka Kit Mr. Ng Kwun Wan
Nomination Committee	Mr. Ho Ka Kit *(Chairman)* Ms. Cho Mei Ting Mr. Ng Kwun Wan

Cayman Islands principal share registrar and transfer office	**Estera Trust (Cayman) Limited** P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	**Tricor Investor Services Limited** Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Principal banker	**Bank of China (Hong Kong) Limited** Bank of China Tower 1 Garden Road Central Hong Kong
	China Construction Bank (Asia) Corporation Limited CCB Tower 3 Connaught Road Central Central Hong Kong

This section contains information which is derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any of their affiliates or advisers, nor any other party (except Frost & Sullivan) involved in the Share Offer and no representation is given as to its accuracy. The Directors believe after taking reasonable care, that there have been no material adverse changes in the market information since the date of issue of the Industry Report which maybe qualify, contradict or have an impact on the information in this section.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on, the building protection, waterproofing industries in Hong Kong and Macau for the period from 2013 to 2023. We paid Frost & Sullivan a fee of HK$600,000, which we believe reflects market rates for reports of this type.

Frost & Sullivan undertook both primary and secondary research using various sources in respect of the building protection, waterproofing industries in Hong Kong and Macau. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.

When forecasting the growth of the building protection work market and waterproofing work market in Hong Kong; and building protection products market and waterproofing products market in Hong Kong, Frost & Sullivan has already taken into account the negative impact of the social unrest took place since June 2019 and the outbreak of COVID-19 since January 2020.

In compiling and preparing the research, Frost & Sullivan assumed that, save as above, the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period from 2020 to 2023. In addition, Frost & Sullivan has developed its forecast on the bases and assumptions that (i) the economy in Hong Kong and Macau are likely to maintain stable growth in the next decade; (ii) the country and regions' social, economic and political environment are likely to remain stable in the forecast period; and (iii) the building protection, waterproofing industries in Hong Kong and Macau is expected to grow based on the key industry drivers including rising downstream demand, and development of overall construction industry etc.

ABOUT FROST & SULLIVAN

Founded in 1961, Frost & Sullivan has 45 offices with more than 1,200 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, etc. Frost & Sullivan has been covering the Chinese market since the 1990s. Frost & Sullivan has direct access to the knowledgeable experts and market participants in the construction market.

DIRECTOR'S CONFIRMATION

Our Directors have confirmed that after taking reasonable care, there is no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF CONSTRUCTION WORKS IN HONG KONG AND MACAU

Gross Value of Construction Works - Hong Kong and Macau

Hong Kong's gross value in construction industry, including both the private and public sector, embraced stable growth from approximately HK$278.2 billion in 2013 to approximately HK$470.2 billion in 2019 at a CAGR of approximately 9.1%, which could be attributed to many mega infrastructure construction projects in Hong Kong. By the end of 2023, it is estimated that growth will remain stable at a CAGR of approximately 4.2% driven by strong demand for housing.

Macau's gross value in construction industry has increased from approximately HK$9.6 billion in 2013 to approximately HK$23.1 billion in 2015 at a CAGR of approximately 55.1%. However, the gross value of construction work in Macau dropped consecutively in 2016 and 2017 mainly due to the construction of some large scale projects such as Court of First Instance building, first-phase construction of a community services complex at Rua da Praia do Manduco, modifications to Tap Seac Square Commercial Centre, and renovation of the warehouse outside the Macau Historical Archives were nearly completed. Nevertheless, the gross value of construction work in Macau has reached HK$15.2 billion in 2019 and it is estimated that the growth will remain stable at a CAGR of approximately 4.6% driven by demand derived from the tourism and related sector.

OVERVIEW OF BUILDING PROTECTION WORKS MARKET IN HONG KONG

Introduction of Building Protection Work Market

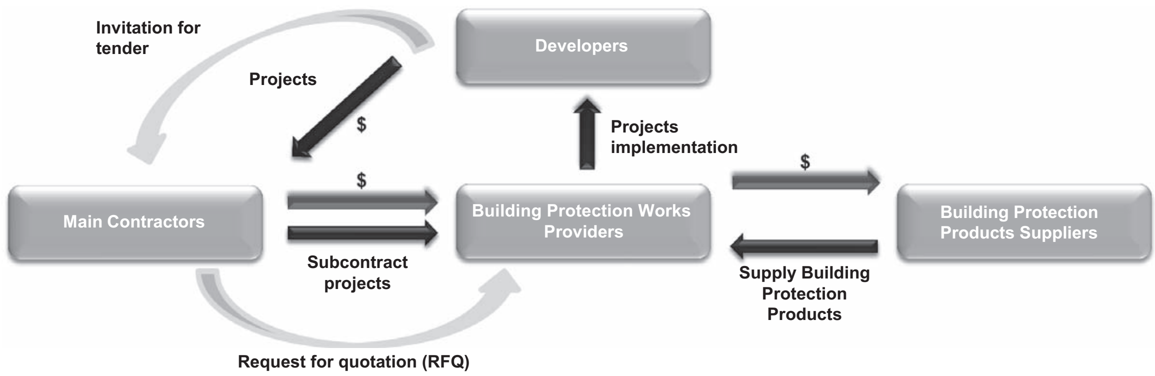
The building protection work involves the application of appropriate building protection materials on building structures exposed to corrosion, abrasion and other natural aggressions with the ultimate purpose of making buildings more durable. Therefore, building protection work is crucial for the construction and maintenance industry and the demand for building protection work is a derived demand of the construction and maintenance industry.

Classification by Building Protection Work

- Waterproofing work: Waterproofing work refers to protection works applied on envelopes, ceilings, walls, floors and basement to prevent water seepage.
- Joint sealant work: Joint sealant work refers to protection works applied on sidewalks, pavements, floors and external walls to seal joints, gaps and openings between two or more substrates to prevent environmental elements that provide conditions which may result in corrosion.
- Floor work: Floor work refers to protect works applied surface hardening compound on concretes to provide hard wearing and abrasion resistant properties, usually for car park flooring.

Business Model of Building Protection Work Market

Usually, property developers or main contractors will invite building protection work providers to provide quotation to incorporate in their tenders. The building protection work providers then provide the quotation based on the material and labour costs and project span, while also taking into consideration of competitions, site conditions and types of customers. The quotation would usually contain performance specifications of the material and the material prices and main contractors will decide whether to purchase materials by themselves or not. These building protection work providers pay their suppliers for the materials, and they receive payment from the main contractors by way of progress payments and final payment.



Labour Cost

The building protection work market needs specialized workers such as painters and requires a high level of workmanship. The average daily wages of workers has been increasing along with the increasing demand of skilled workers. The wage of painters increased from HK$858 per person per day in 2013 to HK$1,210 per person per day in 2019, reaching a CAGR of 5.9%. The wages of other types of construction workers increased in a similar pattern.

Project Team

Generally, a for building protection work provider would not hire too many site workers due to labour shortage and its high cost. Depending on the project size, a typical project team consists of a project manager and/or one or two foreman, and less than 10 site workers. For smaller projects, project manager could also take the responsibility of the foreman while building protection work providers undertaking governmental projects would hire quantity surveyors. It is common for the building protection work providers to further sub-contract parts of application work to other subcontractors in order to facilitate the project or reduce labour cost.

Capital

In construction industry, it is not uncommon for a main contractor requiring their building protection work providers to pay upfront cost including the building protection material cost and labour cost and if applicable, a surety bond generally in an amount equals 10% of the awarded contract sum. The amount of upfront payment depends on the respective customer's progress payment certifying procedure and pattern, and whether there is a surety bond requirement.

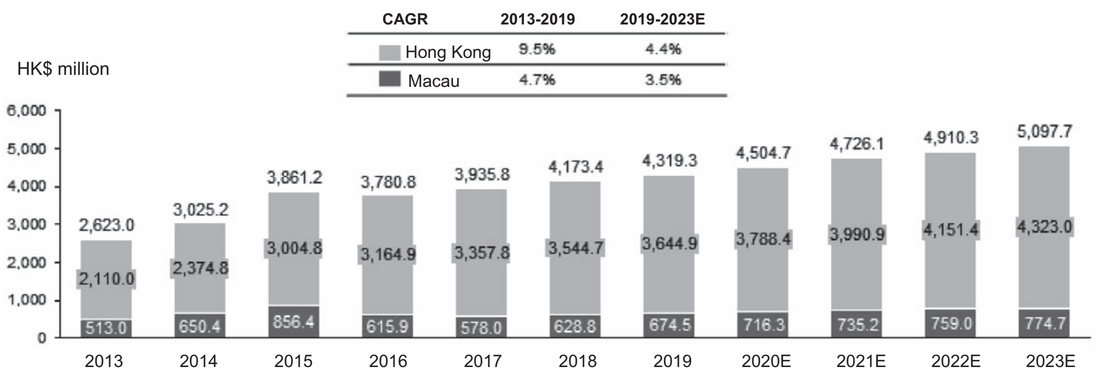
In order to maintain its liquidity, building protection work provider may apply for loans. However, most banks and financial institutions tend to offer low credit limit and may request for collaterals and personal guarantee to draw loans. Most banks and financial institutions are more likely to offer favourable interest rate and financing plan to companies with a listing status.

COMPETITIVE LANDSCAPE OF BUILDING PROTECTION WORK MARKET IN HONG KONG

Market Size of Building Protection Work Market in Hong Kong

The market size of building protection work in Hong Kong, in terms of revenue, increased from approximately HK$2,110.0 million in 2013 to HK$3,644.9 million in 2019 and is projected to reach HK$4,323.0 million by 2023, at a CAGR of 4.4% between 2019 and 2023. The growing demand from major applications such as waterproofing on external wall and roof is expected to drive the demand for building protection work market. The growing construction sector is a major driving factor for the building protection work market.

Market size of building protection works market (Hong Kong & Macau), by revenue, 2013-2023E



Source: Frost & Sullivan

Ranking by Revenue in FY2019

Despite of waterproofing works which require related business experience, other building protection works are not mandatory works and do not have specific certification requirement for construction providers.

The building protection works segment in Hong Kong was relatively fragmented with an aggregated market share of approximately 10.9% for top five market players, which represented a market value of approximately HK$387.2 million for FY2019. The Group had an estimated market share of approximately 3.0% in building protection work market for FY2019 in Hong Kong.

Ranking	Name	Introduction of Company's Business	Revenue	Market Share
			(HK$ million)	*(%)*
1	Company A	Company A is a professional waterproofing private company with 20 years of experience, conducting various types of waterproofing project including building's rooftop, movement joint and other leakage.	112.3	3.2%
2	The Group	The Group is a Hong Kong-based building protection solution provider that integrates the provision of building protection works with a focus on waterproofing works; and the supply of building protection products.	81.4	3.0%
3	Company B	Company B is a private company which provides a package deal of waterproofing system, coatings system, light and heavy duty decking system and injection repairing epoxy / polyurethane resin.	76.3	2.2%
4	Company D	Company D is a private company which operates as a supplier and contractor of construction materials. It offers expansion joint systems, movement joints, waterproofing systems, architectural and anticorrosive coatings, waterproofing membranes, and elastomers.	67.7	1.6%
5	Company C	The group comprising Company C and its subsidiaries is principally engaged in the Hong Kong car park flooring industry, providing (i) flooring services and (ii) ancillary services in Hong Kong and Macau. Company C is a company listed on GEM of the Stock Exchange.	46.0	0.9%
	Top Five Total		387.2	10.9%
	Total		**3,544.7**	**100.0%**

Opportunity and trend

- ***Increasing land and property supply***

One approach in shortage of land supply to alleviate the problem is reclamation of land from the sea. Reclamation plays an important role in new town development. The Hong Kong government has been working with construction companies and other sectors of society to contemplating substantial new reclamation projects since 2013. For example, the government has investigated the feasibility of reclamations at Lung Kwu Tan and Ma Liu Shui, which respectively supply approximately 200 and 60 hectares of land. In addition, in 2018, the Tung Chung New Town Extension (TCNTE) project started construction, which mainly comprises reclamation of the seabed at Tung Chung East by non-dredging methods to form a total of about 130 hectares of land with the aim to providing 49,500 housing units, which brings great opportunities for building protection work providers in Hong Kong.

Threat

- ***Aging labour force***

As a labour-intensive industry requiring high-level skilled workers, labour cost is one of the most important cost components of waterproofing services providers. According to a survey on labour shortage in the construction industry conducted by the Hong Kong Construction Association in November of 2018, the shortage rate of construction workers stood at about 7.7%, which stayed at similar level of 2017and 2016 and was lower than the corresponding rates of 18.6% and 12.8% in the same period of 2014 and 2015, respectively. However, due to the relatively heavy workload, young people in Hong Kong are reluctant to enter the industry, thus the industry is still plagued by the problem of ageing labour force. In 2018, approximately 42% of construction workers (i.e. about 170,000 people) are 50 years old or above. The proportion of skilled workers within this age band was even higher at 56%. Compared to younger construction workers, the workers of 50 or over are at higher risk of injury at work. Such labour aging problem would potentially pose as a threat for the development of building protection work industry.

Entry Barrier

- ***Relationship***

In Hong Kong, usually main contractors will subcontract or architects or designers will introduce waterproofing construction works to building protection work subcontractors. It is crucial for waterproofing services providers to establish good long-term relationships with the main contractors and property owners. In order to gain trusts from the main contractors and property owners, building protection work services providers need to have long track records to prove their stability and reliability. Furthermore, once the capabilities are recognized by the main contractors and property owners, subcontractors will not be easily replaced. Therefore, it is difficult for new entrants to establish stable relationships with the main contractors and property owners.

- ***Capital investment***

Building protection works in Hong Kong is considered as relatively capital intensive as contractors are required to maintain sufficient capital for sourcing and purchasing raw materials, leasing or purchasing of machineries and recruitment of workers and specialists. In addition, payment to their outsourcing subcontractors may also be required in some sizable projects. Thus, building protection work subcontractors without financial capability are unlike to sustain their business in the long run.

- ***Proven experience***

In Hong Kong, when providing quotations for a building protection work project, contractors with proven practical industry experiences would get higher chances to win projects as customers prefer awarding tenders based on records and experiences taking into consideration of quality, safety, time and budget requirements. As such, new entrants with insufficient project experience will likely to have difficulties in wining projects.

OVERVIEW OF WATERPROOFING WORK MARKET IN HONG KONG

Introduction of Waterproofing Work Market

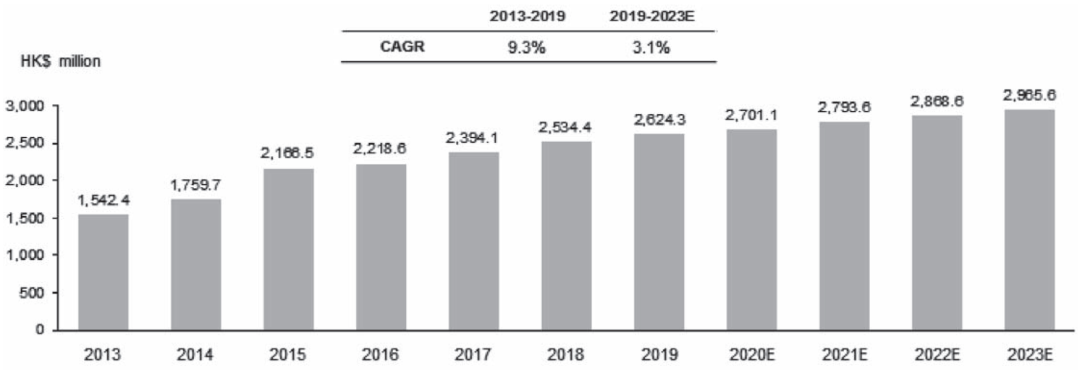
Waterproofing work is a sub-segment under building protection work. It refers to the systematic construction work of making an object or structure waterproof or water-resistant so that it remains relatively unaffected by water or resisting the ingress of water under specified conditions. According to the construction structure, waterproofing work could be divided into segments such as underground waterproofing, roofing waterproofing, indoor waterproofing and special structures (including pools, water towers, indoor swimming pools, fountains, etc.).

COMPETITIVE LANDSCAPE OF WATERPROOFING WORK MARKET IN HONG KONG

Market Size of Waterproofing Work Market — Hong Kong

The market size of waterproofing works market in Hong Kong grew from approximately HK$1,542.4 million in 2013 to HK$2,624.3 million in 2019 at a CAGR of 9.3%, which was majorly driven by the maintenance sector. The increasing demand for properties with better quality and provides growth momentum for the waterproofing works industry. On the other hand, with rising living standards, property owners and property management companies have increased their efforts on maintenance of the properties and facilities. Furthermore, with the commencement of the new reclamation project for approximately 49,500 housing units, new building sector is anticipated to enjoy a strong growth in the future. The waterproofing works market in Hong Kong is expected to continue to grow to approximately HK$2,965.6 million in 2023, at a CAGR of 3.1% from 2019 to 2023.

Market size of waterproofing works market (Hong Kong), by revenue, 2013-2023E



Source: Frost & Sullivan

Ranking by Revenue in FY2019

According to Construction Industry Council Hong Kong, in the year of 2018, there were approximately 320 companies registered as the "Tanking and Waterproofing" subcontractors which would undertake waterproofing related construction projects. Although it is not mandatory, many main contractors would obtain such certification but outsourcing waterproofing construction works to their subcontractors after considering their cost and construction time limit. So there are approximately less than 50 companies that mainly focus on waterproofing construction services. The waterproofing works segment in Hong Kong was relatively fragmented with an aggregated market share of approximately 15.0% for top five market players, which represented a market value of approximately HK$381.1 million for FY2019. Our Group ranked third with an estimated market share of approximately 3.7% in waterproofing work market for FY2019 in Hong Kong.

Ranking	Name	Introduction of Company's Business	Revenue	Market Share
			(HK$ million)	*(%)*
1	Company A	Company A is a professional waterproofing private company with 20 years of experience, conducting various types of waterproofing project including building's rooftop, movement joint and other leakage.	112.3	4.4%
2	The Group	The Group is a Hong Kong-based building protection solution provider that integrates the provision of building protection works with a focus on waterproofing works; and the supply of building protection products.	81.4	3.7%
3	Company B	Company B is a private company which provides a package deal of waterproofing system, coatings system, light and heavy duty decking system and injection repairing epoxy / polyurethane resin.	76.3	3.1%

Ranking	Name	Introduction of Company's Business	Revenue	Market Share
			(HK$ million)	*(%)*
4	Company D	Company D is a private company which operates as a supplier and contractor of construction materials. It offers expansion joint systems, movement joints, waterproofing systems, architectural and anticorrosive coatings, waterproofing membranes, and elastomers.	50.6	2.0%
5	Company E	Company E is a private company which operates as a supplier and contractor of construction materials for bridges and highways, commercial and industrial structures, water and sewage treatment structures, tunnels, and underground structures.	45.2	1.7%
	Top Five Total		381.1	15.0%
	Total		**2,534.4**	**100.0%**

Source: Frost & Sullivan

OVERVIEW OF BUILDING PROTECTION PRODUCTS MARKET IN HONG KONG AND MACAU

Introduction

The physical properties of our building protection products can be broadly categorized into (i) cement form, (ii) membrane form, (iii) asphalt form and others. Cement form building protection products comprise (a) crystalline; and (b) polymer modified. Membrane form building protection products comprises (a) liquid building protection products the application of which may take the form of cold, hot or spray; and (b) sheets. Asphalt form building protection products comprises (a) asphalt felt; and (b) asphalt rubber coating.

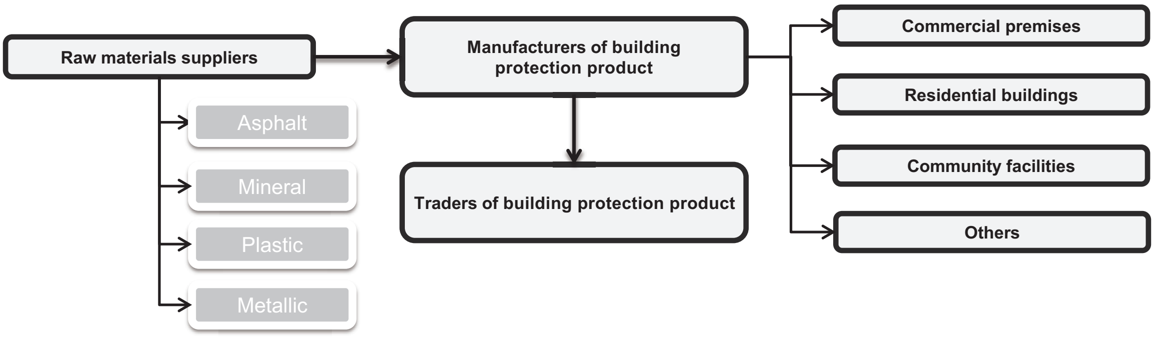
Classification by Building Protection Products

- Waterproofing products: Waterproofing products refer to a series of materials used in construction projects to protect structural components, buildings, and installations from the harmful effects of water and chemically corrosive fluids, such as acids and alkalis. Based on characteristics, waterproofing products can be classified into waterproofing coiled materials, waterproofing coating materials, rigid waterproofing materials and construction waterproofing sealing materials.
- Tiling products: Tiling products are adhesive materials used for leveling and repairing uneven wall and floor surfaces before laying tiles.
- Floor hardening products: Floor hardening materials refer to materials used for surface hardening to prevent curling, shrinkage and cracking of concretes. Floor hardening materials include wear-resistant hardened floor, concrete hardened floor, emery hardened floor, terrazzo hardened floor, etc.

Business Model of Building Protection Product Market

During the process of raw material production and distribution, raw material suppliers and distributors provide raw materials such as asphalt, mineral, plastic, and metallic etc. to building protection products manufacturers. Next, when it comes to building protection products production, most companies in Hong Kong and Macau are subsidiaries of manufacturers or distributors for brand owners. Although there is no legal requirements for laboratory test of waterproofing products in Hong

Kong and Macau, most building protection products would have laboratory tests to meet international requirements such as CE Mark and ASTM certificate, usually issued by qualified authorities such as SGS, Intertek and ASTM International. In addition, building protection products should also meet requirements specified by project architect. Import of building protection products must fulfil VOC regulation in Hong Kong and Macau, and liquid waterproofing materials goods should be proper storage and transported. Finally, building protection products are sold to downstream contractors for different segments of building construction projects, including commercial premises, residential buildings, public facilities and others.



Source: Frost & Sullivan

The import prices of coating products and coiled products fluctuated from 2013 to 2019. The import price of coating products increased from HK$1,507.1 per kilogram in 2013 to HK$1,711.2 per kilogram in 2019, representing a CAGR of 8.3%. Looking forward, the import prices of coiled products and coating products is expected to increase from 2019 to 2023 due to the continuously increasing prices of oil and cement, reaching HK$889.9 per kilogram and HK$1,855.2 per kilogram.

Labour Cost in Hong Kong

Average monthly wage of sales team for waterproofing products in Hong Kong experienced a steadily growth from HK$12,787.6 per month/person in 2013 to HK$16,122.7 per month/person in 2019, representing a CAGR of approximately 3.9%. It is expected to continue grow in the future with stable growth of building protection products market in Hong Kong.

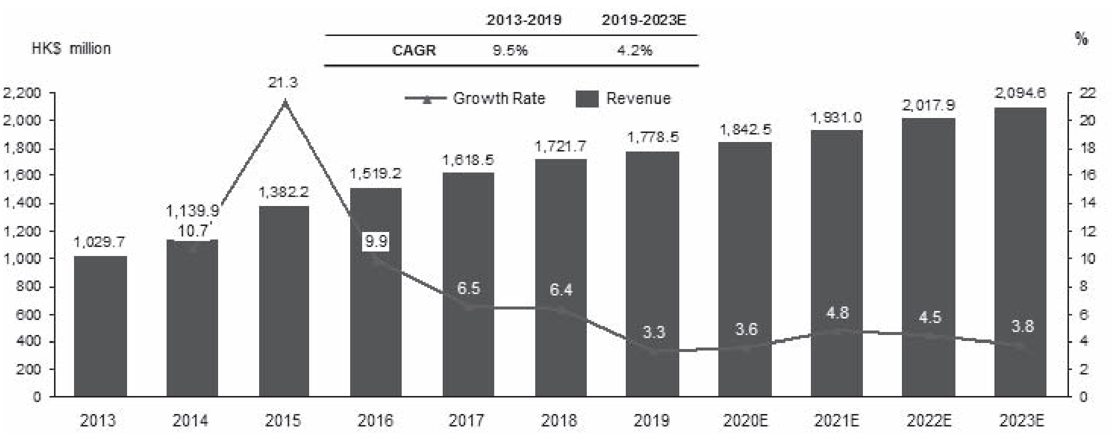
COMPETITIVE LANDSCAPE OF BUILDING PROTECTION PRODUCT MARKET IN HONG KONG AND MACAU

Market Size of Building Protection Market — Hong Kong

The market size of building protection products market in Hong Kong has grown from HK$1,029.7 million in 2013 to HK$1,778.5 million in 2019, with a CAGR of 9.5%. The increase in 2015 was mainly attributed the increasing demand for building protection products in Hong Kong.

It is estimated that the market size of building protection products is expected to grow at a CAGR of 4.2% during the future period from 2019 to 2023, reaching HK$2,094.6 million in 2023.

Market size of building protection products market (Hong Kong), by revenue, 2013-2023E



Source: Frost & Sullivan

Opportunity and trend

- ***Expected building construction projects***

In order to deal with Hong Kong's serious shortage of land supply, the Government is implementing several building construction projects in both the private sector and public sector. For instance, the building department approved 23 building plans in January 2018, including residential developments, commercial developments and industrial developments. The Secretary for Development said in March 2019 that around 1,000 hectares of land would be constructed to withstand the increasing pressure of the population in Hong Kong. In addition, the Hong Kong Housing Authority builds an average of 20,000 flats per year in the public sector of Hong Kong. Building protection works projects are prerequisite for newly built buildings, and thus the building protection products market is promoted.

The planned building construction projects in Macau will continue to be a driver of building protection product market in Macau. The demand for building protection works projects from newly built buildings such as MGM Cotai and Lisboa Palace demonstrating growth opportunities for sales of building protection products to contractors. According to the data of the Land, Public Works & Transport Bureau of Macau in the fourth quarter of 2018, a total of 46 hotel projects are under construction or in the design stage which will provide 12,372 guest rooms, while 562 blocks of buildings, including residential, commercial and office, providing 150,392 units. In addition, the government of Macau has continued to invest in infrastructure and construction projects, as well as increasing the supply of land and housing. The continuous development of construction industry accordingly drove the building protection works market in Macau. Also due to the strategy and planning of the casinos and hotels operator in Macau to renew their gambling licenses that will expire in 2020 and 2022, these commercial buildings need to constantly upgrade and refurbish to cope with the competition from other market players. Moreover, the potential renovation projects on residential building also provide opportunities for building protection product market in Macau.

- ***Development of Great Bay Area***

The creation of a "quality living circle" within the Great Bay Area by providing an ideal place for living, working and travelling, is a key opportunity. This involves the development and enhancement of new and existing lifestyle facilities around sports and recreation, arts and culture, tourism and hospitality. As a tourism and leisure centre, Macau is going attract more tourists thus creating more demand for construction industry including building protection product market.

- ***Higher requirements on product quality***

Customers of building protection products, including project owners, engineering consultants and construction contractors, are having higher expectations on the products in terms of price, quality and delivery. In particular, contractors are usually required to make timely delivery of building protection products to support the progress of construction projects.

With the increasing level of complexity of building protection construction projects in Macau, there is a rising preference for new building protection materials in the market. In particular, building protection contractors are switching from sheet membrane waterproofing materials to liquid membrane waterproofing materials, as liquid membrane has advantages in ease of application, seamless and flexibility. In addition, as Macau Government pays more attention to environment assessment, new building protection materials with more environmental-friendly characteristics will become a trend in building protection products market in Macau.

Threat

- ***Rising costs of products***

Imported building protection products accounted for a large part of building protection products market in Macau. According to Macau Statistics and Census Service (DSEC), there is an increasing trend on the rental cost of warehouses in Macau from 2015 to 2018. Furthermore, in order to meet increasing level of environmental requirements on building protection products, manufacturers would have several expensive laboratory tests. During the period from 2012 to 2018, the average products cost increased with a CAGR of 2.9%. Combined with the rising storage cost, the rising costs of products are adding challenges to the operation of building protection products market in Macau.

Entry Barriers

- ***Relationship***

In general, existing building protection products suppliers have maintained an established relationship with key customers (i.e. building protection contractors) with sufficient supply of materials and proven track records in various sizable building protection works projects. Hence, a huge amount of effort is required for the new entrants to acquire projects.

- ***Brand barrier***

Brand is crucial for building protection products companies to compete in the market. Having brand influence is a competitive advantage in the market. Multinational companies with good reputation tend to gain more market share and demonstrate stronger bargaining power over upstream suppliers. As project architects may have specific requirements on building protection products, contractors are more willing to choose the brands with good quality and high reputation. Nevertheless, it is hard for the newcomers in the industry to achieve brand awareness among the public in a short time.

There are many building protection work providers in Hong Kong and Macau with various business scales. It is therefore difficult for brand owners to reach each customer with their own distribution channel. Except for selling products directly to some sizeable contractors, some of these brand owners and manufacturers generally prefer not to deal with a large number of orders from individual customers to save expenses on marketing, logistics and administration and efforts on managing the orders. Rather, they seek to sell their products through a limited number of selected distributors, who are required to promote their products and secure a sales volume. To this end, brand owners generally engage a few distributors to distribute their products under similar transaction terms for each specified region/country. At the same time, overlapped coverage and fierce competition among distributors can be avoided as brand owners and manufacturers would generally selectively restrict the types of products to be distributed by each distributor, such that these distributors would focus on developing their sales network without worrying fierce competition with other distributors. To be a distributor is of high entry barriers because brand owners normally only grant a very few numbers of distributors to work with them. The marketing resources, company scale and revenue, track record experience, and other various factors should be taken into their consideration when choosing a distributor. Therefore, it is not easy for new entrant of market participant to be the distributor of brand owners.

OVERVIEW OF WATERPROOFING PRODUCTS MARKET IN HONG KONG AND MACAU

Definition of waterproofing products

Waterproofing products refer to a series of materials used in construction projects to protect structural components, buildings, and installations from the harmful effects of water and chemically corrosive fluids, such as acids and alkalis. Generally speaking, waterproofing products can be subdivided by types of raw materials used into asphalt, mineral, plastic, and metallic. Based on characteristics, waterproofing products are classified into four types: waterproofing coiled materials, waterproofing coating materials, rigid waterproofing materials and construction waterproofing sealing materials. Waterproofing products usually possessed with a warranty of ten years in Hong Kong, it can be as long as 15 years for specially projects required by property owners, such as ocean parks and metros.

Category of Waterproofing Products

- ***Waterproofing Coiled Materials:*** Strong ability to resist infiltration; High strength of extension
- ***Waterproofing Coating Materials:*** High temperature resistance; Anti-permeability; Stay flexible at low temperatures
- ***Rigid Waterproofing Materials:*** Low cost; Long durability; Inelasticity
- ***Construction Waterproofing Sealing Materials:*** Good adhesion function; Long durability; environmentally friendliness

Cost Factor Analysis — Cost on Raw Materials (Hong Kong)

The major materials waterproofing products comprise of asphalt, metal and cement. The price index of metal recorded growth at a CAGR of 5.6%, from 2013 to 2019, whereas the price index of asphalt and cement witnessed a negative growth at a CAGR of -1.3% and -0.3% respectively.

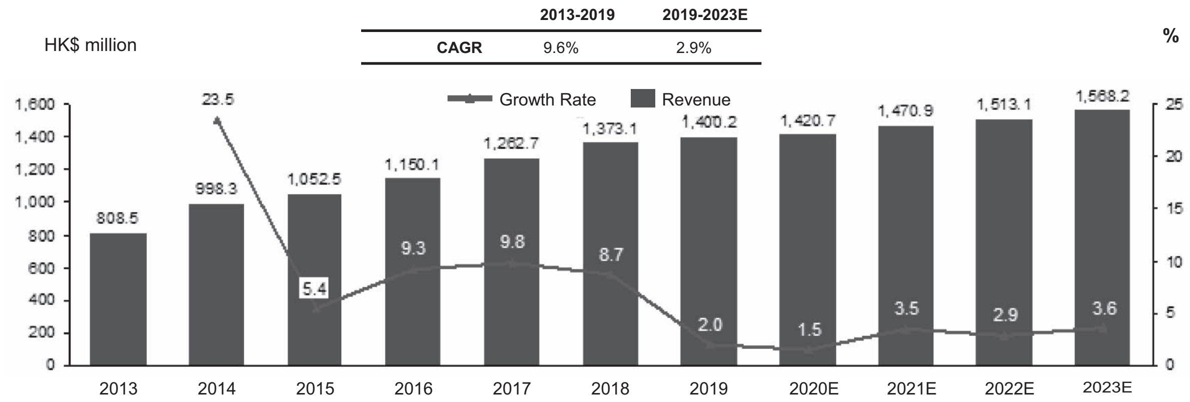
COMPETITIVE LANDSCAPE OF WATERPROOFING PRODUCT MARKET IN HONG KONG AND MACAU

Market Size Analysis in Hong Kong

The waterproofing products market in Hong Kong is closely related to the Hong Kong building construction market. Attributable to the increasing number of newly completed private buildings and demand for waterproofing projects from old and defected buildings, the revenue of waterproofing products market in Hong Kong achieved an overall growth from HK$808.5 million in 2013 to HK$1,400.2 million in 2019, representing a CAGR of 9.6%.

In March 2019, the Secretary for Development in Hong Kong proposed that the territory would construct a 1,000-hectare artificial island in Kau Yi Chau. The project will have a total cost of $79.5 billion and intends to curb Hong Kong's housing shortage. The development of these projects requires waterproofing construction works thus will stimulate the demand for waterproofing products. Furthermore, building materials have ageing and degradation problems, which requires regular maintenance and reinforcement including external facade refurbishments. The revenue of waterproofing products is forecasted to reach HK$1,568.2 million in 2023, representing a CAGR of 2.9% from 2019 to 2023.

Market size of waterproofing products market (Hong Kong), by revenue, 2013-2023E



Source: Frost & Sullivan

Ranking in Hong Kong

The waterproofing products market in Hong Kong was relatively concentrated with over 50 market participants in 2019. Waterproofing products manufacturers (including multinational brands and local brands) and distributors are two major types of market players, sales from manufacturers took up a share of 70% of total waterproofing products market in Hong Kong, while distributors and some unbranded products took up the rest in 2019. Generally speaking, major manufacturers have their own sales team for product retailing. Our Group had an estimated market share of approximately 3.8% in waterproofing product market for FY2019 in Hong Kong.

Market Size Analysis in Macau

The market size of waterproofing products market in Macau has grown from HK$344.5 million in 2013 to HK$369.1 million in 2019, with a CAGR of 1.2%. The decrease in 2016 was mainly attributed the number of sizable waterproofing construction projects in Macau had reached their final stage or had completed.

Stimulated by a number of planned construction projects of casinos, hotels and residential buildings, the market size of waterproofing products is expected to grow at a CAGR of 1.4% during the future period from 2019 to 2023, reaching HK$389.9 million in 2023.

Ranking in Macau

The waterproofing products market in Macau was considered concentrated and is dominated by international brands with more than 40 manufacturers competing in the market in 2019. Top five international brands accounted for 70.1% of the total market. Meanwhile, having formed economies of scale, large players usually demonstrate comparatively stronger bargaining power over waterproofing contractors and have established stable relationship with them. Our Group had an estimated market share of approximately 8.9% in waterproofing product market for FY2019 in Macau.

OVERVIEW

Our business operations are subject to various laws, rules and regulations in Hong Kong and Macau as where we operate. This section summaries material aspects of Hong Kong and Macau laws, rules and regulations which are relevant to our Group's operation and business.

HONG KONG LAWS AND REGULATIONS

Factories and Industrial Undertakings Ordinance

The Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) (the "**Factories and Industrial Undertakings Ordinance**") provides for the safety and health protection of workers in an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor of an industrial undertaking to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor extend to include-:

- providing and maintaining plant and work systems that are safe and without risks to health;
- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage and transport of articles and substances;
- providing such information, instruction, training and supervision as is necessary to ensure the health and safety at work of all persons employed by him at the industrial undertaking;
- as regards any part of the industrial undertaking under the proprietor's control, maintaining it in a condition that is safe and without risks to health and providing and maintaining means of access to and egress from it that are safe and without such risks; and
- providing and maintaining a work environment for all persons employed by him at the industrial undertaking that is safe and without risks to health.

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

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

Occupational Safety and Health Ordinance

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) (the "**Occupational Safety and Health Ordinance**") provides for the safety and health protection to employees in both industrial and non-industrial workplaces.

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

- providing and maintaining plant and systems of work that are safe and without risks to health;

- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plants or substances;

- providing such information, instruction, training and supervision as may be necessary to ensure the safety and health at work of the employees;

- maintaining the workplace in a condition that is safe and without risks to health;

- providing and maintaining means of access to and egress from the workplace that are safe and without any such risks; and

- providing and maintaining a working environment for the employees that is safe and without risks to health.

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

The Commissioner for Labour may also issue (i) an improvement notice against any non-compliance with the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance; or (ii) a suspension notice against an employer if in general an activity is undertaken at the workplace which may create an imminent hazard to the employees. Failure to comply with such notices constitutes an offence punishable by a fine of HK$200,000 and HK$500,000 respectively and to imprisonment of up to 12 months.

Occupiers Liability Ordinance

The Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) provides for the liability of occupiers and others for injury resulting to persons or damage caused to goods or other property lawfully on the land.

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

Construction Workers Registration Ordinance

The Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) (the "**Construction Workers Registration Ordinance**") implements a registration system which requires construction workers to be registered before carrying out construction work on a construction site. There are certain prohibition provisions which specify that designated trades may be carried out only by registered skilled workers for that particular trade.

According to section 3 of the Construction Workers Registration Ordinance, a person shall not personally carry out on a construction site construction work unless the person is a registered construction worker. Any person who contravenes this requirement commits an offence and is liable on conviction to a fine of HK$10,000.

According to section 5 of the Construction Workers Registration Ordinance, any person who employs another person who is not a registered construction worker to personally carry out on a construction site construction work commits and offence and is liable on conviction to a fine of HK$50,000.

Employment Ordinance

The Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the "**Employment Ordinance**") provides for the protection of the wages of employees and the regulation of the general conditions of employment and employment agencies. Under the Employment Ordinance, an employee is generally entitled to, amongst other things, notice of termination of his employment contract; payment in lieu of notice; maternity protection in the case of a pregnant employee; not less than one rest day in every period of seven days; severance payments or long service payments; sickness allowance; statutory holidays or alternative holidays; and paid annual leave of up to 14 days depending on the period of employment.

According to section 43C of the Employment Ordinance, if any wages become due to the employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. However, such payment of wages is recoverable from the subcontractor pursuant to section 43F of the Employment Ordinance.

Employees' Compensation Ordinance

The Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the "**Employees' Compensation Ordinance**") establishes a no-fault, non-contributory employee compensation system for work injuries and lays down the respective rights and obligations of employer and employee in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

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

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

According to section 40 of the Employees' Compensation Ordinance, all employers (including principal contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Under section 40(1B) of the Employees' Compensation Ordinance, where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK$200 million per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law. Where a principal contractor has taken out a policy of insurance under section 40(1B) of the Employees' Compensation Ordinance, the principal contract and a subcontractor under the policy shall be regarded as having complied with section 40(1) of the Employees' Compensation Ordinance.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine of HK$100,000 and to imprisonment for 2 years.

Minimum Wage Ordinance

The Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) (the "**Minimum Wage Ordinance**") provides for a prescribed minimum hourly wage rate (currently set at HK$37.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance.

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

Mandatory Provident Fund Schemes Ordinance

The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "**Mandatory Provident Fund Schemes Ordinance**") provides for, inter alia, the establishment of a system of privately managed, employment-related mandatory provident fund schemes for members of the workforce to accrue financial benefits for retirement.

Under the Mandatory Provident Fund Schemes Ordinance, the employer and its relevant employee of 18 years of age or over and below retirement age which is 65 years of age, are each required to make contributions to the plan at 5% of the relevant employees' relevant income, meaning any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance expressed in monetary terms, paid or payable by an employer to the relevant employee in consideration of his employment under his employment contract.

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

For the purpose of the Industry Schemes, the construction industry covers the following 8 major categories:- (i) foundation and associated works; (ii) civil engineering and associated works; (iii) demolition and structural alteration works; (iv) refurbishment and maintenance works; (v) general building construction works; (vi) fire services, mechanical, electrical and associated works; (vii) gas, plumbing, drainage and associated works; and (viii) interior fitting-out works.

The Mandatory Provident Fund Schemes Ordinance does not stipulate that employers in these industries must join the Industry Schemes. The Industry Schemes provide convenience to the employers and employees in the construction and catering industries. Casual employees do not have to switch schemes when they change jobs within the same industry, so long as their previous and new employers are registered with the same Industry Scheme. This is convenient for scheme members and saves administrative costs.

Competition Ordinance

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong), prohibits conducts that prevent, restrict or distort competition in Hong Kong and prohibits mergers that substantially lessen competition in Hong Kong. The Competition Ordinance lays down three forms of behaviour and imposes three rules which are intended to prevent and discourage anti-competitive conduct: (i) the first conduct rule under the Competition Ordinance prohibits agreements between undertakings that have the object or effect of preventing, restricting or distorting competition in Hong Kong; (ii) the second conduct rule under the Competition Ordinance prohibits undertakings with a substantial degree of market power in a market from abusing that power by engaging in conduct that has the object or effect of preventing, restricting or distorting competition in Hong Kong; and (iii) the merger rule under the Competition Ordinance prohibits mergers that have or are likely to have the effect of substantially lessening competition in Hong Kong. Currently, the merger rule only applies to the telecommunications sector. Each of the aforesaid rules is however subject to a number of exclusions and exemptions.

The Competition Ordinance has extra-territorial application insofar as agreements and conducts which take place outside Hong Kong, but have the object or effect of preventing, restricting or distorting competition in Hong Kong, are caught by the Competition Ordinance.

Under the Competition Ordinance, the Competition Commission and the Competition Tribunal have been established. The Competition Commission will be responsible for investigating and bringing enforcement actions before the Competition Tribunal whilst the Competition Tribunal will be responsible for adjudicating competition cases brought by the Competition Commission or via private actions. In case of contravention of the competition rules under the Competition Ordinance, the Competition Tribunal has a broad range of sanctions against the offenders including impositions of pecuniary penalty, director disqualifications and prohibition, damage and other orders.

Security of Payment Legislation for the Construction Industry ("SOPL")

Since 2015, the Hong Kong Government has been consulting on new legislation for the construction industry to address unfair payment terms, payment delays and disputes. The proposed SOPL is intended to encourage fair payment, rapid dispute resolution and increase cash flow in the contractual chain. When it comes into force, all public sector construction contracts will be caught by the legislation, whereas in the private sector, only certain contracts relating to a "new building" (as defined by the Buildings Ordinance) which has an original value in excess of HK$5 million for construction contracts and HK$500,000 for consultancy appointments and supply only contracts will be caught by the proposed SOPL.

However, where the proposed SOPL applies to a main contract, it will automatically apply to all subcontracts in the contractual chain. The new legislation will, among others,

- prohibit "pay when paid" and similar clauses in contracts. Payers will not be able to rely on such clauses in court, arbitration or adjudication;
- prohibit payment periods of more than 60 calendar days for interim payments or 120 calendar days for final payments;
- enable parties who are entitled to progress payments under the terms of a contract covered by the proposed SOPL to claim such payments as statutory payment claims, upon receipt of which the payer has up to 30 calendar days to serve a payment response, and parties who are entitled to payments under statutory payment claims will be entitled to pursue adjudication if the statutory payment claims are disputed or ignored; and
- give parties the right to suspend or reduce the rate of progress of works after either non-payment of an adjudicator's decision or non-payment of amounts admitted as due.

It is possible that some of our contracts will be caught by the proposed SOPL and where such contracts are subject to the proposed SOPL, we will have to ensure that their terms comply with the legislation. As the proposed SOPL is designed to assist contractors throughout the contractual chain, including us, to ensure cashflow and access to a swift dispute resolution process, our Directors do not expect the proposed SOPL to have any negative implication or significant adverse impact on our business operation and liquidity management. In fact, with the new right to suspend or reduce the rate of progress of work on non-payment of fees admitted as due to us by our customers, the proposed SOPL provides us with greater protection and strengthens our liquidity management. As at the Latest Practicable Date, the date of implementation of the proposed SOPL has not been announced.

Third party contract rights

The Contract (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong) enables a party who is not a party to a contract to enforce a term of a contract if the contract expressly provides that such third party may do so or if the relevant term of the contract purports to confer a benefit on an identifiable third party. The Contract (Rights of Third Parties) Ordinance refers to the enforceability of "a term" as opposed to the whole contract by a third party. The parties may specify in the contract what terms are enforceable by which third party and what terms are not and exclude the operation of the Contract (Rights of Third Parties) Ordinance to the remaining terms of the contract. The parties may also exclude the operation of the Contract (Rights of Third Parties) Ordinance by including in the contract a provision that a person who is not a party to the contract shall not have any rights under the Contracts (Rights of Third Parties) Ordinance to enforce any term of the contract.

Inland Revenue Ordinance

Under section 52(2) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), every person who is an employer shall, when required to do so by notice in writing given by an assessor appointed under the Inland Revenue Ordinance, furnish a return of all persons employed by him in receipt of remuneration in excess of a minimum figure to be fixed by the assessor or any other person employed by him named by the assessor.

In addition, under section 52(4) of the Inland Revenue Ordinance, where any person who is an employer commences to employ in Hong Kong an individual who is or is likely to be chargeable to tax under Part 3 of the Inland Revenue Ordinance, or any married person, he shall give notice thereof in writing to the Commissioner of Inland Revenue not later than 3 months after the date of commencement of such employment. Under section 52(5) of the Inland Revenue Ordinance, where any person who is an employer ceases or is about to cease to employ in Hong Kong an individual who is or is likely to be chargeable to tax under Part 3 of the Inland Revenue Ordinance, or any married person, he shall give notice thereof in writing to the Commissioner of Inland Revenue not later than 1 month before such individual ceases to be employed in Hong Kong.

Import and Export Ordinance

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) governs the importation of products into, and the export of products from Hong Kong. Regulations 4 and 5 of the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) (the "**Import and Export (Registration) Regulations**") set out that every person who imports or exports any article other than an exempted article shall lodge with the Commission of Customs and Excise an accurate and complete import or export declaration relating to such article using services provided by a specified body, in accordance with the requirements that the Commissioner may specify. Every declaration shall be lodged within 14 days after the importation or exportation of the article to which it relates.

Any person who fails or neglects to do such declaration within 14 days after the importation or exportation of the article to which it relates without any reasonable excuse shall be liable to (i) a fine of HK$1,000 upon summary conviction; and (ii) a fine of HK$100 in respect of everyday during his failure or neglect to lodge such declaration in that manner continues commencing from the day following the date of conviction. Regulations 4 and 5 also provide that any person knowingly or recklessly lodges any declaration with the Commissioner that is inaccurate in any material particular shall be liable to a fine of HK$10,000 upon summary conviction.

Regulation 7 of the Import and Export (Registration) Regulations sets out the charges payable on the late lodgment of import declarations, in addition to the penalty set out in the said Regulations 4 and 5, in respect of the total values of articles specified in an import or export declaration with different time period of lodging an import declaration.

Air Pollution Control Ordinance

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

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including without limitation to the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong). For instance, the contractor responsible for a construction site shall devise and arrange methods of working and carry out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented.

Noise Control Ordinance

The Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) (the "**Noise Control Ordinance**") regulates, among others, the noise from construction activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Noise Control Authority in advance. The carrying out of percussive piling is prohibited between 7:00 p.m. and 7:00 a.m. or at any time on general holidays.

Under the Noise Control Ordinance, construction works that use powered mechanical equipment (other than percussive piling) are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Noise Control Authority through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Noise Control Authority.

Any person who carries out any construction work except as permitted is liable on first conviction to a fine of HK$100,000 and on a second or subsequent convictions to a fine of HK$200,000, and in any case to a fine of HK$20,000 for each day during which the offence continues.

Water Pollution Control Ordinance

The Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) (the "**Water Pollution Control Ordinance**") controls the effluent discharged from all types of industrial, manufacturing, commercial, institutional and construction activities into public sewers, rainwater drains, river courses or water bodies. For any industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal foul sewers or unpolluted water to storm drains), they are subject to licensing control by the Director of Environmental Protection.

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

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

Waste Disposal Ordinance

The Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) (the "**Waste Disposal Ordinance**") controls the production, storage, collection, treatment, recycling and disposal of wastes. At present, livestock waste, clinical waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste into and from Hong Kong is generally controlled through a permit system.

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, particularly the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong).

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

Environmental Impact Assessment Ordinance

The Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong) (the "**Environmental Impact Assessment Ordinance**") is to avoid, minimise and control the adverse environmental impacts from designated projects as specified in Schedule 2 to the Environmental Impact Assessment Ordinance (for example, public utility facilities, certain large-scale industrial activities, community facilities, etc.) through the application of the environmental impact assessment process and the environmental permit system prior to their construction and operation (and decommissioning, if applicable), unless exempted otherwise.

According to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project listed in Part I of Schedule 2 to the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, dredging operation, residential and other developments, etc.) or decommissions a designated project listed in Part II of Schedule 2 to the Environmental Impact Assessment Ordinance without an environmental permit for the project; or contrary to the conditions, if any, set out in the permit. The offender is liable (i) on a first conviction on indictment to a fine of HK$2,000,000 and to imprisonment for 6 months; (ii) on a second or subsequent conviction on indictment to a fine of HK$5,000,000 and to imprisonment to 2 years; (iii) on a first summary conviction to a fine of HK$100,000 and to imprisonment for 6 months; (iv) on a second or subsequent summary conviction to a fine of HK$1,000,000 and to imprisonment for 1 year, and in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK$10,000 for each day on which he is satisfied the offence continued.

Public Health and Municipal Services Ordinance

Emission of dust from any building under construction or demolition in such manner as to be a nuisance is actionable under the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) (the "**Public Health and Municipal Services Ordinance**"). Maximum penalty is HK$10,000 upon conviction with a daily fine of HK$200.

Discharge of muddy water etc. from a construction site is actionable under the Public Health and Municipal Services Ordinance. Maximum fine is HK$5,000 upon conviction.

Any accumulation of water on any premises found to contain mosquito larvae or pupae is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK$25,000 upon conviction and a daily fine of HK$450.

Any accumulation of refuse which is a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK$10,000 upon conviction and a daily fine of HK$200.

Any premises in such a state as to be a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK$10,000 upon conviction and a daily fine of HK$200.

Dangerous Goods Ordinance

The Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) (the "**Dangerous Goods Ordinance**") controls the usage, storage, manufacturing and conveyance of the dangerous goods and sets out the relevant licensing requirements in relation to these activities. According to section 3 of the Dangerous Goods Ordinance, dangerous goods include all explosives, compressed gases, petroleum and other substance giving off inflammable vapours, substances giving off poisonous gas or vapour, corrosive substances, substances which become dangerous by interactions with water or air, substances liable to spontaneous combustion or of a readily combustible nature.

According to section 6 of the Dangerous Goods Ordinance, no person shall store any dangerous goods in excess of exempted quantity in any premises or places without a license issued by the director of the Fire Services Department. The Dangerous Goods (General) Regulations (Chapter 295B of the Laws of Hong Kong) provides the exempted categories and quantity of the dangerous goods for which a licence is not required for the transport, storage and usage of the dangerous good.

According to section 10 of the Dangerous Good Ordinance, no person shall deliver to any warehouse owner or carrier from any part of Hong Kong, or store any dangerous goods, or deposit any dangerous goods in or on any warehouse unless, the (a) true name or description of such goods is distinctly written, printed or marked in English and Chinese on the outside of the case or other package containing such goods; (b) the prescribed label, if any, is attached to the outside of the case or other package containing such goods; and (c) in the case of delivery, notice in writing has been given to any warehouse owner or carrier of the true name or description of such goods and the dangerous nature thereof.

Any person who contravenes section 6 or section 10 of the Dangerous Goods Ordinance shall be guilty of an offence and shall be liable to a fine of HK$25,000 and to imprisonment for 6 months.

Subcontractor Registration Scheme

The Construction Industry Council has introduced a subcontractor registration scheme ("**SRS**") for trade subcontractors taking part in building and engineering works so as to build up a pool of capable and responsible subcontractors with specialised skills and professional ethics. Subcontractors may apply for registration on the SRS in one or more of 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services. The 52 trades further branch into various specialties, including finishing wet trades, tanking and waterproofing, and painting.

Where a contractor is to subcontract/sub-let part of the public works involving trades available under the Primary Register (a list of companies registered in accordance with the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme) of the SRS, he shall engage subcontractors (whether nominated, specialist or domestic) who are registered under the relevant trades in the Primary Register of the SRS for the purposes of execution of such part of the public works. Should the subcontractors further subcontract (irrespective of any tier) any part of the public works subcontracted to them involving trades available under the Primary Register of the SRS, the contractor shall ensure that subcontractors (irrespective of any tier) are registered under the relevant trades in the Primary Register of the SRS for the purposes of execution of such part of the public works.

Applications for registration under the Primary Register of the SRS are subject to the following entry requirements:

(a) completion of at least one job within the last five years as a main contractor/subcontractor in the trades and specialties for which registration is applied; or comparable experience acquired by the applicant or its proprietors, partners or directors within the last five years;

(b) listings on one or more government registration schemes operated by policy bureaus or departments of the Hong Kong government relevant to the trades and specialties for which registration is sought;

(c) the applicant or its proprietor, partner or director having been employed by a registered subcontractor for at least five years with experience in the trade/specialty applying for and having completed all the modules of the Project Management Training Series for subcontractors (or equivalent) conducted by the Construction Industry Council; or

(d) the applicant or its proprietor, partner or director having registered as Registered Skilled Worker under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) for the relevant trade/specialty with at least five years of experience in the trade/specialty applying for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the Construction Industry Council.

A registered subcontractor shall apply for renewal within three months before the expiry date of its registration by submitting an application to the Construction Industry Council. An application for renewal shall be subject to approval by the management committee of the Construction Industry Council which oversees the SRS (the "**Management Committee**"). If some of the entry requirements covered in an application can no longer be satisfied, the Management Committee may give approval for renewal based on those trades and specialties where the requirements are met. An approved renewal shall be valid for three or five years from the expiry of the current registration.

A registered subcontractor shall observe the Codes of Conduct for Registered Subcontractor (Schedule 8 of the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme) (the "**Codes of Conduct**"). Failing to comply with the Codes of Conduct may result in regulatory actions taken by the Management Committee. The Management Committee may instigate regulatory actions by directing that:

(a) written strong direction and/or warning be given to a registered subcontractor;

(b) a registered subcontractor to submit an improvement plan with the contents as specified and within a specified period;

(c) a registered subcontractor be suspended from registration for a specified duration; or

(d) the registration of a registered subcontractor be revoked.

Set out below is the Group's registration with the Construction Industry Council:-

Name of Group member	Trade Code	Trade Specialty	Date of expiry of Current Registration
Karcenar HK	02.01 Finishing wet trades	Others (Floor hardener)	23 July 2023
	02.06 Tanking and waterproofing		
	02.07 Painting		
	02.10 Other finishing trades and components	Others (Joint sealant work)	
Sunray Engineering	01.10 Other structural and civil trades	Expansion joints	1 June 2024
	02.01 Finishing wet trades	Others (Floor hardener)	
	02.06 Tanking and waterproofing		
	02.07 Painting		
	02.10 Other finishing trades and components	Others (Joint sealant work)	

MACAU LAWS AND REGULATIONS

Taxation

Legal issues in relationship to tax are mainly regulated by:

- 9 September 1978 — Law No. 21/78/M (Complementary Income Tax) 所得補充稅(純利稅) ("**Law No. 21/78/M**");
- 31 December 1977 — Law No. 15/77/M (Industrial Tax) 營業稅 ("**Law No. 15/77/M**");
- 25 February 1978 — Law No. 2/78/M (Professional Tax) 職業稅 ("**Law No. 2/78/M**");

Under the Macau Laws, a company registered in Macau should comply with the tax regime of Macau. According to the business nature of the company, the complementary income tax or profits tax, which shall be levied on the overall income defined in accordance with the Law No. 21/78/M ("Profits Tax"), and the industrial tax which shall be levied to any commercial or industrial activity engaged in Macau ("Industrial Tax") are payable by the company and the company also has the responsibility for the declaration of the professional tax, which shall be levied on income from work ("Professional Tax") of its staffs generally under the Law No. 2/78/M.

A company shall declare the annual profits of last year to the Financial Services Bureau from April to June for Group A, and from February to March for Group B and the Financial Services Bureau will assess the profit tax payable by each company accordingly. Under the law no. 21/78/M (Profits Tax), and the Law No. 9/2014 as amended by Law no. 5/2015, Law no. 15/2015, Law no. 11/2016 and Law no. 16/2017 and Law no. 19/2018 (Budget laws of year 2015, 2016, 2017, 2018 and 2019), the profits tax of the first MOP$600,000.00 is exempted and the balance will be calculated by the rate from 12% that exceeds this amount for year 2016 to 2018.

The industrial tax is fixed and calculated according to the business nature of each company and due for the operation. However, all the industrial tax is exempted by the Macau Government in years 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018. Macau Government will decide whether the exemption will be continued through the budget law of the forthcoming years.

Labour-related matters

The legal regime in relation to labour matters in Macau is mainly based on the following legislations:

- 27 July 1998 — Law No. 4/98/M (Framework Law on Employment Policy and Worker's Rights) 就業政策及勞工權利綱要法 (“**Law No. 4/98/M**”);

- 18 August 2008 — Law No. 7/2008 (Labour Relation Law) 勞動關係法 (“**Law No. 7/2008**”) which replaces the 3 April 1989 — Decree-Law No. 24/89/M;

- 14 August 1995 — Decree Law No. 40/95/M (Approval of the Legal Regime of Compensation for Damages arising from Accidents at Work and Occupational Diseases) 核准對工作意外及職業病所引致之損害之彌補之法律制度 (“**Decree Law No. 40/95/M**”)

- 17 August 2010 — Law No. 4/2010 (Social Security System) 社會保障制度 (“**Law No. 4/2010**”)

- 22 May 1989 — Decree Law No. 37/89/M (Approval of General Regulation of Working Safety and Hygiene of Office, Service and Commercial Establishment) 核准事務所、服務場所及商業場所之工業安全及衛生總章程 (“**Decree Law No. 37/89/M**”);

- 18 February 1991 — Decree Law No. 13/91/M (Determination of Sanctions for the Non-compliance of General Regulation of Working Safety and Hygiene of Office, Service and Commercial Establishments) 關於訂定違反商業場所、事務所及服務場所之工作衛生暨安全總章程罰則事宜 (“**Decree Law No. 13/91/M**”);

- 27 October 2009 — Law No. 21/2009 (Law of Hiring Non-resident Workers) 聘用外地僱員法 (“**Law No. 21/2009**”);

- 14 June 2004 — Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work) 禁止非法工作規章 (“**Administrative Regulation No. 17/2004**”);

- 2 August 2004 — Law No. 6/2004 — Law of Illegal Immigration and Expulsion 非法入境、非法逗留及驅逐出境的法律 ("**Law No. 6/2004**").

The regulatory authorities in Macau responsible for labour safety, social security regime and insurance matters are the Labour Affairs Bureau of Macau, Social Security Fund of Macau and Monetary Authority of Macau, respectively.

Law No. 4/98/M prescribes the general principles and directions of labour legislations. Law No. 7/2008 which became effective on 1 January 2009 provides the basic requirements and conditions for different types of labour relations and the available exceptions. In general, requirements and conditions stipulated in Law No. 7/2008 cannot be waived by mutual agreement of the employers and employees. No working conditions of whatever type of labour relations should be worse than or inferior to the basic conditions stipulated in the Law No. 7/2008.

According to Decree Law No. 37/89/M, employers shall comply with the requirements to provide safe and clean working environment and condition for the employees. Failure to comply with the requirements may render the employers subject to the Decree Law No. 13/91/M with fine and cautious measures, i.e. sealing of equipment and / or the closure of establishments, being imposed.

In accordance with the Decree Law No. 40/95/M, in the event that an industrial accident occurs, employer shall notify the Labour Affairs Bureau of Macau within 24 hours of the accident, or of the time that the employer has knowledge of the accident, and notify the insurer within the period as required under the insurance policy. Failure of employer to provide notification to the Labour Affairs Bureau of Macau may result in administrative fine from MOP$2,500 to MOP$12,500.

Employers in Macau can only employ permanent or non-permanent Macau residents or holders of work permits in the case of foreign workers. Employment of non-resident workers shall in compliance with the requirements of the Law No. 21/2009 and the employers are required to obtain the work permits in the case of foreign workers. According to Administrative Regulation No. 17/2004, save and except to certain limited situations, workers working in Macau but are not Macau residents or holders of work permits will be considered as illegal workers in Macau and their employers, according to Law No. 6/2004, will be criminally liable for hiring illegal workers punishable with imprisonment for up to 2 years and, in the event of a repeat offense, imprisonment of 2 to 8 years and subject to an administrative fine with MOP$20,000.00 to MOP$50,000.00 according to the Administrative Regulation No. 17/2004.

Pursuant to the statutory requirements stipulated under the Law No. 4/2010, the employer is obliged to participate and contribute to the mandatory social security funds and to obtain compulsory industrial accident insurance for its employees in Macau in accordance with relevant applicable legislations, failing which an administrative fine will be imposed on the employer as legal sanction.

OVERVIEW

Our history can be traced back to 1988 when Mr. Lam and his brother Mr. Lam Ka Fung founded a partnership named as Sunray Engineering Company in Hong Kong with their personal wealth. Prior to which, Mr. Lam had worked in the building protection industry for several years while Mr. Lam Ka Fung was a merchant. Since then, we started to commence business by undertaking building protection works in Hong Kong. In March 1989, Mr. Lam and Mr. Lam Ka Fung acquired the subscription shares of Karcenar HK to carry on with Sunray Engineering Company's business under the business name of Sunray Engineering Company. Through our continuous effort, our Group has grown in size and capacities to handle government projects in Hong Kong and in 2003, our Group further expanded our business to Macau.

Leveraging our extensive knowledge in the specifications of different building protection materials and suppliers' network in sourcing building protection materials for projects undertaken by us, Mr. Lam decided to extend our business coverage to the supply of building protection products in Hong Kong in 2002 through Tech Link, a company founded by Mr. Lam and an Independent Third Party shareholder. After a series of share transfers, Mr. Lam became the sole shareholder of Tech Link in 2005 and invited Mr. Lo Chiu Bun ("**Mr. Lo**") to invest in Fair Building and Tech Link (through Profit Partner) in 2006 and 2011 respectively. After joining our Group, Mr. Lo together with Mr. Lam set up DP ChemTech HK and hence Mr. Lo was one of the ultimate shareholders and/or directors of Profit Partner, Tech Link, DP ChemTech HK and Fair Building (collectively the "**Relevant Companies**"). Mr. Lo was only required to chip in minimal initial capital contribution or pay for the share subscription consideration at par in the Relevant Companies. Mr. Lo did not contribute any working capital for the operation of these companies. Before our Group submitting the listing application, Mr. Lo realised that if he continues to be a shareholder of the Relevant Companies, he may become a controlling shareholder and a director of our Company upon Listing, and would then be obliged to devote his time and efforts for the best interest of our Company and be subject to the GEM Listing Rules, which would affect the time to be allocated to his own business. Subsequently, in December 2018, in order to realise his investment in the Relevant Companies for his other personal commitments and to focus on his own business of trading construction materials (other than the supply of building protection products), Mr. Lo disposed of all his interests in the Relevant Companies to Mr. Lam.

Mr. Lam was acquainted with Mr. Lo at an exhibition of building protection products over 20 years ago. After joining our Group, Mr. Lo was mainly responsible for maintaining business relationship with our Group's then existing suppliers and introducing new suppliers; exploring new suppliers and new brands to the Relevant Companies; keeping abreast of the latest industry trend and market information; and advising on the selection of products and suppliers. During the daily operation of the Relevant Companies, Mr. Lo reported to Mr. Lam on his supplier sourcing and marketing works, in particular, during his early days in the Relevant Companies. Eventually, as the Relevant Companies had built up their supplier network and product portfolio, Mr. Lo's involvement in supplier sourcing and marketing gradually diminished and had no other role in the Relevant Companies apart from his directorship in the Relevant Companies and his occasional assistance in the marketing works during the Track Record Period. Mr. Lo had never been involved in the management and operation of the Relevant Companies since he joined the Relevant Companies. Instead, he had deferred to Mr. Lam on the execution of major business decisions in those respects. Furthermore, Mr. Lo had exercised his voting rights according to the instructions and directions of Mr. Lam on the

Relevant Companies, which led to unanimous votes casted collectively in all resolutions of all shareholders meetings and board meetings of the Relevant Companies. Moreover, Mr. Lo was not assigned and had not exercised any special right including but not limited to veto power in the board/shareholders meeting of the Relevant Companies. As such, Mr. Lam had ultimate and effective control over the Relevant Companies. During the Track Record Period and up to the Latest Practicable Date, our Group has supplied building protection products to a construction material trading company owned by Mr. Lo. For FY2018, FY2019, FP2019 and the period after the Track Record Period and up to the Latest Practicable Date, the total sales involved amounted to approximately HK$41,202, HK$50,420, HK$10,920 and HK$18,200, respectively. Upon Listing, our Directors expect such transaction would remain at a similar level in amount.

As at the Latest Practicable Date, we were the distributor of nine brands of building protection products covering more than 400 building protection products, which were sourced from independent brand owners and manufacturers from Germany, Switzerland and the United States. Moreover, in order to strengthen our position, since 2011, we supplied building protection products under our own brands "DP ChemTech" and "DP" which are sourced from selected Independent Third Party suppliers from jurisdictions such as PRC, Taiwan and Singapore.

We strive to provide quality integrated building protection solutions to our customers. As at the Latest Practicable Date, Karcenar HK and Sunray Engineering are registered subcontractors with the Construction Industry Council. Our Directors consider that we have successfully established a good reputation in the industry, with some well-established construction main contractors in Hong Kong being our major customers, and we have gained project exposures on sizeable projects.

Our Directors believe that this dual capacity of our Group created a synergistic business model whereby the demand for our building protection works can boost the sale of our building protection products and thus, enhance our bargaining power for discount and better terms with the brand owners or manufacturers of the products. At the same time, with a broad product portfolio of different brands sourced and distributed by us, our Directors are of the view that we can more accurately budget and select suitable products in preparing our project quotations and ensure a steady supply of building protection products, which place us in a better position in bidding for as well as undertaking building protection works projects. Such synergistic business model is conducive to giving the necessary leverage to reinforce our business growth in the building protection market in Hong Kong and Macau.

Set forth below is a chronological review of the key business milestones of our Group:

Year	Event
1988	Sunray Engineering Company was founded as a partnership and commenced its business of provision of building protection works in Hong Kong
1989	Karcenar HK was acquired and started to carry on Sunray Engineering Company's business of provision of building protection works in Hong Kong
2002	Tech Link was incorporated and commenced its business of supply of building protection products in Hong Kong
	Tech Link became the distributor of BASF, a German building protection product brand, in Hong Kong and Macau
2003	Karcenar Macau was incorporated and commenced its business of provision of building protection works in Macau
2004	Karcenar HK was registered with the Construction Industry Council as a registered subcontractor
2006	Fair Building was incorporated and commenced its business of supply of building protection products in Macau
	Sunray Engineering was incorporated and commenced its business of provision of building protection works for private projects in Hong Kong
2007	Tech Link became the distributor of TREMCO, a United States building protection product brand in Hong Kong and Macau
2009	Sunray Engineering was registered with the Construction Industry Council as a registered subcontractor
2011	We started to supply building protection products under our own brands "DP ChemTech" and "DP"
2018	Karcenar HK was awarded as Long-term Cooperation Partner of Paul Y. Group
2019	Sunray Engineering received a Certificate of Recognition for zero accident at the construction site in 2018 from a construction main contractor listed on the Main Board of the Stock Exchange

CORPORATE HISTORY

The following sets forth the corporate development of each member of our Group since their respective dates of incorporation.

Our Company

On 12 February 2019, our Company was incorporated in the Cayman Islands with an authorised share capital of HK$390,000 divided into 39,000,000 Shares of HK$0.01 each, of which one Share was allotted and issued as fully paid to an independent initial subscriber at par. On the same date, such subscriber's Share was transferred to Ultra Success for cash at par and the share transfer was legally completed on the same date.

Following completion of the Reorganisation, our Company became the holding company of our subsidiaries. For details of the Reorganisation, please refer to the paragraph headed "Reorganisation" in this section.

Success Worldwide

Success Worldwide was incorporated in the BVI on 21 September 2018 as a limited liability company and is authorized to issue a maximum of 50,000 ordinary shares of a single class with a par value of US$1.00 each, of which one share was allotted and issued as fully paid to an independent initial subscriber at par. On the same date, such subscriber's share was transferred to Mr. Lam for cash at par and the share transfer was legally completed on the same date.

On 29 March 2019, Mr. Lam transferred the issued share capital of Success Worldwide to our Company at par and the share transfer was legally completed on the same date.

As at the Latest Practicable Date, Success Worldwide was a wholly-owned subsidiary of our Company and an intermediate holding company of our Group.

Primary Winner

Primary Winner was incorporated in the BVI on 5 September 2018 as a limited liability company and is authorized to issue a maximum of 50,000 ordinary shares of a single class with a par value of US$1.00 each, of which one share was allotted and issued as fully paid to an independent initial subscriber at par. On the same date, such subscriber's share was transferred to Mr. Lam for cash at par and the share transfer was legally completed on the same date.

On 28 September 2018, Mr. Lam transferred the issued share capital of Primary Winner to Success Worldwide at par and the share transfer was legally completed on the same date.

As at the Latest Practicable Date, Primary Winner was an investment holding company, holding the shares of Karcenar HK, Sunray Engineering, Ultimate Power and Karcenar Macau.

Ultimate Power

Ultimate Power was incorporated in the BVI on 21 September 2018 as a limited liability company and is authorized to issue a maximum of 50,000 ordinary shares of a single class with a par value of US$1.00 each, of which one share was allotted and issued as fully paid to an independent initial subscriber at par. On the same date, such subscriber's share was transferred to Primary Winner for cash at par and the share transfer was legally completed on the same date.

As at the Latest Practicable Date, Ultimate Power was an investment holding company, holding 50% equity interest in Karcenar Macau.

Profit Partner

Profit Partner was incorporated in the BVI on 28 July 2011 as a limited liability company and is authorized to issue a maximum of 50,000 ordinary shares of a single a class with a par value of US$1.00 each.

On 16 September 2011, Profit Partner allotted and issued 50 shares as fully paid to each of Mr. Lam and Mr. Lo at par respectively. As a result, Profit Partner was owned as to 50% by Mr. Lam and 50% by Mr. Lo respectively.

On 28 September 2018, Mr. Lam transferred his entire interests in the issued share capital of Profit Partner to Success Worldwide, a company wholly owned by Mr. Lam at the cash consideration of US$1.00 and the share transfer was legally completed on the same date. As a result, Profit Partner was owned as to 50% by Success Worldwide and 50% by Mr. Lo respectively.

On 31 December 2018, in order to realise the investments in our Group for his other personal commitments, Mr. Lo transferred his entire interests in the issued share capital of Profit Partner to Mr. Lam at the cash consideration of HK$43,701,500 which was determined after arm's length negotiation between the parties with reference to the price-earnings ratio of 5.2 times the estimated net profit of Tech Link and Fair Building for the year ending 31 March 2019. The transfer was legally completed on the same date. As a result, Profit Partner was owned as to 50% by Success Worldwide and 50% by Mr. Lam respectively.

On 20 March 2019, Mr. Lam transferred 50% issued share capital of Profit Partner to Success Worldwide at the cash consideration of US$1.00 and the transfer was legally completed on the same date. As a result, Profit Partner became a direct wholly-owned subsidiary of Success Worldwide.

As at the Latest Practicable Date, Profit Partner was an investment holding company, holding shares of Tech Link, Big Group, DP ChemTech HK and Fair Building.

Big Group

Big Group was incorporated in the BVI on 5 September 2018 as a limited liability company and is authorized to issue a maximum of 50,000 ordinary share of a single class with a par value of US$1.00 each, of which one share was allotted and issued as fully paid to an independent initial subscriber at par. On the same date, such subscriber's share was transferred to Profit Partner for cash at par and the share transfer was legally completed on the same date.

As at the Latest Practicable Date, Big Group was an investment holding company, holding 50% equity interest in Fair Building.

Karcenar HK

Karcenar HK was incorporated in Hong Kong on 31 January 1989 as a limited liability company with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each, of which two shares were allotted and issued as fully paid to two independent initial subscribers at par.

On 15 March 1989, the two shares held by the two independent initial subscribers were transferred to Mr. Lam and Mr. Lam Ka Fung, the brother of Mr. Lam, for cash at par respectively and the transfers were legally completed on the same date.

On 11 September 2006, as Mr. Lam Ka Fung decided to focus on his hair salon business, Mr. Lam Ka Fung transferred his entire interests in the issue share capital of Karcenar HK to Mr. Lam at par and the transfer was legally completed on the same date.

On 27 September 2018, Mr. Lam transferred the entire issued share capital of Karcenar HK to Primary Winner at the cash consideration of HK$2 and the transfer was legally completed on the same date. As a result, Karcenar HK became a direct wholly-owned subsidiary of Primary Winner.

As at the Latest Practicable Date, Karcenar HK was mainly engaged in the provision of building protection works to government projects in Hong Kong.

Sunray Engineering

Sunray Engineering was incorporated in Hong Kong on 15 December 2006 as a limited liability company with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each, of which one share was allotted and issued as fully paid to Mr. Lam at par.

On 27 September 2018, Mr. Lam transferred the entire issued share capital of Sunray Engineering to Primary Winner at the cash consideration of HK$1 and the transfer was legally completed on the same date. As a result, Sunray Engineering became a direct wholly-owned subsidiary of Primary Winner.

As at the Latest Practicable Date, Sunray Engineering was mainly engaged in the provision of building protection works to private projects in Hong Kong.

Tech Link

Tech Link was incorporated in Hong Kong on 4 February 2002 as a limited liability company with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each, of which two shares were allotted and issued as fully paid to two independent initial subscribers at par.

On 19 April 2002, the two shares held by the two independent initial subscribers were transferred to Mr. Lam and Mr. Yiu Hing Chi for cash at par respectively and the transfers were legally completed on the same date. Mr. Yiu Hing Chi is a friend of Mr. Lam and an Independent Third Party.

On 2 March 2004, as Mr. Yiu Hing Chi decided to focus on and develop his other business in other industry, he transferred his entire interest in the issued share capital of Tech Link to Mr. Lam Ka Bun at the cash consideration of HK$1 and the transfer was legally completed on the same date. Mr. Lam Ka Bun is the brother of Mr. Lam.

On 30 December 2005, Mr. Lam Ka Bun transferred his entire interest in the issued share capital of Tech Link to Mr. Lam at the cash consideration of HK$1 and the transfer was legally completed on the same date.

On 21 November 2011, Mr. Lam transferred his entire interest in the issued share capital of Tech Link to Profit Partner at the cash consideration of HK$1 and the transfer was legally completed on the same date. As a result, Tech Link became a direct wholly-owned subsidiary of Profit Partner.

As at the Latest Practicable Date, Tech Link was mainly engaged in the supply of building protection products in Hong Kong.

DP ChemTech HK

DP ChemTech HK was incorporated in Hong Kong on 4 April 2014 as a limited liability company with an issued share capital of HK$2 divided into 2 ordinary shares of HK$1.00 each, of which one share was issued to each of Mr. Lam and Mr. Lo.

On 3 April 2018, Mr. Lam transferred his entire interest in the issued share capital of DP ChemTech HK to Profit Partner at the cash consideration of HK$1 and the transfer was legally completed on the same date.

On 11 September 2018, Mr. Lo transferred his entire interest in the issued share capital of DP ChemTech HK to Profit Partner at the cash consideration of HK$1 and the transfer was legally completed on the same date. As a result, DP ChemTech HK became a direct wholly-owned subsidiary of Profit Partner.

As at the Latest Practicable Date, DP ChemTech HK has not commenced operation.

Karcenar Macau

Karcenar Macau was incorporated in Macau on 5 September 2003 with a share capital of MOP$25,000 and was owned as to 50% by Mr. Lau Chi Hong and 50% by Mr. Cheng Wai Kong. By an affirmation of rights and interests dated 27 September 2018, Mr. Cheng Wai Kong confirmed that he held 50% equity interest in Karcenar Macau on trust for Mr. Lam. All the funds and capital contributed from Mr. Cheng Wai Kong for the incorporation of Karcenar Macau came from Mr. Lam. Mr. Cheng Wai Kong is a friend of Mr. Lam and the trust arrangement had been made for administrative convenience as it was inconvenient for Mr. Lam to station at Macau to execute the daily operation documents at that time. Mr. Lau Chi Hong and Mr. Cheng Wai Kong (save for the said trust arrangement) are Independent Third Parties.

Mr. Lau Chi Hong confirmed that Mr. Lam made all decisions as to the operation and management of Karcenar Macau and Mr. Lau Chi Hong followed the voting of Mr. Cheng Wai Kong/Mr. Lam Ka Bun (as instructed by Mr. Lam) in board meetings and shareholders meetings as Mr. Lau Chi Hong devoted his time on his other business commitments. As Karcenar Macau was controlled by Mr. Lam since its incorporation, it was regarded as a member of our Group. Karcenar Macau essentially had no operation during the Track Record Period. The operation and financial performance of Karcenar Macau was minimal.

On 12 January 2006, Mr. Cheng Wai Kong (at the instruction of Mr. Lam) transferred 50% equity interest in Karcenar Macau to Mr. Lam. As a result, Karcenar Macau was owned as to 50% by Mr. Lau Chi Hong and 50% by Mr. Lam.

On 28 February 2017, Mr. Lam transferred 50% equity interest in Karcenar Macau to his brother, Mr. Lam Ka Bun at the cash consideration of MOP$12,500 which was equivalent to the amount of the capital contribution of Mr. Lam to Karcenar Macau. Pursuant to the affirmation of rights and interests dated 27 September 2018, Mr. Lam Ka Bun confirmed that he held 50% equity interest in Karcenar Macau on trust for Mr. Lam. All the funds paid by Mr. Lam Ka Bun in relation to Karcenar Macau came from Mr. Lam.

On 27 September 2018, Mr. Lau Chi Hong and Mr. Lam Ka Bun (at the instruction of Mr. Lam) transferred their equity interests in Karcenar Macau to Primary Winner at the cash consideration of MOP$12,500 respectively which was equivalent to the amount of the capital contribution of the respective transferors to Karcenar Macau. Mr. Lau has been a friend of Mr. Lam for many years. Save and except the initial capital contribution (MOP$12,500) made, Mr. Lau did not contribute much time and effort on the development of Karcenar Macau and instead relied on Mr. Lam to operate and manage the same. At the time of Mr. Lau's disposal of his interest of Karcenar Macau, Karcenar Macau essentially had no operation and hence Mr. Lau was willing to recover his initial capital contribution to dispose of his interest therein. Upon completion of the transfer, Karcenar Macau was wholly-owned by Primary Winner.

On 21 February 2019, Primary Winner transferred 50% equity interest in Karcenar Macau to Ultimate Power at the cash consideration of MOP$12,500, which was equivalent to the amount of the capital contribution as represented by the percentage of equity interest of Primary Winner to Karcenar Macau. As a result, Karcenar Macau was owned as to 50% by Primary Winner and 50% by Ultimate Power respectively.

Karcenar Macau was mainly engaged in the provision of building protection works in Macau. Karcenar Macau had completed its building protection works on hand as at the Latest Practicable Date and had not undertaken any new building protection works during the Track Record Period.

Fair Building

Fair Building was incorporated in Macau on 29 September 2006 with a share capital of MOP25,000 and was owned as to 51.2% by Mr. Lo and 48.8% by Mr. Choi Chi Lun. Mr. Choi Chi Lun is a friend of Mr. Lam and an Independent Third Party.

On 31 March 2017, Mr. Lo and Mr. Choi Chi Lun transferred their 51.2% and 48.8% equity interest in Fair Building to Mr. Lo Hang Bun and Mr. Lam Ka Bun at the cash consideration of MOP$12,800 and MOP$12,200 respectively. Mr. Lo Hang Bun is the brother of Mr. Lo while Mr. Lam Ka Bun is the brother of Mr. Lam. The consideration was equivalent to the respective amount of the capital contribution of the respective transferors to Fair Building.

By the affirmations of rights and interests dated 27 September 2018, Mr. Choi Chi Lun and Mr. Lam Ka Bun confirmed that they held 48.8% equity interest in Fair Building on trust for Mr. Lam. All the funds paid by Mr. Choi Chi Lun and Mr. Lam Ka Bun in relation to Fair Building came from Mr. Lam. According to the affirmation of rights and interests dated 27 September 2018, Mr. Lo and Mr. Lo Hang Bun confirmed that Mr. Lo Hang Bun held 51.2% equity interest in Fair Building on trust for Mr. Lo. As Mr. Lam and Mr. Lo reside in Hong Kong, the trust arrangements had been made for the convenience of business operation in Macau.

On 27 September 2018, Mr. Lo Hang Bun (at the instruction of Mr. Lo) transferred his 50% and 1.2% equity interest in Fair Building to Profit Partner and Big Group at the cash consideration of MOP$12,500 and MOP$300 respectively while Mr. Lam Ka Bun (at the instruction of Mr. Lam) transferred his 48.8% equity interest in Fair Building to Big Group at the cash consideration of MOP$12,200. The consideration were equivalent to the respective amount of the capital contribution of the respective transferors to Fair Building. Upon completion of the transfers, Fair Building was owned as to 50% by Profit Partner and 50% by Big Group respectively.

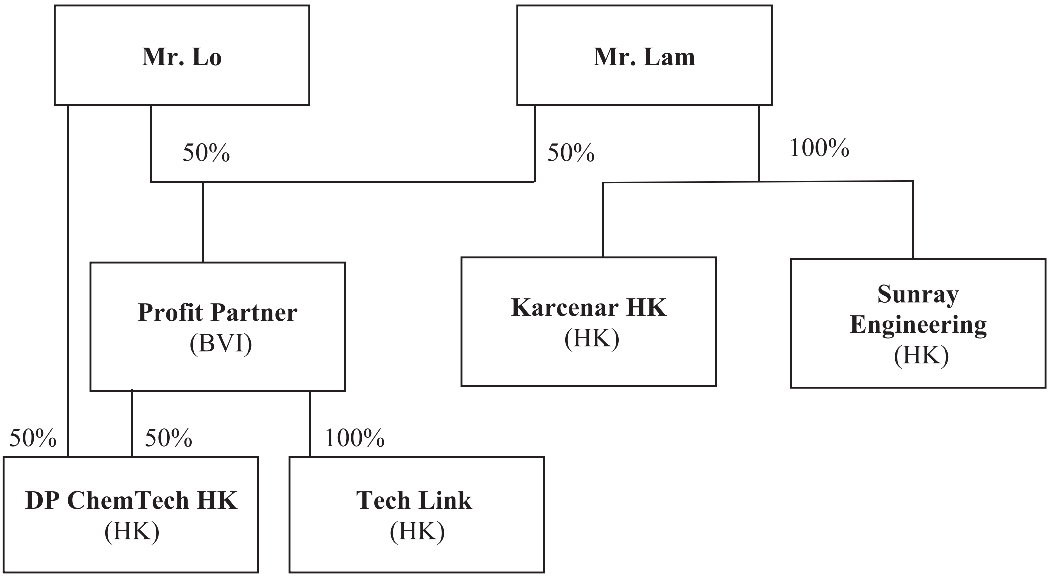
As at the Latest Practicable Date, Fair Building was mainly engaged in supply of building protection products in Macau.

REORGANISATION

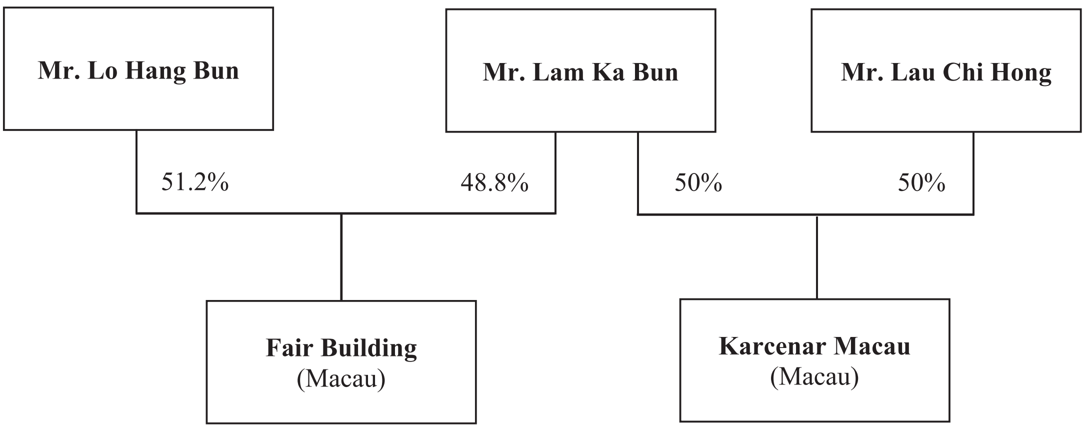
The following chart shows the shareholding structure of our Group immediately prior to the Reorganisation and the Share Offer:

The corporate structure of the Group immediately prior to the implementation of the Reorganisation steps was as follows:

For Hong Kong subsidiaries



For Macau subsidiaries



Note: *Mr. Lam Ka Bun is the brother of Mr. Lam who held the equity interest of Fair Building and Karcenar Macau on trust for Mr. Lam. Mr. Lo Hang Bun is the brother of Mr. Lo who held the equity interest of Fair Building on trust for Mr. Lo.*

In preparation for the Listing, our Company was incorporated in the Cayman Islands and the companies comprising our Group have undergone a group reorganisation to rationalise our Group structure. The Reorganisation involved the following steps:

1 On 5 September 2018, Big Group was incorporated in the BVI as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each, of which one share was allotted and issued as fully paid to an independent initial subscriber at par. On the same date, such subscriber's share was transferred to Profit Partner for cash at par and the share transfer was legally completed on the same date.

2 On 5 September 2018, Primary Winner was incorporated in the BVI as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each, of which one share was allotted and issued as fully paid to an independent initial subscriber at par. On the same date, such subscriber's share was transferred to Mr. Lam for cash at par and the share transfer was legally completed on the same date.

3 On 11 September 2018, Mr. Lo transferred 50% issued share capital of DP ChemTech HK to Profit Partner at par and the transfer was legally completed on the same date. As a result, DP ChemTech HK became a direct wholly-owned subsidiary of Profit Partner.

4 On 21 September 2018, Success Worldwide was incorporated in the BVI as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each, of which one share was allotted and issued as fully paid to an independent initial subscriber at par. On the same date, such subscriber's share was transferred to Mr. Lam for cash at par and the share transfer was legally completed on the same date.

5 On 21 September 2018, Ultimate Power was incorporated in the BVI as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each, of which one share was allotted and issued as fully paid to an independent initial subscriber at par. On the same date, such subscriber's share was transferred to Primary Winner for cash at par and the share transfer was legally completed on the same date.

6 On 27 September 2018, Mr. Lam transferred the entire issued share capital of Karcenar HK to Primary Winner at the cash consideration of HK$2. Upon completion of the transfer, Karcenar HK became a direct wholly owned subsidiary of Primary Winner.

7 On 27 September 2018, Mr. Lam transferred the entire issued share capital of Sunray Engineering to Primary Winner at the cash consideration of HK$1. Upon completion of the transfer, Sunray Engineering became a direct wholly owned subsidiary of Primary Winner.

8 On 27 September 2018, each of Mr. Lau Chi Hong and Mr. Lam Ka Bun (at the instruction of Mr. Lam) transferred their equity interest in Karcenar Macau to Primary Winner at the cash consideration of MOP$12,500 respectively which was equivalent to their respective amount of the capital contribution of the respective transferors to Karcenar Macau. Upon completion of the transfer, Karcenar Macau became a wholly-owned subsidiary of Primary Winner.

9 On 27 September 2018, Mr. Lo Hang Bun (at the instruction of Mr. Lo) transferred his 50% and 1.2% equity interest in Fair Building to Profit Partner and Big Group at the cash consideration of MOP$12,500 and MOP$300 respectively while Mr. Lam Ka Bun (at the instruction of Mr. Lam) transferred his 48.8% equity interest in Fair Building to Big Group at the cash consideration of MOP$12,200. The consideration of the aforesaid transfers were equivalent to the respective amount of the capital contribution of the respective transferors to Fair Building. Upon completion of the transfers, Fair Building was owned as to 50% by Profit Partner and 50% by Big Group respectively.

10 On 28 September 2018, Mr. Lam transferred 50% share capital of Profit Partner to Success Worldwide at the cash consideration of US$1. Upon completion of the transfer, Profit Partner was owned as to 50% by Success Worldwide and 50% by Mr. Lo respectively.

11 On 28 September 2018, Mr. Lam transferred the entire issued share capital of Primary Winner to Success Worldwide at the cash consideration of US$1. Upon completion of the transfer, Primary Winner became a direct wholly owned subsidiary of Success Worldwide.

12 On 30 October 2018, Ultra Success was incorporated in the BVI as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each, of which one share was allotted and issued as fully paid to an independent initial subscriber at par. On 27 November 2018, such subscriber's share was transferred to Mr. Lam for cash at par and the share transfer was legally completed on the same date.

13 On 31 December 2018, Mr. Lo transferred his 50% issued share capital of Profit Partner to Mr. Lam at the cash consideration of HK$43,701,500 which was determined after arm's length negotiation between the parties with reference to the price-earnings ratio of the estimated net profit of Tech Link and Fair Building for the year ending 31 March 2019. Upon the completion of the transfer, Profit Partner was owned as to 50% by Success Worldwide and 50% by Mr. Lam respectively.

14 On 12 February 2019, our Company was incorporated in the Cayman Islands with limited liability with an authorised share capital of HK$390,000 divided into 39,000,000 Shares of HK$0.01 each, of which one Share was allotted and issued as fully paid to an independent initial subscriber at par. On the same date, such subscriber's Share was transferred to Ultra Success for cash at par and the transfer was legally completed on the same date.

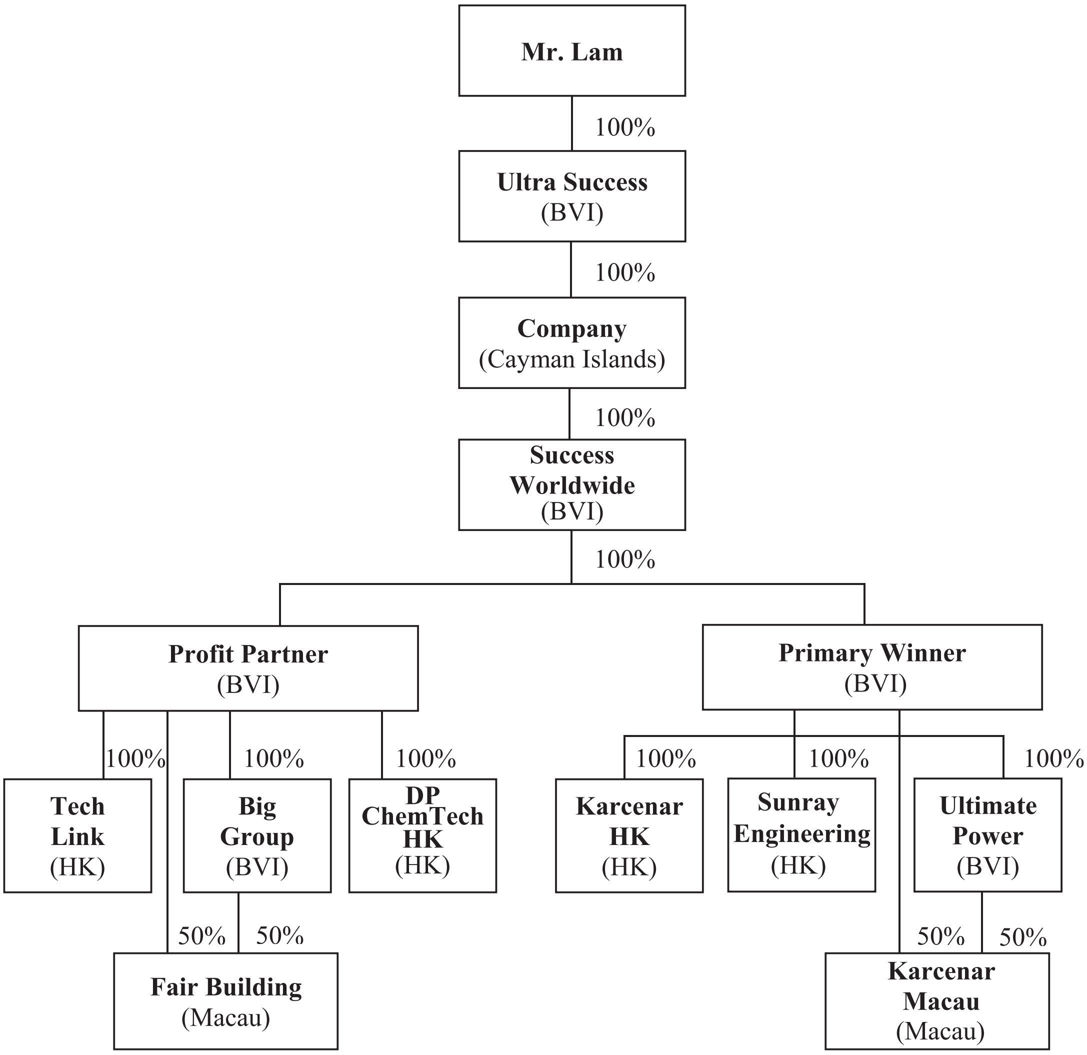
15 On 21 February 2019, Primary Winner transferred the 50% equity interest in Karcenar Macau to Ultimate Power at the cash consideration of MOP$12,500 which was equivalent to the amount of the capital contribution as represented by the percentage of equity interest of Primary Winner to Karcenar Macau. Upon completion of the transfer, Karcenar Macau was owned as to 50% by Primary Winner and 50% by Ultimate Power respectively.

16 On 20 March 2019, Mr. Lam transferred 50% issued share capital of Profit Partner to Success Worldwide at par. Upon completion of the transfer, Profit Partner became a direct wholly-owned subsidiary of Success Worldwide.

17 On 29 March 2019, Mr. Lam transferred the entire issued share capital of Success Worldwide to the Company at par. Upon completion of the transfer, Success Worldwide became a wholly-owned subsidiary of the Company.

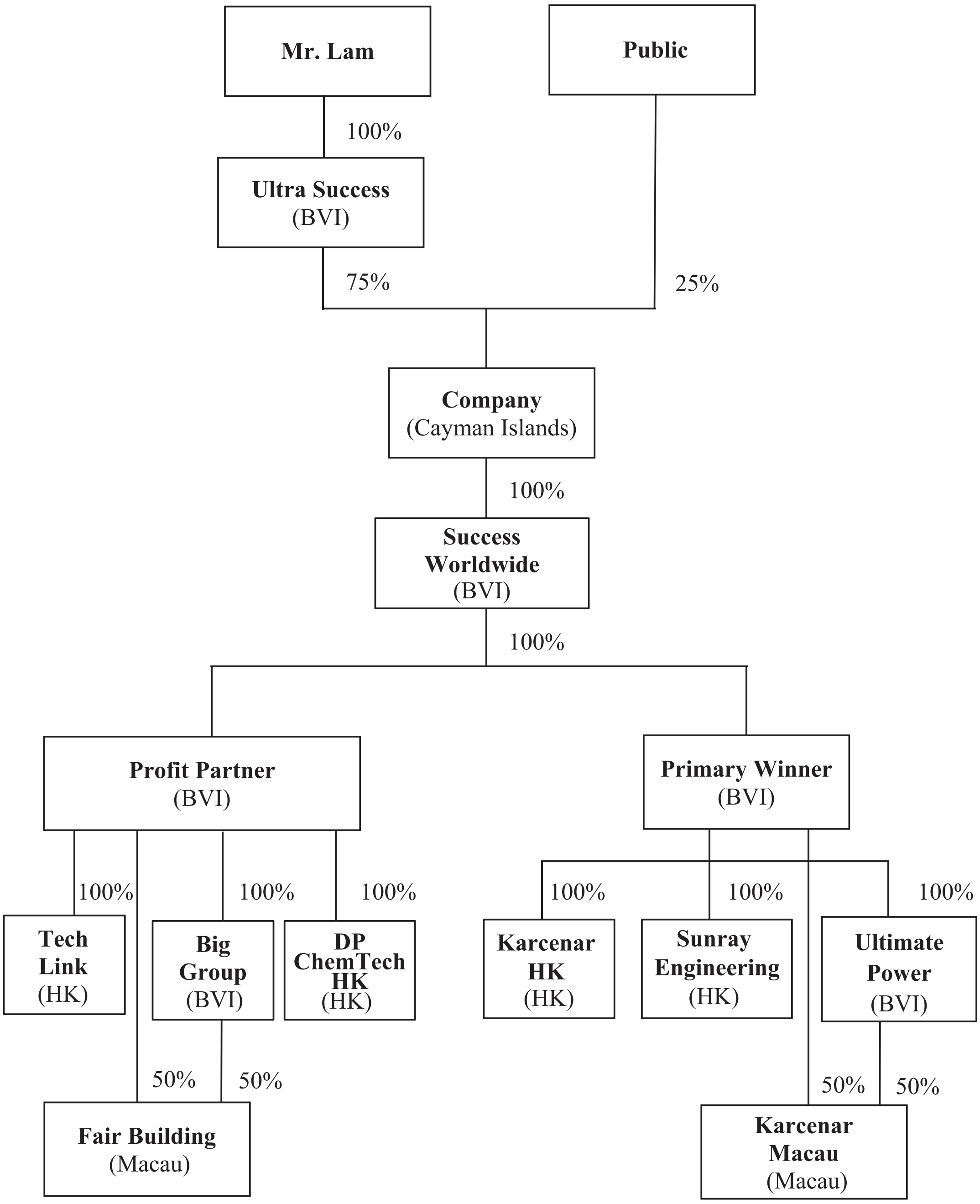
As at the Latest Practicable Date, all the share transfers aforementioned in this section had been legally and properly completed and settled, and the Reorganisation had been completed in compliance with all relevant laws and regulations.

The following chart sets out the corporate structure of our Group immediately following the Reorganisation but before the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme):



Conditional upon the share premium account of our Company being credited as a result of the issue of new Shares pursuant to the Share Offer, an amount standing to the credit of the share premium account of our Company will be capitalised and applied in paying up in full 749,999,999 Shares at par for allotment and issue to Ultra Success, to enable it to maintain its aggregate shareholding in our Company at a percentage of 75% of the enlarged issued share capital of our Company (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme).

The following chart sets out the shareholding structure of our Group immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme):



OVERVIEW

We are a Hong Kong-based building protection solution provider and our solutions integrate the provision of building protection works; and the supply of building protection products. Building protection works generally refer to the selection and use of appropriate building protection products in a building for protection against water, thermal, acoustic and fire. We started off as a building protection works provider whereby we generally sourced and procured building protection products for our projects. Capitalised on our expertise and industry experience, we expanded our business to encompass the distribution and sale of various kinds of building protection products in Hong Kong and Macau. Our Directors believe that this dual capacity of our Group created a synergistic business model whereby the demand for our building protection works can boost the sale of our building protection products and thus, enhance our bargaining power with the brand owners or manufacturers of the products. At the same time, being the distributor of a broad product portfolio under different brands, we can more accurately budget and select suitable products in preparing our project quotations and ensure a steady supply of building protection products, which place us in a better position in biding as well as undertaking building protection works projects. According to the Frost & Sullivan Report, we ranked second in the building protection works market with a market share of approximately 3.0% in terms of revenue in Hong Kong in FY2019.

Our building protection works focus on waterproofing works; and are complemented by flooring works and joint sealant works. When we undertake a building protection works project, we are responsible for the overall project management and planning, engagement and supervision of our subcontractors, devising detailed work programme, selection and procurement of building protection products, coordination with customers, the employers of the customers and their consultants, environmental protection and safety and quality control of our building protection works. During the Track Record Period, our building protection works were generally carried out with the building protection products sourced and procured by us, and in various types of buildings in both public and private sectors such as commercial buildings, residential buildings and community facilities.

Another component of our building protection solution is the supply of building protection products whereby we identify, source, promote and distribute suitable building protection products to our customers to meet their varying needs and requirements. The building protection products supplied by us include waterproofing products, tiling products, flooring and other products. As at the Latest Practicable Date, we obtained distributorship of nine brands covering more than 400 building protection products, which were sourced from Independent Third Party brand owners and manufacturers from Germany, Switzerland and the United States. Since 2011, we have also supplied building protection products under our own brands “DP ChemTech” and “DP” sourced from selected Independent Third Party suppliers from jurisdictions such as the PRC, Taiwan and Singapore.

The table below sets forth a breakdown of our revenue by the type of our services for the year indicated:

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
					(Unaudited)			
Provision of building protection works	76,317	49.8	106,372	55.5	42,743	52.1	63,016	61.5
Supply of building protection products	76,920	50.2	85,359	44.5	39,296	47.9	39,433	38.5
	153,237	100.0	191,731	100.0	82,039	100.0	102,449	100.0

Our direct customers are principally main contractors and subcontractors of construction projects who engage us as their building protection work provider and/or purchase building protection products from us. Apart from our direct customers, we also market and promote our branded products to architects, consultants and property owners who engage our direct customers as their contractors in their construction projects. For FY2018, FY2019 and FP2019, our five largest customers in aggregate accounted for approximately 39.6%, 46.6% and 54.2% of our total revenue, respectively of which approximately 12.2%, 15.2% and 18.6% of our total revenue was attributed by the largest customer, respectively.

During the Track Record Period, our suppliers included suppliers of building protection products and subcontractors who carried out building protection works. For FY2018, FY2019 and FP2019, (i) our five largest suppliers of building protection products in aggregate accounted for approximately 79.2%, 72.8% and 75.5% of our total purchase, respectively; and (ii) our five largest subcontractors in aggregate accounted for approximately 83.3%, 83.8% and 88.4% of our total subcontracting costs, respectively.

COMPETITIVE STRENGTHS

Our Directors believe that our competitive strengths as set out below have driven our growth in revenue and gross profits, and distinguish us from our competitors.

We have a synergistic business model integrating the provision of building protection works and the supply of building protection products, which complement each other.

Our building protection solution integrates the (i) provision of building protection works; and (ii) sourcing and supplying of building protection products, which from our Directors' point of view, complement each another.

Starting off as a building protection works provider, we generally are requested by our customers to include (i) our contract price for provision of building protection works; and (ii) the estimated costs of building protection products in our project quotations in an all-inclusive basis. Our Directors considered that by sourcing and selecting appropriate building protection products for use in our building protection works, it would facilitate the optimisation of such products and functionality in application, thereby improving both the quality of our building protection works and our profitability in the projects. To this end, we have maintained stable relationship with the brand owners of building protection products and acquired extensive knowledge on the nature, composition of ingredients, functions and applicability of each kind of building protection products over years of our operation, thus enabling us to decide on which products to be used in our projects or to be recommended to our customers. Meanwhile, by actively undertaking building protection works projects, our Directors believe that we could increase the demand for our building protection products accordingly, which would in turn enable us to achieve economies of scales, enhancing our bargaining power to negotiate for more discounts and better terms.

With the proficiency in the above respects, we have expanded our business vertically to encompass the distribution and supply of various kinds of building protection products in Hong Kong and/or Macau for use in the building protection works projects undertaken by us and for onward sale to third party contractors. The number of brands of building protection products we distributed increased over the years. Leveraging our Group's experience in the building protection works and products markets, we started to supply building protection products under our propriety brands "DP ChemTech" and "DP" since 2011.

Our Directors believe that our expansion into the distribution and supply of building protection products has created a synergy effect on our business. On one hand, it boosted the sale of our building protection products whereby we can bargain for better terms with the brand owners or manufacturers of the products in terms of purchase price, duration of our distribution right, range of products covered, and geographical coverage of our distribution right etc. of the products. On the other hand, we are also in a better position to select the appropriate type of products to be applied in our building protection works projects, and more accurately assess their cost and the quantity required, which would facilitate us in our preparation of realistic and competitive quotation.

The dual capacity of our Group as both the building protection works provider and building protection products supplier facilitates our Group to better budget the estimated cost and manage a steady supply of products through dealing directly with brand owners and product manufacturers. This synergistic business model is therefore conducive to giving the necessary leverage to reinforce the growth of each other in the building protection works and products markets in Hong Kong.

We have an established operating history and proven track record as a provider of building protection solutions, which enables us to maintain a stable relationship with our customers.

We have over 30 years of operating history in the building protection industry in Hong Kong. During the Track Record Period, we completed over 80 building protection works projects; and on the other hand, supplied our own-brand building protection products and acted as the distributor of over 400 building protection products in nine brands, which together have enabled us to provide integrated building protection solutions to our customers and to maintain a stable relationship with our customers. We have also expanded our sale and distribution of building protection products to our customers in Macau since 2006.

Leveraging our long operating history in the building protection industry in Hong Kong, we believe that we have built up a track record of completing building protection works projects on a timely basis with the capabilities to consistently meet our customers' requirements by the quality of both of our building protection works and our building protection products, which enable us to maintain stable relationship with our major customers. We completed a number of sizable building protection works projects or landmark buildings in Hong Kong such as the Public Rental Housing Development project at Diamond Hill, Kwun Tong Swimming Pool and Recreation Ground project, and M+ Pavilion project.

Although we enter into contracts with our customers on a project-by-project basis for our provision of building protection solutions, during the Track Record Period, approximately 82.3%, 89.0% and 98.1% of our revenue was generated from contracts awarded to us by recurring and existing customers, i.e. customers who we had generated revenue from in the year prior to the respective financial year. As at 30 September 2019, our top five customers during the Track Record Period had business relationships with us ranging from approximately two to 15 years with us. We believe that by consistently providing our customers with quality building protection works or quality building protection products or the combination of both, we will continue to win the trust of our customers and sustain our long-standing relationships with our customers.

In respect of the provision of building protection works, after completion of a project, particularly, waterproofing works projects, like other building protection works providers, we are generally required to provide a warranty period for a term of 10 to 15 years. During the warranty period, we are responsible for rectifying any defects for the building protection works rendered. We believe that building protection works providers with long operating history like our Group can therefore give their customers greater confidence in fulfilling their obligations during the warranty period. As such, we believe that more building protection works contracts will be awarded to us by our customers who will take into account our long operating history, industry reputation and the quality of our works and the building protection products we supply. We further believe that our proven track record and strong relationships with our customers enable us to compete successfully with our competitors.

We offer an extensive brand portfolio of building protection products and maintain a stable relationship with our building protection products suppliers and subcontractors.

Our suppliers include suppliers of building protection products and subcontractors engaged by us for carrying out building protection works. We identify and source suitable building protection products from the product manufacturers and brand owners for use in our building protection works project and for onward sales to other contractors in meeting their varying needs and requirements. The products supplied by us covered various kinds of building protection products, such as waterproofing products, tiling products and flooring and others products. As at the Latest Practicable Date, we obtained distributorship of nine brands covering more than 400 building protection products, which were sourced from Independent Third Party manufacturers or brand owners from Germany, Switzerland and the United States. Since 2011, we have also supplied our own-brand “DP ChemTech” and “DP” building protection products, sourced from selected Independent Third Party suppliers from jurisdictions such as PRC, Taiwan and Singapore. The extensive brand portfolio of our building protection products enables us to maintain our position as a provider of building protection products in Hong Kong and Macau. It also gives us a greater flexibility in selecting suitable building protection products for undertaking building protection works in different buildings and developments. The wide range of building protection products we offer also enables us and our customers to meet the different product specifications and requirements in the building protection works projects. Most of the brand owners have cooperated with our Group for approximately six years to 17 years as at the Latest Practicable Date. Our established business relationship with these brand owners also enables us to have a steady supply of building protection products for our building protection works projects or onward sale to other contractors in Hong Kong and Macau. Attributed to our track record in providing quality building protection solutions and our knowledge in the industry, we have established long-term business relationship with brand owners of building protection products. Our Directors believe that our Group and these brand owners have established mutual trust and confidence throughout long years of cooperation, and thus enable our Group to obtain favourable terms in the negotiation of distribution agreements.

During the Track Record Period, we delegated all labour-intensive building protection works to our approved subcontractors and undertook the most integral part of building protection works projects, including the overall project management and planning, engaging and supervising subcontractors, selection and procurement of suitable building protection products and quality control of the building protection works etc. As at the Latest Practicable Date, we had over 60 subcontractors on our approved list. By maintaining a pool of approved subcontractors who are able to deliver quality building protection works, we can focus on the overall project management, quality assurance and expansion of the portfolio of our building protection products.

We have a dedicated management team with extensive industry experience.

We are led by an experienced and dedicated management team, which has strong technical expertise and substantial experience in, and in-depth knowledge of, the building protection industry in Hong Kong and Macau. Our relevant senior management team members generally have over 20 years of experience in the building protection industry or construction industry. In particular, Mr. Lam, the founder of our Group who is also one of our executive Directors, has more than 30 years of experience in the building protection works and products markets in Hong Kong. Please refer to the section headed "Directors and Senior Management" for more information on the experience and qualifications of our executive Directors and members of our senior management.

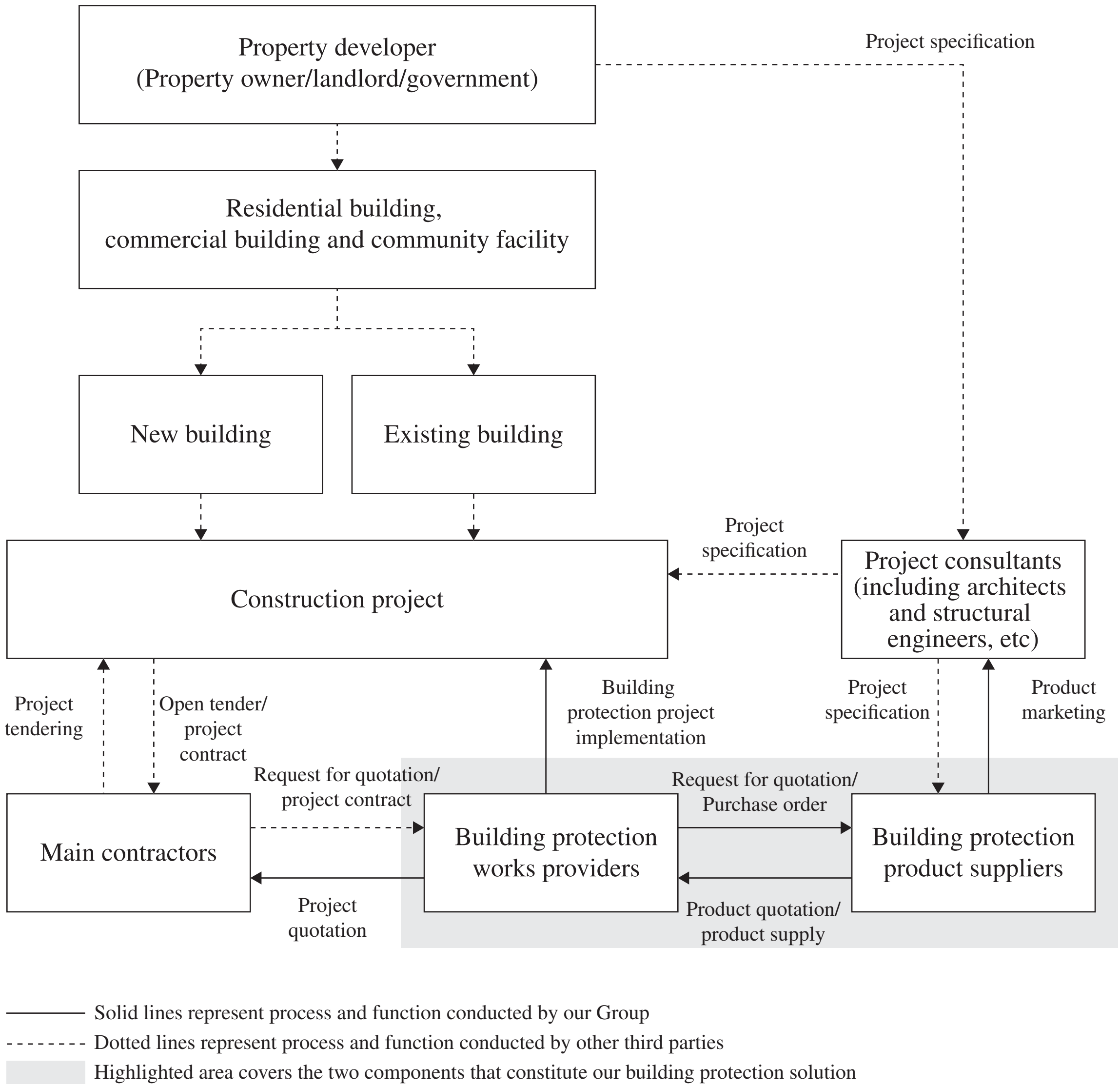
Our projects are generally managed by our experienced project managers. As at the Latest Practicable Date, we had four project managers overseeing our projects and they have an average of approximately 16 years of experience in project management. We believe that our management team's extensive industry experience and knowledge will enable us to formulate competitive quotations, manage and implement our projects effectively, and control the costs of our projects. In addition, our management team's industry insight and strategic vision will allow us to develop sustainable business strategies and seize market opportunities, thereby strengthening our presence in the provision of building protection works.

Our Group also benefits from the substantial experience of Mr. Lam, our executive Director, and our senior management team, who have good understanding of product specifications and properties of each kind of building protection products under different brands, as well as requirements of project owners' and together select suitable building protection products for our customers for their building protection work projects in Hong Kong and Macau. For further background information on Mr. Lam and our senior management team, please refer to the section headed "Directors and Senior Management" in this prospectus. Our Directors consider that the industry experience and knowledge of our management team in the building protection works and products markets in Hong Kong and Macau make us well-positioned to capture future business opportunities in the sales of building protection products.

OUR BUSINESS

Our synergistic business model is premised on the integration of (i) provision of building protection works in Hong Kong with the building protection products sourced and procured by us; and (ii) the sourcing and supplying of various kinds of building protection products to third party contractors and subcontractors in Hong Kong and Macau.

The following diagram summarises the business model of our building protection solution:-



Our Directors believe that our dual capacity as both the building protection works provider and building protection product supplier is conducive to giving the necessary leverage to reinforce the growth of each other in the building protection market in Hong Kong. Our provision of building protection works and our distribution and supply of building protection products are also interdependent of each other. For details of the synergistic effects created by the integration of the two components of our building protection solution, please refer to the paragraph headed "Competitive strengths — We have a synergistic business model integrating the provision of building protection works and the supply of building protection products, which complement each other" in this section above.

(A) Our Building Protection Works

Building protection works generally involve the selection and use of appropriate building protection products in a building for water, thermal, acoustic and/or fire protection. We provided building protection works with a focus on waterproofing works primarily as a building protection works provider directly engaged by the main contractor of a project. The scope of our works differs in different projects, depending on various factors such as the requirements of individual customers, geographic location of the relevant site, and the type of properties or structures involved. As a building protection works provider, we are responsible for the overall management, implementation and supervision of our projects, selection and procurement of building protection products, coordination with customers or their consultants, environmental safety and quality control.

During the Track Record Period, we engaged subcontractors to provide labour force to undertake the labour-intensive works in all our building protection works projects, including the application of building protection products to areas of the properties covered in our scope of engagement and conducting various tests. We would also engage independent contractors to prepare relevant test reports on the building protection works rendered.

During the Track Record Period, we undertook various kinds of building protection works which were broadly categorised as: (i) waterproofing works; (ii) flooring works; and (iii) joint sealant works for both new buildings under construction and existing buildings under refurbishment or renovation, with the building protection products sourced and procured by us.

(i) Waterproofing works

During the Track Record Period, a majority of our revenue was derived from the provision of waterproofing works, which accounted for over 80% of our revenue from building protection works for FY2018, FY2019 and FP2019. Our waterproofing works refer to the application of appropriate waterproofing materials on areas such as the basement, interior, exterior and roof of a building to prevent water seepage, which is premised on individual customers' requirements and needs. Our waterproofing works would generally protect structural components, buildings and installations from the harmful effect of water and chemically corrosive fluids, prevent water ingress so as to keep the building more durable as water ingress will corrode both the structure and the fittings inside the buildings and weaken the structure of the building. Furthermore, water ingress also causes the formation of mould and creates risks to the buildings and human health.

(ii) Flooring works

Our flooring works comprise floor hardening and coating works, which generally refer to the use of surface hardening compound onto the concrete floor of a premises to provide hard wearing and abrasion resistant properties to the surface of the concrete floor.

(iii) Joint sealant works

For new building projects, joint sealant works refer to the application of joint sealants to fill the joints between two or more substrates, and expansion joints. For projects taken place in existing buildings, it generally involves the removal of existing joint sealant and replacement with a specified joint sealant.

Our Project

During the Track Record Period and up to the Latest Practicable Date, we had taken up 287 building protection works projects in Hong Kong with the building protection products sourced and procured by us with a total original contract value of approximately HK$657.5 million. The original contract sums of these projects undertaken by us ranged from (i) approximately HK$6,000 to approximately HK$19.5 million for FY2018; (ii) approximately HK$6,000 to approximately HK$28.7 million for FY2019; and (iii) approximately HK$3,000 to approximately HK$28.7 million for FP2019. Further, out of these 287 building protection works projects, 56, 28, five and one projects were completed in FY2018, FY2019, FP2019 and the period after the Track Record Period and up to the Latest Practicable Date, respectively.

Projects by type of buildings during the Track Record Period

We provide building protection works to new buildings in a construction project and existing buildings under refurbishment or renovation. The following table sets forth a breakdown of our revenue generated from provision of building protection works by type of buildings during the Track Record Period:

Projects	**FY2018**		**FY2019**		**FP2019**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
New buildings in a construction project	67,867	88.9	96,042	90.3	61,384	97.4
Existing buildings under refurbishment/ renovation	8,450	11.1	10,330	9.7	1,632	2.6
	76,317	100.0	106,372	100.0	63,016	100.0

New buildings in a construction project

We provide building protection works to construction projects when the new buildings are under construction on a project basis. These new buildings generally require (i) the application of waterproofing products mainly in the interior, exterior, roof and basement of the buildings to protect it from water ingress which will corrode and weaken the structure and strength parameters of the building; (ii) the application of flooring and other products on the concrete floor inside the premises, to harden the surface of the concrete floor and make it more durable and abrasion resistant than plain concrete floor; and (iii) the application of joint sealants to fill the joints between two substrates and expansion joints.

For FY2018, FY2019 and FP2019, the revenue generated from our new building projects amounted to approximately HK$67.9 million, HK$96.0 million and HK$61.4 million, respectively.

Existing buildings under refurbishment or renovation

Existing buildings also need our building protection works as the applied waterproofing materials, floor hardener and coating and/or joint sealants in aged buildings which are likely already worn out overtime, and usually need to be upgraded or replaced by RMAA (renovation, maintenance, alteration and addition) works and/or fitting-out works carried out in the existing buildings. Increased awareness of the adverse effects of water ingress, such as formation of mould or other organic materials which would cause harm to human health, also leads to demand of building protection works on existing buildings.

For FY2018, FY2019 and FP2019, the revenue generated from our existing building protection works projects amounted to approximately HK$8.5 million, HK$10.3 million and HK$1.6 million, respectively.

Projects by sector during the Track Record Period

During the Track Record Period, we provided building protection works for various types of buildings in both public sector (including projects of which their ultimate employer(s) are government departments and statutory bodies) and private sector (including projects of which their ultimate employer(s) are property developer(s) and land owner(s)). The following table sets forth a breakdown of our revenue during the Track Record Period attributable to our building protection works projects by reference to the nature of the projects:

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (*Unaudited*)	*%*	*HK$'000*	*%*
Private sector								
Residential buildings	27,638	36.2	33,522	31.5	11,987	28.0	19,592	31.1
Commercial buildings *(Note 1)*	30,203	39.6	38,321	36.0	17,811	41.7	18,798	29.8
Community facilities *(Note 2)*	9,325	12.2	9,795	9.2	4,453	10.4	2,269	3.6
Subtotal	67,166	88.0	81,638	76.7	34,251	80.1	40,659	64.5
Public sector								
Residential buildings	4,477	5.9	6,674	6.3	1,845	4.3	6,651	10.6
Commercial buildings *(Note 1)*	699	0.9	8,710	8.2	3,870	9.1	7,613	12.1
Community facilities *(Note 2)*	3,975	5.2	9,350	8.8	2,777	6.5	8,093	12.8
Subtotal	9,151	12.0	24,734	23.3	8,492	19.9	22,357	35.5
Total revenue from the provision of building protection works	76,317	100.0	106,372	100.0	42,743	100.0	63,016	100.0

Notes:

1. Commercial buildings include properties for commercial and industrial purposes.
2. Community facilities include hospital, police office and other community facilities.

Private sector projects

Our building protection works projects for private sector primarily comprise residential properties, commercial premises, industrial buildings and community facilities such as private hospitals which are owned by private owners.

Public sector projects

Our building protection works projects for public sector primarily comprise government buildings and community facilities such as swimming pools and public hospitals which are owned by the government or statutory bodies. It also includes projects from the Hong Kong Housing Authority, which comprises projects for the construction of flats under the Home Ownership Scheme and public housing flats.

Projects completed during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, we had taken up 287 building protection works projects in Hong Kong, of which 56, 28, five and one building protection works projects had been completed for FY2018, FY2019, FP2019 and the period after the Track Record Period and up to the Latest Practicable Date, respectively and the total original contract value of these completed projects amounted to approximately HK$143.8 million. Among these completed projects, 28 projects were each with an original contract value of more than HK$2.0 million, and one of which had an original contract value of over HK$10.0 million. The table below sets forth details of our projects completed during the Track Record Period and up to the Latest Practicable Date with an individual original contract sum of not less than HK$5.0 million.

No.	Particulars and location	Type of development	Type of service(s) provided	Commencement date *(Note 1)*	Completion date *(Note 2)*	Original contract sum *(Note 3)*	Total revenue recognised during the Track Record Period	Total revenue recognised after the Track Record Period and up to the Latest Practicable Date
						(approximately HK$ million)	*(approximately HK$ million)*	*(approximately HK$ million)*
1.	Redevelopment of Fire Services Training School at Tseung Kwan O, Hong Kong	Community facilities	Waterproofing works	July 2014	December 2017	7.5	0.3	—
2.	Residential development at Kau To, Sha Tin, Hong Kong	Residential building	Waterproofing works	January 2016	March 2019	8.0	1.6	—
3.	Alternations and additions works at Central	Commercial building	Waterproofing works and flooring works	May 2010	April 2017	10.6	—	—

No.	Particulars and location	Type of development	Type of service(s) provided	Commencement date *(Note 1)*	Completion date *(Note 2)*	Original contract sum *(Note 3)*	Total revenue recognised during the Track Record Period	Total revenue recognised after the Track Record Period and up to the Latest Practicable Date
						(approximately HK$ million)	*(approximately HK$ million)*	*(approximately HK$ million)*
4.	New campus development at Tuen Mun, New Territories	Community facility	Waterproofing works	April 2016	October 2016	5.5	0.1	—
5.	Private hospital development at Aberdeen, Hong Kong	Community facility	Waterproofing works	December 2014	November 2017	8.4	0.4	—
6.	Residential development at Kai Tak, Kowloon	Residential building	Waterproofing works	June 2016	September 2018	5.6	0.6	—
7.	Proposed development of hospital at Aberdeen, Hong Kong	Community facility	Waterproofing works	August 2015	April 2019	9.2	0.2	—

Notes:

1. Unless otherwise specified, this refers to the date of (i) the letter of intent or the letter of acceptance issued by our customers or (ii) the date of contract we entered into with our customer, whichever is the earlier.
2. Unless otherwise specified, this refers to the date of the final account issued by our customers.
3. The original contract sum refers to the contract sum stated in the original contract, and does not reflect any adjustments made due to variation orders (if any) or adjustments in contract sum after the award of contract. For the contracts that commenced before the Track Record Period, part of the contract sum might have been recognised as revenue before the Track Record Period.

Projects by original contract sum during the Track Record Period

During the Track Record Period, we had 132, 130 and 88 building protection works projects contributing to our revenue, respectively. Set out below is the breakdown of these projects based on their original contract sum during the Track Record Period: -

Original contract sum	FY2018	FY2019	FP2019
HK$5,000,000 or above	24	25	22
HK$1,000,000 to below HK$5,000,000	41	34	24
Below HK$1,000,000	67	71	42
	132	130	88

Projects in progress as at the Latest Practicable Date

As at the Latest Practicable Date, our Group had 197 on-going building protection works projects with an outstanding contract value of approximately HK$208.7 million. Based on our management's estimation taking into account the progress of the projects and their respective timetable, the revenue expected to be derived from these on-going projects after the Latest Practicable Date amount to approximately HK$208.7 million, of which approximately HK$5.2 million, HK$104.0 million, HK$71.8 million, HK$21.3 million and HK$6.4 million is expected to be recognised for the period from the Latest Practicable Date to 31 March 2020 and for each of the four years ending 31 March 2024, respectively. The table below sets forth the details of our on-going projects with an original contract value exceeding HK$5.0 million, as at the Latest Practicable Date:

No.	Particulars and location	Type of development	Type of service(s) provided	Commencement date *(Note 1)*	Estimated completion date *(Note 2)*	Original contract sum *(Note 3)*	Revenue recognised before the Track Record Period	Revenue recognised during the Track Record Period	Revenue recognised after the Track Record Period and up to the Latest Practicable Date	Estimated revenue to be recognised after the Latest Practicable Date *(Note 4)*
						(approximately HK$ million)	*(approximately HK$ million)*	*(approximately HK$ million)*	*(approximately HK$ million)*	*(approximate HK$ million)*
7.	Property development at Tsuen Wan	Residential building	Waterproofing works	August 2015	Q2 2020	11.7	4.8	4.1	0.04	3.1
8.	Museum development project at West Kowloon Cultural District	Community facility	Waterproofing works	October 2015	Q3 2021	12.3	7.1	6.0	0.8	—
9.	Hotel development at Sai Kung, Hong Kong	Commercial building	Waterproofing works	March 2016	Q3 2020	10.8	3.5	12.3	0.5	0.5
10.	Proposed composite development at Ma Tau Kok, Kowloon	Residential building	Waterproofing works	March 2016	Q2 2021	6.6	3.5	2.6	0.03	0.8
11.	Residential development at Kai Tak, Kowloon	Residential building	Waterproofing works	May 2016	Q2 2021	13.4	0.02	9.1	0.02	5.1
12.	Construction of medical centre at Kai Tak, Kowloon	Community facility	Waterproofing works	June 2016	Q2 2020	5.2	4.4	0.8	—	— *(Note 5)*

No.	Particulars and location	Type of development	Type of service(s) provided	Commencement date *(Note 1)*	Estimated completion date *(Note 2)*	Original contract sum *(Note 3)*	Revenue recognised before the Track Record Period	Revenue recognised during the Track Record Period	Revenue recognised after the Track Record Period and up to the Latest Practicable Date	Estimated revenue to be recognised after the Latest Practicable Date *(Note 4)*
						(approximately HK$ million)	*(approximately HK$ million)*	*(approximately HK$ million)*	*(approximately HK$ million)*	*(approximate HK$ million)*
13.	Development of a hotel at a waterpark in Hong Kong	Commercial building	Waterproofing works	May 2016	Q3 2020	12.3	8.3	4.0	—	— *(Note 5)*
14.	Office development at Wong Chuk Hang, Hong Kong	Commercial building	Waterproofing works	October 2016	Q2 2021	5.3	2.1	0.9	0.2	2.2
15.	Residential development at Shatin, New Territories	Residential building	Waterproofing works	January 2017	Q4 2020	9.9	—	2.2	0.04	7.7
16.	Construction of sports centre, community hall and football pitches at Tai Po, New Territories	Community facility	Waterproofing works	June 2017	Q2 2021	19.5	—	6.6	4.0	8.8
17.	Development of a medical centre at Shau Kei Wan, Hong Kong	Community facility	Waterproofing works	March 2017	Q3 2021	7.6	—	8.3	0.009	—
18.	Proposed science park expansion at Pak Shek Kok, New Territories	Commercial building	Waterproofing works	July 2017	Q4 2020	5.9	—	7.5	—	— *(Note 5)*
19.	Residential redevelopment at Mid-levels, Hong Kong	Residential building	Waterproofing works	December 2017	Q2 2021	8.2	—	7.1	0.03	1.0
20.	Proposed hotel development at Tung Chung, New Territories	Commercial building	Waterproofing works	January 2018	Q4 2020	9.3	—	11.6	0.04	0.0005
21.	Proposed residential redevelopment at the Peak, Hong Kong	Residential building	Waterproofing works	January 2018	Q2 2020	7.2	—	5.4	1.4	0.4

No.	Particulars and location	Type of development	Type of service(s) provided	Commencement date *(Note 1)*	Estimated completion date *(Note 2)*	Original contract sum *(Note 3)*	Revenue recognised before the Track Record Period	Revenue recognised during the Track Record Period	Revenue recognised after the Track Record Period and up to the Latest Practicable Date	Estimated revenue to be recognised after the Latest Practicable Date *(Note 4)*
						(approximately HK$ million)	*(approximately HK$ million)*	*(approximately HK$ million)*	*(approximately HK$ million)*	*(approximate HK$ million)*
22.	Proposed public rental housing development at Diamond Hill, Kowloon	Residential building	Waterproofing works	March 2018	Q4 2020	16.1	—	4.8	1.6	9.7
23.	Proposed construction of residential development at Tseung Kwan O, New Territories	Residential building	Waterproofing works	October 2017	Q1 2021	5.7	—	3.1	2.3	2.8
24.	Commercial development at Tung Chung, New Territories	Commercial building	Waterproofing works	March 2017	Q4 2020	11.6	0.03	11.6	—	— *(Note 5)*
25.	Public housing development at Tung Chung, New Territories	Residential building	Waterproofing works	January 2014	Q1 2020	7.4	5.7	1.9	—	— *(Note 5)*
26.	Development of science park at Tseung Kwan O, New Territories	Commercial building	Waterproofing works	June 2018	Q1 2021	10.7	—	5.5	3.0	2.2
27.	Public housing development at Fanling, New Territories	Residential building	Waterproofing works	August 2018	Q2 2021	6.4	—	0.5	2.3	3.6
28.	Proposed construction of cultural centre at Kowloon Bay, Kowloon	Community facility	Waterproofing works	February 2019	Q4 2022	7.3	—	2.7	1.0	3.6
29.	Proposed development of data center at Kwai Chung, New Territories	Commercial building	Waterproofing works	October 2018	Q2 2023	5.2	—	5.8	1.8	—

No.	Particulars and location	Type of development	Type of service(s) provided	Commencement date *(Note 1)*	Estimated completion date *(Note 2)*	Original contract sum *(Note 3)*	Revenue recognised before the Track Record Period	Revenue recognised during the Track Record Period	Revenue recognised after the Track Record Period and up to the Latest Practicable Date	Estimated revenue to be recognised after the Latest Practicable Date *(Note 4)*
						(approximately HK$ million)	*(approximately HK$ million)*	*(approximately HK$ million)*	*(approximately HK$ million)*	*(approximate HK$ million)*
30.	Proposed residential development at Shouson Hill, Hong Kong	Residential building	Waterproofing works	April 2018	Q2 2022	28.7	—	11.6	6.8	10.5
31.	Development of a commercial building at Quarry Bay, Hong Kong	Commercial building	Waterproofing work	April 2019	Q1 2021	10.1	—	6.1	1.5	2.7
32.	Construction of public rental housing at Tuen Mun, New Territories	Residential Building	Waterproofing works	August 2019	Q3 2021	5.4	—	0.01	0.4	5.1
33.	Public rental housing development At North West Kowloon Reclamation	Residential Building	Waterproofing works	September 2019	Q4 2021	5.4	—	—	0.09	5.3
34.	Proposed redevelopment of a commercial building at Kowloon Bay, Kowloon	Commercial building	Waterproofing works	September 2019	Q4 2022	7.1	—	—	—	7.1
35.	Proposed Commercial Development at Kai Tak, Kowloon	Commercial building	Waterproofing works	October 2019	Q1 2023	18.3	—	—	0.6	17.7
36.	Design, construction and operation of the basement tanking of a sports park in Kai Tak, Kowloon	Community facilities	Waterproofing works	November 2019	Q1 2022	16.0	—	—	0.0003	16.0
37.	Proposed construction of a theater complex at West Kowloon Cultural District, Kowloon	Community facilities	Waterproofing works	December 2019	Q4 2020	26.2	—	—	0.9	25.2

No.	Particulars and location	Type of development	Type of service(s) provided	Commencement date *(Note 1)*	Estimated completion date *(Note 2)*	Original contract sum *(Note 3)*	Revenue recognised before the Track Record Period	Revenue recognised during the Track Record Period	Revenue recognised after the Track Record Period and up to the Latest Practicable Date	Estimated revenue to be recognised after the Latest Practicable Date *(Note 4)*
						(approximately HK$ million)	*(approximately HK$ million)*	*(approximately HK$ million)*	*(approximately HK$ million)*	*(approximate HK$ million)*
38.	Project of a commercial building at Quarry Bay, Hong Kong	Commercial building	Waterproofing works	February 2020	Q3 2021	13.1	—	—	—	13.1

Notes:

1. Unless otherwise specified, this refers to the date of the (i) letter of intent or letter of award issued to us by our customer or (ii) the date of contract we entered into with our customer, whichever is the earlier.

2. Unless otherwise specified, the estimated completion date refer to the date which is based on our Directors' best estimation and is subject to change depending on the status and progress of the project and the terms of the contract.

3. The original contract sum refers to the contract sum stated in the original contract, and does not reflect any adjustments made due to variation orders (if any) or adjustments in contract sum after the award of contract. For the contracts that commenced before the Track Record Period, part of the contract sum might have been recognised as revenue before the Track Record Period. As a result, the total sum of actual revenue recognised during the Track Record Period and up to the Latest Practicable Date and the expected revenue to be recognised thereafter may exceed or be less than the original contract sum stated herein.

4. The amount of revenue to be recognised after the Latest Practicable Date is based on our Directors' best estimation, and is subject to change depending on the status and progress of the project and the terms of the contract.

5. Our final accounts of these projects are pending for certification from the relevant main contractors, resulting in a prolonged completion date subsequent to Track Record Period. However, based on input method (i.e. based on the proportion that costs incurred for work performed by our Group to date relative to the estimated total costs in measuring the percentage of completion for the revenue recognised during each of the reporting period), our expected revenue from these projects under their respective contracts were already fully recognised as we had incurred all the relevant cost and completed the work required before and during the Track Record Period. For further details on the basis of revenue recognition of our Group, please refer to the paragraph headed "Financial Information — Significant accounting policies and key sources of estimation certainty — Revenue recognition" in this prospectus.

Number of completed projects and ongoing projects by range of original contract sum during each year/period of the Track Record Period

The following is the breakdown of the number of completed projects and ongoing projects by range of original contract sum during each year/period of the Track Record Period:

Original contract sum	FY2018	FY2019	FP2019
For completed projects			
HK$5,000,000 or above	4	2	1
HK$1,000,000 to below HK$5,000,000	18	8	—
Below HK$1,000,000	34	18	4
Sub-total	56	28	5
For ongoing projects			
HK$5,000,000 or above	22	25	28
HK$1,000,000 to below HK$5,000,000	35	40	50
Below HK$1,000,000	47	70	90
Sub-total	104	135	168
Total	**160**	**163**	**173**

Number of completed projects and on-going projects by the range of amount of recognised revenue during each year/period of the Track Record Period

The following is the breakdown of the number of completed projects and ongoing projects by the range of amount of recognised revenue during each year/period of the Track Record Period: -

The amount of recognised revenue	FY2018	FY2019	FP2019
For completed projects			
HK$1,000,000 or above	1	1	—
HK$100,000 to below HK$1,000,000	12	4	—
Below HK$100,000	43	23	5
Sub-total	56	28	5
For ongoing projects			
HK$1,000,000 or above	18	31	18
HK$100,000 to below HK$1,000,000	46	46	36
Below HK$100,000	40	58	114
Sub-total	104	135	168
Total	**160**	**163**	**173**

Number of completed projects and ongoing projects by the range of duration of projects during each year/period the Track Record Period

The following is the breakdown of the completed projects and ongoing projects by the range of duration of projects during each year/period of the Track Record Period:

Duration (*Note*)	**FY2018**	**FY2019**	**FP2019**
For completed projects			
3 years or above	17	5	1
1 year to below 3 years	22	15	2
Below 1 year	17	8	2
Sub-total	56	28	5
For ongoing projects			
3 years or above	64	76	82
1 year to below 3 years	35	57	86
Below 1 year	5	2	—
Sub-total	104	135	168
Total	**160**	**163**	**173**

Note: The duration is the period between the commencement date (i.e. the date of the (i) letter of intent or letter of award issued to us by our customer or (ii) the date of contract we entered into with our customer, whichever is the earlier) and the actual or estimated completion date, based on our Directors' best estimation and is subject to change depending on the status and progress of the project and the terms of the contract.

Movement of our backlog

The following table sets forth the movement in the outstanding contract value of projects by nature of the building protection works in our backlog during the Track Record Period and up to the Latest Practicable Date:

	FY2018	FY2019	FP2019	From 1 October 2019 to the Latest Practicable Date
	Approximately HK$'000	*Approximately HK$'000*	*Approximately HK$'000*	*Approximately HK$'000*
BY NATURE OF BUILDING PROTECTION WORKS				
Waterproofing works				
Outstanding contract value of projects in our opening backlog	81,094	139,599	156,249	159,193
Add: Value of new projects awarded and relevant variation orders in the financial year/period	123,056	110,343	58,438	83,306
Less: Revenue recognised in the financial year/period	(64,551)	(93,693)	(55,494)	(49,257)
Outstanding contract value of projects in our closing backlog	139,599	156,249	159,193	193,242
Flooring works				
Outstanding contract value of projects in our opening backlog	2,139	5,325	5,770	6,325
Add: Value of new projects awarded and relevant variation orders in the financial year/period	7,731	7,749	4,153	5,942
Less: Revenue recognised in the financial year/period	(4,545)	(7,304)	(3,598)	(3,908)
Outstanding contract value of projects in our closing backlog	5,325	5,770	6,325	8,359
Joint sealant works				
Outstanding contract value of projects in our opening backlog	7,538	9,085	10,039	6,473
Add: Value of new projects awarded and relevant variation orders in the financial year/period	8,768	6,329	358	2,880
Less: Revenue recognised in the financial year/period	(7,221)	(5,375)	(3,924)	(2,286)
Outstanding contract value of projects in our closing backlog	9,085	10,039	6,473	7,067

The following table sets forth the movement in number of projects in our backlog during the Track Record Period and up to the Latest Practicable Date:

	FY2018	FY2019	FP2019	From 1 October 2019 up to the Latest Practicable Date
	Number of projects	*Number of projects*	*Number of projects*	*Number of projects*
BY NATURE OF BUILDING PROTECTION WORKS				
Waterproofing works				
Outstanding number of projects in our opening backlog	69	70	88	114
Add: Number of projects awarded to us	33	37	29	17
Less: Number of projects completed	(32)	(19)	(3)	(1)
Outstanding number of projects in our closing backlog	70	88	114	130
Flooring works				
Outstanding number of projects in our opening backlog	9	7	9	14
Add: Number of projects awarded to us	7	5	5	4
Less: Number of projects completed	(9)	(3)	—	—
Outstanding number of projects in our closing backlog	7	9	14	18
Joint sealant works				
Outstanding number of projects in our opening backlog	26	27	38	40
Add: Number of projects awarded to us	16	17	4	9
Less: Number of projects completed	(15)	(6)	(2)	—
Outstanding number of projects in our closing backlog	27	38	40	49

During the Track Record Period, our Group encountered fluctuations on the number of projects awarded and the contract value of newly awarded projects. For instance, our Group secured a number of sizeable projects in FY2018, including two projects with a contract sum exceeding HK$15.0 million each, which have contributed to the relatively higher contract value of newly awarded projects in 2018. Further, our Directors are of the view that while we had submitted quotations for building protection work projects of different types and sizes throughout the Track Record Period, our decisions to bid for these projects are restrained by our then available financial resources and manpower; and the timeline of approval of these quotations is subject to the discretion of the relevant main contractors and other external factors. The value of newly awarded projects and variation orders in each year/period during the Track Record Period might therefore vary depending on (i) the number, size and type of projects bid by our Group during the year/period which are limited by our available resources; and (ii) the length of time required by the main contractor to approve the quotations submitted by our Group. For example, from our experience, due to the scope and complexity of the Kai Tak Project, the relevant main contractor had been engaged in discussion and negotiation with us about the particulars of the project with us since our submission of the preliminary quotation in February 2018, before awarding part of the project to us in November 2019. For further details of the Kai Tak Project, please refer to the paragraphs headed "Business Objective, Future Plans and Use of Proceeds — Our secured pipeline projects, unsecured pipeline projects and potential projects" in this prospectus.

Our Directors consider that there is sufficient demand for our building protection works and products for the following reasons:

(i) according to Frost & Sullivan, the building protection work market and building protection product market in Hong Kong are expected to grow at a CAGR of approximately 4.4% and 4.2%, respectively between 2019 and 2023. Being one of the top five building protection work providers in the building protection work market in Hong Kong, our Directors believe that the demand for our building protection works and products will ride along with the industry growth;

(ii) there were a stable increase in the total outstanding contract value and number of projects in our Group's closing backlog and a stable increase in revenue and gross profit derived from the provision of building protection works during the Track Record Period (for further details, please refer to the paragraph headed "Financial Information — Discussion and analysis of financial performance of our Group — Gross profit and gross profit margin" in this prospectus). The increases signified our business growth and the increasing demand for our building protection works and products during the Track Record Period; and

(iii) during the period after FP2019 and up to the Latest Practicable Date, our Group had successfully secured a number of new projects, including four sizeable building protection work projects with original contract sum of approximately HK$13.1 million, HK$16.0 million, HK$18.3 million, and HK$26.2 million, respectively.

Revenue breakdown by type of contracts

Our Group's building protection works contracts can be divided into two types, namely, lump sum fixed price contract and remeasurement contract. For the lump sum fixed price contract, the contract sum is fixed and determined upon signing of the contract. For the remeasurement contract, the final contract sum is subject to remeasurement of the works done, with schedules of rates that are based on the agreed unit rates and the estimated quantity of each item to be consumed in the project being fixed and determined upon signing of the contract. Our Group will be paid based on the actual amount of works done in the project, which normally will be measured by our customers upon completion of the works. The following table shows the revenue breakdown by these two types of contracts of our building protection works during the Track Record Period:

	FY2018		FY2019		FP2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Lump sum fixed price contracts	2,715	3.6	11,403	10.7	1,758	2.8
Remeasurement contracts	73,602	96.4	94,969	89.3	61,258	97.2
	76,317	100.0	106,372	100.0	63,016	100.0

Our revenue generated from remeasurement contracts amounted to approximately HK$73.6 million for FY2018, HK$95.0 million for FY2019 and HK$61.3 million for FP2019, representing approximately 96.4%, 89.3% and 97.2% of our revenue generated from provision of building protection works for the respective years/period. Our revenue generated from lump sum fixed price contracts amounted to approximately HK$2.7 million for FY2018, HK$11.4 million for FY2019 and HK$1.8 million for FP2019, representing approximately 3.6%, 10.7% and 2.8% of our revenue generated from provision of building protection works for the respective years/period. The significant increase in the revenue generated from lump sum fixed price contracts from FY2018 to FY2019 was mainly attributable to the revenue derived from the substantial waterproofing works we provided for a hotel project in Tung Chung. The significant decrease in the revenue generated from lump sum fixed price contracts during FP2019 was mainly attributable to less amount of waterproofing works that was provided for a hotel project in Tung Chung thereof.

Regardless of whether the contract is a lump sum fixed price contract or a remeasurement contract, we are generally entitled to claim extra payments when there are variation orders from our customers. The following table sets forth the breakdown of revenue derived from the original contract sum and variation orders with respect to our building protection works:

	FY2018		FY2019		FP2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Original contract sum	69,502	91.1	97,858	92.0	59,087	93.8
Variation orders	6,815	8.9	8,514	8.0	3,929	6.2
	76,317	100.0	106,372	100.0	63,016	100.0

Our revenue generated from original contracts amounted to approximately HK$69.5 million for FY2018, HK$97.9 million for FY2019 and HK$59.1 million for FP2019, representing approximately 91.1%, 92.0% and 93.8% of our revenue generated from provision of building protection works for the respective years/period. Our revenue generated from variation orders amounted to approximately HK$6.8 million for FY2018, HK$8.5 million for FY2019 and HK$3.9 million for FP2019, representing approximately 8.9%, 8.0% and 6.2% of our revenue generated from provision of building protection works for the respective years/period. Such increase in our revenue during FY2019 was mainly attributable to the revenue derived from the substantial building protection works we provided for projects with relatively higher contract sum as depicted under the paragraphs "Revenue by nature of building protection works" and "Revenue by sectors" of "Financial Information" section to this prospectus.

(B) Our supply of building protection products

Our Building Protection Products

Our building protection products refer to products where the application of which on building substrates will achieve one or more of the effects including waterproofing, floor hardening, UV resistant, fire proofing, thermal proofing, skid resistant and stain resistant effects, or any other products that are conducive to achieving these effects.

Under our integrated building protection solutions, we sourced and procured building protection products in carrying out our own building protection works in Hong Kong, as well as supplied and distributed building protection products to other subcontractors in Hong Kong and Macau. Our Directors considered that the supply of building protection products is beneficial to our overall business for the following reasons:

(i) According to the Frost & Sullivan Report, the size of the building protection works market in Hong Kong amounted to approximately HK$3,644.9 million in 2019. The building protection works market is relatively fragmented, with the top five market players, which we ranked the second in the market, together accounted for only approximately 10.9% of market share in terms of revenue in FY2019. In this connection, by supplying building protection products to other subcontractors, it would allow us to generate revenue, and hence capture additional market share, from building protection works projects even if we were not selected, or had no resources and manpower, to provide the relevant building protection works.

(ii) Being the distributor for nine third-party brands and our own-brand "DP ChemTech" and "DP" building protection products, our Directors believe that the supply of building protection products would reinforce the market recognition and awareness of our Group, which in turn increase the odds of prospective customers seeking quotation from us for undertaking building protection works.

During the Track Record Period, we sourced and offered over 400 building protection products in nine brands to customers in Hong Kong and Macau from Independent Third Party brand owners and manufacturers from Germany, Switzerland and the United States. We also supplied our own-brand building protection products, sourced from selected Independent Third Party suppliers from jurisdictions such as the PRC, Taiwan and Singapore.

Our building protection products can be broadly categorized into the following types:

(i) *Waterproofing products*: Waterproofing products refer to a series of materials used in building protection works projects to protect structural components, buildings, and installations from the harmful effects of water and chemically corrosive fluids, such as acids and alkalis.

(ii) *Tiling products*: Tiling products include adhesive, levelling and repairing materials on uneven wall and floor surfaces before laying tiles/stones.

(iii) *Flooring and other products*: Our flooring and other products mainly refer to floor hardening and coating materials, which is used for surface hardening, aesthetic purpose and protection of concrete.

The following table sets forth the major categories of building protection products sourced and supplied by us during the Track Record period:

Categories	Major brands	Major products of the major brands distributed *(Note 1)*	Product photos	Minimum and maximum selling price per unit of the relevant category of building protection products					
				FY2018		FY2019		FP2019	
				Min HK$ (Approximately)	*Max HK$ (Approximately)*	*Min HK$ (Approximately)*	*Max HK$ (Approximately)*	*Min HK$ (Approximately)*	*Max HK$ (Approximately)*
Waterproofing products	(i) BASF;	(i) BASF Masterseal M800 Part A (Germany Origin);		15,200	26,900	15,200	30,500	15,200	48,400
	(ii) DP/DP ChemTech;	(ii) DP Polyurea 3000-Part A;		14,500	15,800	15,100	22,000	15,100	22,000
	(iii) Tremco	(iii) Tremco Vulkem 201 (L)		600	1,200	600	1,900	600	900

Categories	Major brands	Major products of the major brands distributed *(Note 1)*	Product photos	Minimum and maximum selling price per unit of the relevant category of building protection products					
				FY2018		FY2019		FP2019	
				Min HK$ (Approximately)	*Max HK$ (Approximately)*	*Min HK$ (Approximately)*	*Max HK$ (Approximately)*	*Min HK$ (Approximately)*	*Max HK$ (Approximately)*
Tiling products	(i) PCI;	(i) PCI Nanolight Gris 15kg;		200	400	200	400	200	500
	(ii) remmers;	(ii) remmers Epoxy FAS 100;		2,700	6,400	3,400	6,400	6,900	7,700
	(iii) Tremco	(iii) Tremco Vulkem 346		2,000	2,900	2,000	3,500	2,000	2,000
Flooring and other products	(i) BASF;	(i) BASF Mastertop 100		100	200	100	200	n/a *(Note 2)*	n/a *(Note 2)*

Notes:

1. This refers to the best selling product of the brand in the category.
2. No information is available as no sales were recorded for this product during the period.

During the Track Record Period, to the best knowledge and information of our Directors, all customers of our building protection products were from the private sector. The following table sets forth a breakdown of our revenue derived from the supply of building protection products by third party brand owners and our own-brand "DP ChemTech" and "DP" building protection products during the Track Record Period:

	FY2018		FY2019		FP2018		FP2019	
	Revenue HK$'000	*%*	*Revenue HK$'000*	*%*	*Revenue HK$'000 (Unaudited)*	*%*	*Revenue HK$'000*	*%*
Distribution of third part brand building protection products . . .	66,536	86.5	74,978	87.8	34,116	86.8	32,044	81.3
Supply of our own-brand "DP ChemTech"/ "DP" building protection products	10,384	13.5	10,381	12.2	5,180	13.2	7,389	18.7
	76,920	100.0	85,359	100.0	39,296	100.0	39,433	100.0

The following table sets forth a breakdown of revenue derived from the supply of building protection products by brands during the Track Record period:

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000 (Unaudited)*	*%*	*HK$'000*	*%*
Third party brands								
- PCI	20,629	26.8	20,846	24.4	11,594	29.5	9,196	23.3
- BASF	18,828	24.5	20,796	24.4	9,034	23.0	9,581	24.3
- Tremco	5,716	7.4	14,684	17.2	4,194	10.7	3,767	9.6
- remmers	8,714	11.3	7,980	9.3	1,818	4.6	5,409	13.7
- W.R. Meadows.	5,407	7.0	4,698	5.5	3,842	9.8	632	1.6
- Other brands*(Note)*. . . .	7,242	9.5	5,974	7.0	3,634	9.2	3,459	8.8
Subtotal.	66,536	86.5	74,978	87.8	34,116	86.8	32,044	81.3
Our own brands								
- DP ChemTech/ DP. . .	10,384	13.5	10,381	12.2	5,180	13.2	7,389	18.7
Total revenue.	76,920	100.0	85,359	100.0	39,296	100.0	39,433	100.0

Note:

1. Other brands under third party brands mainly consist of brands including Epro, Schomburg, Vandex and Korodur.

Set out below are the major features of building protection products distributed by us during the Track Record Period:

i. Distribution of third party brand building protection products

Brand	Categories of building protection products covered under the distributorship as at the Latest Practicable Date	Major products distributed	Brand origin	Duration of the distributorship	Expiry date of distributorship
BASF *(Notes 1, 4, 7 & 10)*	Waterproofing products	(i) MasterSeal 550	Germany	Three years	31 December 2020
BASF *(Notes 1, 4, 7 & 10)*	Waterproofing products; tiling products; flooring and other products	(i) BASF Masterseal M800-A (ii) BASF Mastertop P617 (iii) BASF Masterseal M860	Germany	Not applicable *(Note 8)*	Not applicable
TREMCO *(Notes 2, 4, 9 & 11)*	Waterproofing products	(i) Tremco Vulkem 201L (ii) Tremco Vulkem 201R (iii) Tremco Paraseal LG	The United States	Three years	31 May 2019 *(Note 6)*
TREMCO *(Notes 3, 4, 9 & 11)*	Waterproofing products; tiling products	(i) Tremco Vulkem 346-Black (ii) Tremco Vulkem 346-Beige (iii) Tremco Tremproof 60H	The United States	Not applicable *(Note 8)*	Not applicable
Vandex *(Notes 2, 4, 9 & 12)*	Waterproofing products	(i) Vandex Super (ii) Vandex Premix (iii) Vandex Cemelast	Switzerland	Four years	31 May 2022
Epro *(Notes 2, 4 & 13)*	Waterproofing products	(i) EPRO e.spray (ii) EPRO e.diain (iii) EPRO e.diain 6000	The United States	Not applicable *(Note 8)*	Not applicable
remmers *(Notes 2, 5 & 14)*	Tiling products	(i) remmers FAS100 (ii) remmers Epoxy BS3000 M New RAL7012 (iii) remmers Epoxy OS Color New-RAL7039	Germany	Not applicable *(Note 8)*	Not applicable
Schomburg *(Notes 2, 4 & 15)*	Waterproofing products	(i) Schomburg Asodur SG2 (ii) Schomburg Betocrete-CL-170-P-1100KG (iii) Schomburg Betocrete C17	Germany	Over two year	31 December 2021
W.R. Meadows *(Notes 2, 4 & 16)*	Waterproofing products	(i) W.R. Precon (ii) W.R. Perminator 15Mil (iii) W.R. PMPC Board	The United States	Not applicable *(Note 8)*	Not applicable
PCI *(Notes 1, 4, 7 & 17)*	Waterproofing products; tiling products	(i) PCI Seccoral 2K Rapid (ii) PCI Nanolight Grey (iii) PCI Lastogum-white	Germany	Three years	31 December 2020

Brand	Categories of building protection products covered under the distributorship as at the Latest Practicable Date	Major products distributed	Brand origin	Duration of the distributorship	Expiry date of distributorship
Korodur *(Notes 2, 5 & 18)* . . .	Tiling products; flooring and other products	(i) KORODUR HB5 (ii) KORODUR 0/4 (iii) KORODUR Rapid Set TRU	Germany	Around three years	31 December 2021

Note:

1. The distribution territory covers Hong Kong.
2. The distribution territory covers Hong Kong and Macau.
3. There is no specific restriction on the distribution territory.
4. The products are distributed by us as a non-exclusive distributor/authorised distributor.
5. The products are distributed by us as exclusive distributor.
6. As confirmed by the supplier, our distribution right to distribute and supply its products had been extended following the same terms and conditions of the expired distribution agreement. As at the Latest Practicable Date, to the best knowledge, information and belief of our Directors, the supplier was still undergoing its internal procedures before formalising a new formal distribution agreement to be entered into with us. During the Track Record Period and up to the Latest Practicable Date, there was no complaint or dispute between our Group and the supplier. Our Directors believed that there should be no impediment for entering into a new formal distribution agreement with the supplier. The supplier continues to supply the product to us after expiration of the distribution agreement.
7. The brands of PCI and BASF are held by the same brand owner.
8. The duration of our distributorship was on an on-going basis without an expiry date.
9. The brands of TREMCO and Vandex are held by the same brand owner.
10. The brand of BASF was ultimately held by a German chemical company which was listed overseas, including the Frankfurt Stock Exchange and SIX Swiss Exchange. According to the Frost & Sullivan Report, the holding group of BASF was established in 1865 originally as a dye manufacturer. Along the growth of business of the BASF group, the range of its products expanded to encompass a wide range of business segments, including construction chemicals for construction, such as waterproofing products, which the BASF group had over 50 years of experience of development and manufacturing. The BASF group comprises subsidiaries and joint ventures in more than 80 countries and operates six integrated production sites and 390 other production sites in Europe, Asia, Australia, the Americas and Africa. BASF (HK), a subsidiary of the BASF group, is one of the top 10 building protection products companies in terms of revenue in Hong Kong in 2018. It has three distributors in Hong Kong and Macau.
11. According to the Frost & Sullivan Report, the origin of the brand of Tremco can be traced back to 1928, when the founder established a roofing materials manufacturing company in the United States and created the brand. Tremco products mainly comprised waterproofing products and tiling products, with application on a wide range of property structures, such as office buildings, stadiums and hospitals, etc. The manufacturer of Tremco products and the brand were subsequently acquired and held by a holding group listed on the New York Stock Exchange which manufactured and marketed specialty coatings, sealants and construction materials. Tremco consists of operating divisions specializing in the manufacture of sealants and waterproofing products for various types of structures including office buildings, stadiums, parking garages, single- and multi-family homes, hospitals and high-rises, etc. Tremco is one of the top 10 building protection products companies in terms of revenue in Hong Kong in 2018. It has two distributors in Hong Kong and Macau.

12. According to the Frost & Sullivan Report, the origin of the brand of Vandex can be traced back to 1946, when the founder established a company with a major focus on the area of waterproofing in Denmark and created the brand. As the brand developed, it had become a worldwide registered trademark for a range of professional construction chemical products for waterproofing, protection and repair of concrete and for building protection. The manufacturer of Vandex products and the brand were subsequently acquired and held by a holding group listed on the New York Stock Exchange, the same holding group which acquired Tremco as aforementioned. Vandex is one of the first few brands which entered into the Hong Kong waterproofing products market. Vandex is one of the top 10 building protection products companies in terms of revenue in Hong Kong in 2018. It has two distributors in Hong Kong and Macau.
13. According to the Frost & Sullivan Report, the origin of the brand of EPRO can be traced back to 1993, when the founder established a company with a major focus on waterproofing and contaminant protection solutions in the United States and created the brand. As the brand developed, the EPRO waterproofing products were supplied to and applied worldwide in Canada, the United States, Hong Kong, etc. EPRO provides waterproofing products and fabricating waterproofing and contaminant protection systems services. EPRO accounted for around 3% of total waterproofing products market in Hong Kong in terms of revenue. It has one distributor in Hong Kong and Macau.
14. According to the Frost & Sullivan Report, the origin of the brand of remmers can be traced back to 1949, when the founder commenced trading of coating products and other products in Germany and created the brand. As the brand developed, the range of remmers products encompassed waterproofing products, tiling products, flooring products and other products, which are mainly used for private residential buildings, and had distribution partners in over 30 countries. remmers accounted for less than 1% of total waterproofing products market in Hong Kong in terms of revenue. It has one distributor in Hong Kong and Macau.
15. According to the Frost & Sullivan Report, the origin of the brand of Schomburg can be traced back to 1937, when the founder established a commercial agency for chemical materials for the protection of buildings in Germany and created the brand. Along the development of the brand, the range of Schomburg products encompassed waterproofing products, tiling products, flooring products and other products. Schomburg accounted for less than 1% of total waterproofing products market in Hong Kong in terms of revenue. It has one distributor in Hong Kong and Macau.
16. According to the Frost & Sullivan Report, the origin of the brand of W. R. Meadows can be traced back to 1926, when the founders established a company which supplied waterproofing products and expansion joints in the United States and created the brand. Along the development of the brand, W. R. Meadows products can be broadly categorised as building envelope products (including waterproofing products), construction liquids products, concrete restoration products, expansion joints products and joint sealants products. It mainly provides low to medium end products through four distributors in Hong Kong and Macau.
17. According to the Frost & Sullivan Report, the origin of the brand of PCI can be traced back to 1950, when the founder established a manufacturing plant of concrete emulsion products in Germany, and created the brand. Along the development of the brand, the range of PCI products expanded to include waterproofing products, tiling products and other products. The manufacturing plants of PCI products in Germany were accredited with ISO 9001 and ISO 50001. The manufacturer of PCI and the brand were subsequently acquired and held by the BASF group. PCI is one of the top 10 building protection products companies in terms of revenue in Hong Kong in 2018. It has one distributor in Hong Kong and Macau.
18. According to the Frost & Sullivan Report, the origin of the brand of Korodur can be traced back to 1936, when the founder established a company which specialised in the production of flooring products in Germany and created the brand. Korodur has developed into an international company and provides floor hardening products in Hong Kong and Macau through one distributor.

ii. Sales of our top five products of our own-brand building protection products sourced from independent third-party suppliers

Brand	**Logo**	**Categories of building protection products**	**Major Products**
DP ChemTech/DP		Waterproofing products; tiling products	DP Polyurea 3000A DP Brushcrete DP Polyurea 3000B DP Polyurea 3000B DP Brushcrete — GREY

Salient terms of agreements entered into with the brand owners and selected independent third party suppliers

Procurement of third-party brand building protection products

As at the Latest Practicable Date, we were the distributor of nine brands with total over 400 building protection products in Hong Kong and/or some in both Hong Kong and Macau. For further details on the major features of building protection products distributed by us and the status of our distributorship, please refer to the paragraph headed "Our business — (B) Our supply of building protection products — Our building protection products" in this section above. Of the above nine brands to which we acquired distribution right, we entered into written distribution agreements with respect to four of them, i.e. BASF, TREMCO, Vandex and PCI, which recorded the terms and conditions of the distribution arrangement between the respective brand owners and us. For further details, please refer to the summary of terms of such distribution agreements below. By maintaining these distribution arrangements with the brand owners for the purpose of sourcing a wide array of building protection products with different specifications, we believe it would enable us to have the flexibility to respond to the different needs of our customers in building protection works, thus improving our chance in winning contracts for building protection works.

In obtaining the distribution rights of the building protection products, we would generally negotiate with the relevant brand owner on a case-by-case basis to become its distributor in Hong Kong and Macau, taking into account a number of factors, including (i) the reputation and scale of operation of the brand owner; (ii) the price, quality, specification and range of their building protection products; and (iii) its ability to provide stable supply of the building protection products. We generally prefer pursuing the distribution right from a brand owner who, in our opinion, would allow us to leverage its established brand influence and facilitate us to expand our product portfolio effectively, which will assist us in securing building protection work contracts.

Salient terms of our distribution agreements during the Track Record Period are set out below:

Duration of the distribution agreement	: Three to four years
Exclusivity and geographical coverage	: We were generally the non-exclusive distributor to sell the products specified in the agreements in Hong Kong. In some distribution agreements, the geographical coverage also includes Macau.
Rights and obligations of the parties involved	: Our suppliers are responsible for supplying the building protection products and providing sales support, such as know-how of the products and technical assistance, marketing direction and guidance, and necessary promotional and information materials. Our suppliers also warrant that their products would be free from defects in material and conform with their published specifications. Our supplier may specify: (i) the requirement to distribute the products in the original condition, original packing and under the trademarks specified by the supplier; (ii) the ownership of the trademarks of the products remaining with the supplier; and (iii) the requirement on our part to develop sales of the products in the designated distribution territories.
Sale and pricing policies	: The purchase price of the products payable by us is primarily quoted by the suppliers, which is subject to changes from time to time. On the other hand, our supplier may provide us with a non-binding price recommendation in respect of the resale prices of the products to which we are not mandated to follow.
Minimum purchase requirements	: Some distribution agreements set out an annual minimum purchase requirements of the products that we have to fulfil in a given period. In some distribution agreements, the suppliers may terminate the distribution agreements if we fail to comply with the annual minimum purchase target. During the Track Record Period, we did not experience any termination or non-renewal of the distribution agreements by the brand owners due to non-fulfilment of the relevant annual minimum purchase target.

Payment and credit terms	:	In some cases, we have to make full payment prior to delivery of the products to us, while in some other cases, we have to pay within the relevant credit period after the delivery or issuance of invoice.
Product return policy	:	Product return is generally not allowed. However, some distribution agreements do set out that our suppliers shall deliver replacements for defective products.
Conditions for termination and renewing the agreements	:	The agreements generally contain provisions which entitle the supplier and/or us to terminate the agreement upon breach of any conditions contained therein by the other party.

We are not aware of any material breach of the terms of distribution arrangements or distribution agreements with the brand owners in all material respects during the Track Record Period and up to the Latest Practicable Date, and we had not experienced nor are we aware of any circumstances that would lead to early termination of distribution agreements or distribution arrangements or any contractual claims against us by the brand owners in the future.

Development of our own-brand building protection products

During the Track Record Period, we sourced our own-brand "DP ChemTech" and "DP" building protection products from selected independent third party suppliers, who agreed to supply products to us on an OEM basis. In selecting our independent third party suppliers, we would take into account a number of factors, including (i) the reputation and scale of operation of the supplier, its associated manufacturer and brand owners; (ii) the price, quality, specification and range of their building protection products; and (iii) its ability to provide stable supply of the building protection products. In June 2019, to enhance the protection of our rights on our own brand and to secure a long-term supply of products to us, we entered into two cooperation agreements with two independent third-party suppliers which manufactured our own-brand building protection products on an OEM basis. The background of the aforesaid suppliers will be further set out below. In July 2019, we entered into a tripartite cooperation agreement with Hoylake Technology Pte Ltd ("**Hoylake Technology**") and a manufacturer located in Spain (the "**Spain Manufacturer**") which undertook the manufacturing of our own-brand building protection products pursuant to the agreed specifications. Hoylake Technology is an Independent Third Party trader and one of our top five suppliers during the Track Record Period. To the best knowledge and belief of our Directors after making all reasonable enquiries, Hoylake Technology is an exclusive distributor of the Spain Manufacturer in South East Asia. As confirmed by our Directors, we were acquainted with Hoylake Technology first at the beginning, who subsequently introduced to us the Spain Manufacturer to explore the possibility of manufacturing our own-brand building protection products. Due to the existing distributorship arrangement between the Spain Manufacturer and Hoylake Technology, it was the Spain Manufacturer's own commercial decision to include Hoylake Technology as a party to the tripartite cooperation agreement. As a result, pursuant to the tripartite cooperation agreement, we cannot deal directly with the Spain Manufacturer. Instead, we are required to place purchase orders of our own-brand building protection products to Hoylake Technology, which acts as a distributor and would (i) pass our purchase order to the Spain Manufacturer for manufacturing our ordered products; and (ii) sell our ordered products exclusively to us upon collecting them from the Spain Manufacturer. For further details on the background of Hoylake Technology, please refer to the paragraphs headed "Business — Our suppliers — Our five largest suppliers of building protection products during the Track Record Period" in this prospectus.

The tripartite cooperation agreement with Hoylake Technology and the Spain Manufacturer has a term of five years; whereas the two cooperation agreements with suppliers which manufactured our own-brand building protection products on an OEM basis have a term of ten years. These agreements are generally terminable by default of either party and/or by notice. They record the obligations and rights of the parties therein, including the confidentiality obligations of the parties and the relevant ownership of the intellectual property rights concerning our own-brand building protection products manufactured thereunder. Under the cooperation agreements, we would separately place purchase orders to the suppliers on a case-by-case basis, specifying the specifications and quantities of the building protection products to be provided.

Salient terms of our existing cooperation agreements with the suppliers which manufactured our own-brand building protection products on an OEM basis are set out below:

Duration of the cooperation agreement	:	Ten years
Obligation of the supplier	:	The supplier is responsible for (i) sourcing the relevant raw materials and manufacturing the building protection products under our own brands of "DP ChemTech" and "DP" in accordance with our instructions; and (ii) packing the products, and affixing the product labels provided by us to the products.
Quality assurance	:	The supplier shall be responsible for the quality control of each stage of the manufacturing process of the products, to ensure that the products comply with the qualification as required by us. The supplier is generally required to provide us with the quality certification issued by a third party quality inspection institution approved by us.
Exclusivity and intellectual property right	:	Unless with our written consent, our suppliers undertake not to use our trademark and our own-brand building protection products manufactured by them in any jurisdiction other than for the purpose of the cooperation agreement. In certain cooperation agreement, the supplier is also restricted from developing and/or manufacturing any waterproofing products or other products with similar nature as those ordered by us for any companies in Hong Kong or Macau.

Confidentiality	:	Each party shall keep strictly confidential all information obtained or derived from the transactions under the cooperation agreement, including the compositions of the building protection products ordered by us and the operation and financial information of the parties thereto, unless such disclosure is required by the relevant laws and regulations or regulatory authorities.
Conditions for termination and renewing the agreements	:	The agreement shall be automatically renewed for another ten years unless being terminated by either party prior to its expiry. The notice period of termination is generally six months.

Salient terms of our existing tripartite cooperation agreement with Hoylake Technology and the Spain Manufacturer are set out below:

Duration of the cooperation agreement	:	Five years
Obligation of the parties	:	The Spain Manufacturer shall manufacture, package and supply our own branded building protection products to Hoylake Technology, which shall resell exclusively such products to our Group. The building protection products shall be manufactured and packaged in accordance with the specifications set out in the cooperation agreement or such other specifications to be agreed between the parties to the cooperation agreement from time to time.
Quality assurance	:	The Spain Manufacturer warrants that the products manufactured shall meet the specifications set out in the cooperation agreement.
Exclusivity and intellectual property right	:	Hoylake Technology shall sell the building protection products manufactured under the terms of the cooperation agreement exclusively to us. Hoylake Technology and the Spain Manufacturer shall not use our trademarks in any jurisdiction for purposes other than the performance of their respective obligations under the cooperation agreement.

Confidentiality	: Hoylake Technology and the Spain Manufacturer shall keep strictly confidential, use only for the purposes of the cooperation agreement, all data and information concerning the technical knowledge and the application of our own branded building protection products that the third party trader and the manufacturer have acquired or received in connection with the performance of the cooperation agreement.
Conditions for termination and renewing the agreements	: The cooperation agreement contains provisions which entitle the parties to terminate the agreement without notice upon breach of certain conditions contained therein by the other party. Alternatively, the agreement may be terminated by either party by giving six-month prior written notice.

The background of each of the two independent third party suppliers which entered into the cooperation agreement with us is set out below:

- *Supplier X*

  Supplier X is a limited liability company established in the PRC in 2003, with a registered capital of US$2 million. The scope of business operation of Supplier X includes the production of high-performance chemical building materials and other manufactured products and provision of after-sale services. Our business relationship with Supplier X commenced since 2011.

- *Supplier Y*

  Supplier Y is a limited liability company established in Taiwan in 2009, with a paid-up capital of TWD305 million. The scope of business of Supplier Y includes the sale of construction materials and other related products. Our business relationship with Supplier Y commenced since 2014.

Our Directors consider that in the event any one of our suppliers terminate the cooperation agreement with us, it would not materially interrupt the supply of our own-brand building protection products for the following reasons:

(i) as at the Latest Practicable Date, the manufacturing or supply of some of our own-brand building protection products were covered by more than one supplier. As such, we could source the relevant building protection products from the other alternative suppliers; and

(ii) the cooperation agreements generally have a notice period of not less than six months prior to termination by either parties, which our Directors consider shall be sufficient time for us to identify and engage a new supplier as replacement.

Procurement arrangement

Prior to entering into distribution arrangement or distribution agreement, we would negotiate with the brand owners the line(s) and range of products to be covered under our distribution right. The range of building protection products to be covered under the distribution agreements is selected based on our experience and knowledge of the latest trend of customer preference in the industry, the properties, functions and performance of the products, and the quality certification of the products obtained.

The quantity of the building protection products (both our third-party branded or our own-brand building protection products) being procured each time is subject to (i) the requirements and the quantity of building protection products required for carrying our building protection works projects from time to time and the purchase orders we received from our customers for purchase of the building protection products; (ii) the existing level of inventory of the relevant building protection products; (iii) our expected demand of the relevant building protection products.

With respect to the building protection products under our own brands "DP ChemTech" and "DP", while it is confirmed by Frost & Sullivan that laboratory test is not a legal requirement under the relevant laws and regulations in Hong Kong, we would still occasionally arrange for laboratory tests on some of the products for quality control purposes. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material defects or experience any material product recall or return in relation to the building protection products sourced from our suppliers. Based on our experience, products delivered from our suppliers may take approximately from same day to three months, depending on the (i) quantity of products we ordered; and (ii) the location of their production plants or warehouse. As confirmed by our Directors, during the Track Record Period, we did not experience any shortage of or delay in the supply of building protection products that would cause a material impact on us, and were not subject to material claims due to defects of the building protection products supplied by us in Hong Kong and Macau. In addition, we did not experience any material fluctuation on the price of building protection products sourced by us during the Track Record Period. Our Directors believe that we are able to pass on the increase in the cost of sales, if any, to our customers as we generally take into account our overall costs in the schedule of rates when preparing our quotation for our building protection work project and/or onward sale of the products to customers.

Measures to prevent excessive competition and to minimise cannibalisation

We have taken the following measures to prevent excessive competition and to minimise cannibalisation among the building protection products distributed and sold by us during the Track Record Period and as at the Latest Practicable Date: -

Providing sufficient information about our products to our customers for them to decide the suitable products for use in their projects

(i) by acquiring sufficient understanding on the feature of different building protection products, their uniqueness and price range of each type of our building protection products, we are able to provide sufficient information about each of our products and if necessary, recommend suitable products to our customers to satisfy their varying needs and requirements. To this end, we (a) prepare relevant product information about our building protection products; and (b) set out the price range of each of our building protection products, to assist in our customer's selection of appropriate products;

(ii) instead of selling our building protection products to retail customers, we mainly promote and/or sell our building protection products to main contractors, third party contractors, architects or consultants (a) who have already had certain level of understanding on the nature and application of different kinds of building protection products and have their own preference on the type and brand of products to be used in their projects, or (b) who have already decided the type of building protection products to be used in their projects to cope with their needs and requirements;

Adopting internal control measures to avoid cannibalisation

(iii) we do not allow our sales and product team to specially promote a particular type of building protection product or a particular brand at one time at the expense of our other building protection products or to provide a large discount to customers in order to boost the sale of a particular brand protection product unless with our management's prior consent;

(iv) we conduct regular inspection on our building protection product inventories and keep track on any potential cannibalization or excessive competition among our building protection products; and

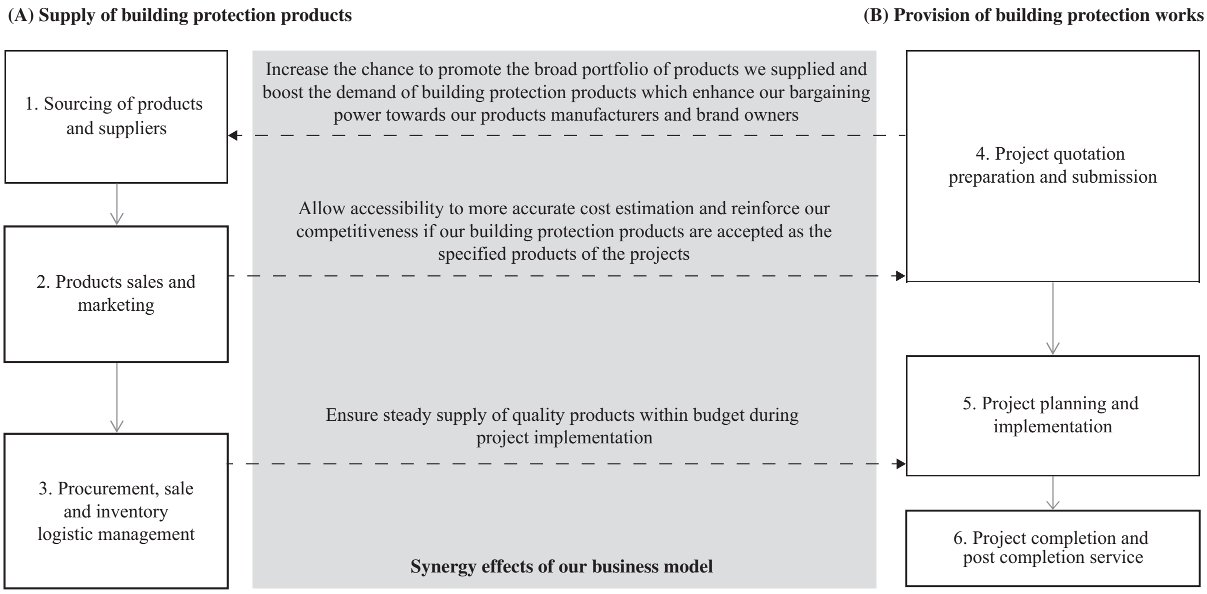
Exercising due care in selection of new products for distribution to avoid excessive competition

(v) in selection of new building protection products for distribution and sale, we would explore new products that are different from our then existing product portfolio in terms of their physical properties, application, elongation and price range in order to avoid excessive competition among other building protection products.

To our Directors' best knowledge and belief, after our reasonable enquiries, we are not aware of any material cannibalisation or competition among our building protection products in Hong Kong and Macau during the Track Record Period.

THE WORKFLOW OF OUR SYNERGISTIC BUSINESS MODEL

Our building protection solution integrates: (i) provision of building protection works; and (ii) sourcing and supplying building protection products. The following diagram illustrates a general workflow of our building protection solution:



(A) Workflow regarding our supply of building protection product service

(1) Sourcing of products and suppliers

Our Directors believe that identification of suitable building protection products for Hong Kong and Macau market is a crucial part in enhancing our competitiveness in providing building protection solution to our customers. We normally explore and source new building protection products through our supplier's network and connection in the building protection products industry.

Our Directors will then approach the brand owners to discuss plans for business cooperation. We have in place stringent requirements for choosing our brand owners and product manufacturers, including (i) their reputation and scale of operation of the brand owner; (ii) the price, quality, specification and range of their building protection products; and (iii) its ability to provide stable supply of the building protection products.

During the Track Record Period and to the Latest Practicable Date, we distributed building protection products of nine brands from eight brand owners to our customers in Hong Kong and Macau. Among which, during the Track Record Period, we entered into distribution agreements, with a term of three to four years, for the sale and distribution of four brands of building protection products. Details of the major terms of our distributorship agreements signed with the brand owners are set out in the paragraph headed "Our business — Salient terms of agreements entered into with the brand owners and selected independent third party suppliers — Procurement of third-party brand building protection products" in this section. We are not required to pay any fees to any of our existing brand owners to obtain or renew our distributorship or agreement.

During the Track Record Period, we sourced our own-brand building protection products from selected Independent Third Party suppliers, who agreed to manufacture on an OEM basis and/or supply the products to us. In June 2019, to enhance the protection of our rights on our own brand and to secure a long-term OEM basis manufacturing and/or supply of products to us, we entered into cooperation agreements with some of our Independent Third Party suppliers. Details of the major terms of our cooperation agreements with our selected Independent Third Party suppliers are set out in the paragraph headed "Our business — Salient terms of agreements entered into with the brand owners and selected independent third party suppliers — Development of our own-brand building protection products".

(2) Products sales and marketing

As at the Latest Practicable Date, our Group maintained a sales and product team consisting of seven staff members to conduct sales and marketing activities in relation to the distribution and supply of our building protection products.

Our sales and product team identified potential building protection work projects through (i) Government Gazette; (ii) contacting architects or consultants; and (iii) direct request for quotations by customers. After identifying potential construction projects or building renovation projects, we will study the information about the project and consider the appropriate building protection products to be used in the project. After identifying the suitable building protection products for the project, our sales team will approach the architects or consultants responsible for the project to promote the building protection products for consideration as the specified building protection products.

Our sales and product team also organised seminar, for property developers, architects, consultants and main contractors to promote our building protection products from time to time. Our sales and product team also acts as coordinators with our customers to ensure that our products and services are in accordance with our customers' requirements and specifications. Our executive Directors are generally responsible for liaising and maintaining our relationship with customers and keeping abreast of market developments and potential market opportunities.

If our recommended building protection products are considered fit in terms of the products specification by the property developers or their consultants, they would have a preference to use our recommended building protection products. The main contractors engaged by these developers would then request for quotations from building protection works providers, such as our Group, to supply and apply building protection products with identical or equivalent specifications as that adopted. Our competitiveness is therefore enhanced as we would be able to supply building protection products, that can exactly or largely match the specifications for provision of the relevant building protection works.

(3) Procurement, sales and inventory logistic management

Being part of our integrated building protection solutions, we encompass the sale and distribution of building protection products for our Group in carrying out our own building protection works in Hong Kong as well as supplying to building protection works providers in Hong Kong and Macau.

Generally, in preparation of project quotations for carrying out our own building protection works, our project team will estimate the quantity of products to order for the projects and obtain a more accurate cost budget from our sales and product team prior to placing any purchase orders. Procurement decisions are generally based on the scale of the project, the inventory levels and movement, expected sales and lead times of the products. After our building protection works project is awarded, the procurement process is essentially the same as other building protection products customers.

Our project team or our building protection product customers generally place with us the purchase orders which set out the brand, product description, specifications and quantity of the building protection products they required. Details of the major terms of the purchase orders are set out in the paragraph headed "Our customers — Major terms of our building protection product sales orders" in this section. Delivery of the building protection products is usually made to the locations designated by our project team or our customers on the same day or up to around three months after receipt of the purchase orders, depending on the size of orders, the availability of stock, the required date of delivery, the delivery distance, and mode of delivery transportation required. On request from our project team or our customers, the building protection products may be delivered to our warehouses in Kwai Chung and Cheung Sha Wan, the third party warehousing facilities in Tsuen Wan and Hung Shui Kiu provided by our engaged independent logistics service providers, or destinations designated by our project team or our customers. We also issue invoices to our customers upon the products delivery.

(B) Workflow regarding our provision of building protection works

(4) Project quotations preparation and submission

(a) Request for quotation ("RFQ")

During the Track Record Period, our customers of building protection works were mainly main contractors who engage us as their building protection works provider. Generally, according to Frost & Sullivan Report, before the main contractors of building projects are awarded the project, they would approach and request a number of building protection works providers, including our Group, to provide a preliminary written quotation for undertaking building protection works in preparation of their tender documents submitted to the project developers. Based on our experience, such preliminary quotation generally serves as a reference for the main contractor to facilitate their cost assessment to tender for the construction projects, usually subject to further negotiation and confirmation at subsequent stages. Normally, there will be no formal open tender process in the selection of building protection works providers by the main contractors. After the main contractors are awarded with the construction contracts, they will request their selected building protection works providers whom they have previously approached, for a formal quotation. Our Directors confirm that while the selection criteria will be determined by the main contractors on a case-by-case basis, they usually consider a number of factors, such as, reputation, projects reference, business relationship and price.

(b) Quotation preparation and submission

The RFQ normally set out project specifications, including (i) the types of building protection works required; (ii) site location; (iii) the specifications of building protection products to be used; and (iv) the deadline for submission of quotation. We are generally required to submit a formal quotation within one to two weeks after receiving the RFQ. Generally, the RFQ would only set out the specifications such as physical properties and functionality of the building protection products to be applied in the project. If we decided to submit a quotation for such project, we will study the specifications and strive to match the product specifications with our products. If the building protection products presented in our preliminary quotations are accepted by our customers or their developers in the project, our chance of success in bidding for the project will be enhanced as we are able to quote with the exact match products at a competitive price. Otherwise, we will look for alternative building protection products among our product list and recommend to our customers as viable alternatives.

In determining an all-inclusive quotation in undertaking a building protection works, our Directors will consider a number of factors, such as the relationship with the customer, the site location, nature, timing, size and complexity of the proposed project, the then availability of our resources, manpower and subcontractors, and the operation capacity of our Group. Our quotations will normally set out the types, quantity and price of building protection works required and the specification of building protection products to be used. During the course of review of our quotation by our customers, we may be required to revise our quotation by making further discount on our fees and/or revising our payment terms to accommodate our customers' request. For details, please refer to the paragraph headed "Our customers — Our pricing strategy" in this section. Our quotation are generally valid for 30 days from the date of quotation and we may extend the validity period on a case by case basis. As confirmed by our Directors, we did not suffer any financial losses on our building protection works projects due to underestimation of our quotations submitted during the Track Record Period and up to the Latest Practicable Date.

It then generally takes approximately one to six months for our customers from processing our submission of quotation. If we are successful with our quotation, our customers would issue letters of acceptance or letter of intent to us based on our quotation and entered into formal building protection contracts with us. Sometimes, our customers may directly enter into contracts with us. For details of the major terms of the formal building protection contracts, please refer to the paragraph headed "Our customers — Major terms of our building protection works contracts with customers" in this section.

(5) Project planning and implementation

(a) Formation of project team

Once we are awarded with a contract, we will form a project team comprising generally a project manager, a quantity surveyor, a foreman and a safety supervisor. The composition of our project team depends on the scope of services, complexity of individual projects and contract period. The project team for each project is generally led by one or two project managers. Team members for relevant projects are selected based on their relevant qualifications, technical skills and industry experience.

Our project team plays an essential role in our project management and performance and hence, we place emphasis on ensuring that our project teams are adequately staffed with professional personnel that possess relevant skills and experience to plan and closely monitor the implementation of our projects.

As at the Latest Practicable Date, we have 11 project management staff comprising four project managers, three quantity surveyors and four foremen. While we had undertaken 287 building protection works projects in Hong Kong during the Track Record Period and up to the Latest Practicable Date, members of our project teams had been fully occupied due to the heavy workload. To ease the heavy workload of our manpower, we recruited an additional project manager in June 2019. We plan to continue to recruit experienced personnel with relevant skills to join our project team. For details, please see the paragraph headed "Business Objective, Future Plans and Use of Proceeds — Business strategies and future plans — Our business strategies — 2. Expand our workforce" in this prospectus. The following table sets out the major responsibilities and duties of each key member of the project team:

Key member	**Major responsibilities and duties**
Project manager	• Overall project management and coordination • Selection of appropriate personnel, suppliers and subcontractors • Selection of suitable building protection products • Liaising and communicating with our customers, the engineers, architects and other external parties (including our subcontractors) • Negotiating with our suppliers on the terms of our purchase to keep our costs within budget • Planning and monitoring the implementation and progress of the project, the quality control and safety management system and environmental compliance, and prepare detailed reports • Reviewing the performance of the subcontractors and suppliers • Providing guidance to other team members, our workers and subcontractors and reviewing site records prepared by the foreman • Reporting to our Directors and customers on the progress of the project and any issues

Key member	Major responsibilities and duties
Quantity surveyor	• Price and forecast the cost of the different materials required for a project • Prepare quotation, contracts, budgets, bills of quantities and other documentation
Foreman.	• Measure and value the work done on site • Prepare interim payment application and final account • Supervise workers on site and their use of machinery and equipment and serve as safety supervisor • Procure materials and check all machineries and on site (if any) are maintained in good condition • Report to our project manager for the progress of the project and any issues • Perform check and inspection on site safety • Ensure compliance of site staff with the applicable safety laws and regulations, site safety instructions and our guidelines • Advise measures to ensure site safety • Conduct safety training to all workers on site • Plan and maintain good house-keeping on site • Accident investigations

(b) Formulation of project execution plans

Our Directors note that building protection works usually constitute a critical path item of a construction contract. As such, we have to ensure that our projects are executed and completed efficiently according to the timeline stipulated in contracts with our customers, and that our building protection works can meet the requirements of our customers. To this end, our project team is responsible for monitoring the progress, costs incurred and quality of works in the course of carrying out the contract in order to ensure that both our customer's requirements and the statutory requirements are met. The project team will formulate a project execution plan based on the relevant contract which includes details relating to the execution and implementation of the building protection works, such as scope of works, work schedules, application methods and, manpower planning, arrangement with suppliers building protection products and our subcontractors of the project, quality standards and requirements, wastage management, safety planning, site layout and procurement planning.

(c) Project implementation and monitoring

Our building protection works projects typically involve the rendering of the following works:

(i) preparation for the application of building protection products on substrate such as:

- ensuring that the substrate is free from cracks, void and roughness;
- cleaning the substrate;
- carrying out moisture test to ensure that the substrate is suitable for the application of building protection products (except for the application of building protection products in basements); and

(ii) application of building protection products on the substrate.

Generally, our project team is responsible to monitor that the project progress is in accordance with the schedule set by our customers and to allocate sufficient resources such as staff, machinery and equipment for the project. The project team will also prepare payment applications, based on the amount of works completed on a monthly basis generally and submit such applications to the customers or their representatives for certifying the actual work done under the contract. During the project implementation stage of building protection works projects, applications for interim payment may be made to our customers, generally monthly valued against the actual work done on site. Subject to the terms of the contract, our customers are generally required to settle the payment to us (i) within one month after receipt of our payment application; or (ii) within one month after certification of our payment application. Our project manager is also responsible for communicating with our customer from time to time. During the course of our building protection works projects, our customers may place orders for additional or variation of the building protection works. Such orders are commonly referred to as "variation orders" which may arise from addition, modification or cancellation of certain building protection works to be rendered by us or from a change of the scope or specification of the building protection works. These variation orders are necessary for completion of the project and may result in extra costs to be charged by us.

(d) Procurement of building protection products

We will then made purchase orders based on the estimation and order the relevant building protection products and other materials from our suppliers. We also engage our subcontractors to undertake all the labour intensive works in all our building protection works projects under our supervision where they are generally responsible for the application of building protection products as designated by us to the areas of the properties under our direction and conducting various tests on the quality of the building protection works rendered afterwards, including infra-red scan tests, spark tests, flooding tests and smoke tests. The building protection works and quality control testings are usually performed by different subcontractors. For details on the selection of our suppliers, please refer to the paragraph headed "Our Suppliers — Selection of suppliers" in this section. Delivery of the building protection products is usually made to the locations designated by our project team or our customers on the same day or up to around three months after receipt of the purchase orders, depending on the size of orders, the availability of stock, the required date of delivery, the delivery distance, and the mode of delivery transportation required.

All building protection products and other building materials purchased for our projects will be directly delivered to the relevant worksites or to our warehouses or third party warehousing facilities provided by our engaged independent logistics services providers. For further details, please refer to the paragraphs headed "Inventory management" in this section.

(e) Project quality management

Apart from project management, our project team is also responsible for quality control through carrying out testing ourselves or by our subcontractors to ensure that the building protection products applied on the substrates have achieved the intended functionality:

- Flooding test: after application of building protection products, the drainage system is temporarily sealed or blocked and the area in which building protection products have been applied will be covered with water for such time as our project team considers appropriate in order to observe for any water leakage.

- Infra-red scan test: the area in which building protection products have been applied will first be flooded with water for such time as our project team considers appropriate. Afterwards, the water is drained and the said area will be scanned by an infra-red camera to ascertain the moisture contents. Change on thermal response on areas observed from the scanner would indicate water ingress, and damage to the applied building protection products.

- Spark test: a device emitting electric current will be used to brush over to scan the area on which building protection products have been applied to detect any crack or pinhole.

- Smoke test: after the application of building protection product to an area, smoke-filled air is forced into the area through a tube inserted therein. Detection of any smoke leakage from the surface of the said area would indicate the compromise of the integrity of the applied building protection products.

(f) Preparing and submitting test reports

Subject to the requirements of main contractors, the above tests and test reports may be conducted and propounded by our Group or an independent contractor not involved in rendering the building protection works of the project.

(6) Completion and post completion services

Our customers will inspect our works upon completion of the building protection works and may require us to carry out rectification works. Practical completion will take place on the day when our customers acknowledge that the building protection works under the relevant contract have been duly completed. Sometimes, they will issue documentary acknowledgement of the due completion of the building protection works.

(a) Defect liability period

Under our contracts with customers, we are generally required to provide repair and rectification works to our customers during the defect liability period. The defect liability periods generally run for a period of 12 to 24 months from the date of the certificate of completion. During the defect liability period, we are responsible for repairing or rectifying any defects which are due to fault on our part as or sub-standard building protection works that were undertaken by us without charge.

Our customers are generally entitled to retain up to 5% of the contract sum as retention money to secure our due performance of the project. Half of the retention money will generally be released to us upon completion of our works, and the balance will generally be released to us upon expiration of the defect liability period.

(b) Warranty period

After completion of the project, we normally provide a warranty period of 10 to 15 years in respect of the building protection products and workmanship to customers, during which period we are responsible for rectifying any defects for the building protection works rendered arising from (i) ordinary and reasonable wear from use consistent with the specification of the building protection; or (ii) faulty craftsmanship or materials used. We may be required to assume liability for any direct loss or damage suffered by the relevant property owners arising from the defects aforementioned. We generally do not procure back-to-back warranty from subcontractors.

During the Track Record Period and up to the Latest Practicable Date, our Group did not receive any request from our customers to rectify substantial defects or imperfections in our works in any material respects.

OUR MACHINERY

During the Track Record Period, we possessed our own machinery for use by our subcontractors for carrying out different types of building protection works. In view of the bulk size of our machines, we have to place the machines in the construction sites all through the subcontracting period in order to facilitate our subcontractors to carry out building protection works. Details of our major machinery and equipment as at the Latest Practicable Date are as follows:

Name of the machinery and equipment	Number of units	Principal functions	Average age (approximately) *(Note 1)*	Average remaining useful life (approximately) *(Note 2)*	Utilisation Rate *(Note 3)*		
					FY2018	**FY2019**	**FP2019**
			(months)	*(months)*			
Mini Machine TP Version	1	For high pressure spraying of building protection products	96	—	98.4%	96.2%	97.3%
EPRO "Ecoline-S" Drum Pump Spraying Machine	1	For spraying certain EPRO branded waterproofing products	37	23	99.7%	98.9%	96.2%
Admixture Dispensing Equipment	1	For dispensing waterproofing concrete admixture	21	39	N/A *(Note 4)*	98.7%	100%
Chassis Machine	1	For high pressure spraying of building protection products	88	—	95.9%	94.8%	96.7%
Plural Component Proportioning System	1	Designed to pump, mix, proportion, dispense and spray certain building protection products	25	35	98.3%	97.8%	97.8%

Notes:

1. The average age of the machinery and equipment is calculated based on the aggregated age of the machinery and equipment divided by the number of units of machinery and equipment.
2. The remaining useful life of the machinery and equipment is calculated based on the estimated useful life deducted the age of the machinery and equipment.
3. Calculation of the utilisation rate for FY2018, FY2019 and FP2019 is generally based on the number of days that the machinery was provided to our subcontractors during the respective year/period, which is then (i) divided by 365 days for a year or 183 days for the six months period (where appropriate); or (ii) divided by the number of days from upon its acquisition to the end of the relevant financial year/period if it was acquired in the middle of the year. The number of days in the calculation includes Sunday and public holidays as our machinery was generally provided to and held by our subcontractors during the entire relevant year/period before it was returned to us.
4. The relevant machinery and equipment was acquired in FY2019, and hence no data was available for FY2018.

We adopt a straight-line depreciation policy on our machinery over the estimated useful life thereof after taking into account the estimated residual values, which our Directors believe is in line with industry norm.

As we have to provide our subcontractors with the necessary machines and equipment for them to carry out building protection works during the subsistence of the subcontracting period, and given the bulk size of the machines which makes it impracticable for us to mobilise most of them until the type of building protection works requiring the use of the machines have been completed, all our machines and equipment were thus almost fully utilised during the Track Record Period and we need to expand our machinery fleet if we are to undertake more projects in the future. For details about our plan to acquire move machines and equipment, please see the paragraph headed “Business Objective, Future Plans and Use of Proceeds — Business strategies and future plans — Our business strategies — 1. Acquire additional machinery and equipment for carrying out building protection works to cope with our business expansion”.

For each of FY2018, FY2019 and FP2019, we acquired new machinery and equipment in the sum of approximately HK$526,000, HK$148,000 and HK$13,000, respectively, in addition to our then existing machinery and equipment. Our Directors consider that our continued investments in new and advanced machinery and equipment are necessary for us to cater for different kinds of building protection works of different scale.

Repair and maintenance

Our Group had adopted routine maintenance procedures performed by our technicians on an on-going basis which include, inter alia, on-site checks on the condition of our machinery and equipment prior to commencement of building protection works and cleaning the nozzles after each use to ensure that they are not obstructed by chemical residues. In the event of malfunction, we will send the machine and equipment to the dealer for repair if it is still under warranty, or send to other third party repair companies for repair.

OUR CUSTOMERS

During the Track Record Period, our direct customers are principally main contractors and subcontractors of construction projects who engaged us as their building protection work provider and/or purchase building protection products from us.

During the Track Record Period, our five largest customers in aggregate accounted for approximately 39.6%, 46.6% and 54.2% of our total revenue, respectively. The payments made by our customers to us are in HK$ or MOP (applicable to customers in Macau) and primarily by way of cheque and bank transfer.

The tables below set out the details of our five largest customers during the Track Record Period:

For FY2018

Customer	Main category of work undertaken by our Group	Business relationship with our Group since	Payment method	Credit period	Revenue	Approximate percentage to the revenue of our Group for that year
					(approximately HK$ million)	
Paul Y Group *(Note 1)*.	Provision of building protection works	2004	Cheque	Within 35 days after payment application	18.7	12.2%
Hip Hing Group *(Note 2)*.	Provision of building protection works	2007	Cheque	Within 30 days after payment application	15.9	10.4%
Kwun Fat Construction & Engineering Co., Ltd. *(Note 3)*.	Supply of building protection products	2013	Cheque	Cash on delivery	9.2	6.0%
Delta Construction Engineering Ltd. *(Note 4)*. .	Supply of building protection products	2008	Cheque	Within 30 days after invoice date	9.1	5.9%
Customer A *(Note 5)*.	Supply of building protection products	2017	Cheque	Cash on delivery	7.8	5.1%
				Five largest customers combined:	60.7	39.6%

For FY2019

Customer	Main category of work undertaken by our Group	Business relationship with our Group since	Payment method	Credit period	Revenue	Approximate percentage to the revenue of our Group for that year
					(approximately HK$ million)	
Hip Hing Group *(Note 2)*.	Provision of building protection works	2007	Cheque	Within 30 days after our payment application	29.2	15.2%
Paul Y Group *(Note 1)*.	Provision of building protection works	2004	Cheque	Within 35 days after payment application	21.0	10.9%
Customer B *(Note 6)*.	Provision of building protection works	2014	Cheque	Within 30 days after certification of our payment application	15.0	7.8%
Delta Construction Engineering Ltd. *(Note 4)*. .	Supply of building protection products	2008	Cheque	Within 30 days after invoice date	13.1	6.8%
Kwun Fat Construction & Engineering Co., Ltd. *(Note 3)*.	Supply of building protection products	2013	Cheque	Cash on delivery	11.4	5.9%
				Five largest customers combined	89.7	46.6%

For FP2019

Customer	Main category of work undertaken by our Group	Business relationship with our Group since	Payment method	Credit period	Revenue	Approximate percentage to the revenue of our Group for that period
					(approximately HK$ million)	
Paul Y Group *(Note 1)*	Provision of building protection works	2004	Cheque	Within 35 days after payment application	19.1	18.6%
Hip Hing Group *(Note 2)*	Provision of building protection works	2007	Cheque	Within 30 days after payment application	17.8	17.4%
Delta Construction Engineering Ltd. *(Note 4)*	Supply of building protection products	2008	Cheque	Within 30 days after invoice date	8.3	8.1%
Kwun Fat Construction & Engineering Co., Ltd. *(Note 3)*	Supply of building protection products	2013	Cheque	Cash on delivery	5.3	5.2%
Kingsley Specialist Engineering Limited *(Note 7)*	Supply of building protection products	2014	Cheque	50% deposit, cash on delivery	5.0	4.9%
				Five largest customers combined	55.5	54.2%

Notes:

1. Paul Y Group consists of Paul Y. Builders Limited and four fellow subsidiaries of a construction contractor based in Hong Kong, whose ultimate parent companies are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiaries include building construction civil engineering.
2. Hip Hing Group consists of Hip Hing Construction Company Limited, its fellow subsidiary and one joint venture of a company listed on the Main Board of the Stock Exchange which engaged in the construction and transport businesses. The principal activities of the said subsidiaries and joint venture include building construction and construction and civil engineering.
3. Kwun Fat Construction & Engineering Co., Ltd. is a construction contractor incorporated in Macau, and the principal activities of which include construction work. Kwun Fat Construction & Engineering Co., Ltd was also a supplier of our Group in FY2018 and FP2019.
4. Delta Construction Engineering Ltd. is a construction subcontractor based in Hong Kong, and the principal activities of which include engineering services covering waterproofing projects. Delta Construction Engineering Ltd. was also a supplier of our Group in FY2019.
5. Customer A is a private company incorporated in Hong Kong in 2001, which mainly engages in construction business with a paid-up capital of HK$10,000.
6. Customer B is a limited liability company incorporated in Hong Kong in 1988. It is the subsidiary of a company listed on the Main Board of the Stock Exchange which mainly engaged in construction contracts and infrastructure investment projects business. The revenue of the listed parent company for the year ended 31 December 2018 amounted to approximately HK$55.6 billion. The principal activities of Customer B include building construction and project management.
7. Kingsley Specialist Engineering Limited is a construction contractor incorporated in Hong Kong in 2009, which mainly engages in provision of engineering services including roofing and waterproofing works with a paid-up capital of HK$1.0 million.

Relationship with our five largest customers during the Track Record Period

Our Directors confirmed that none of our Directors, their associates or Shareholders who own more than 5% of the share capital of our Company as at the Latest Practicable Date had any interest in any of our Group's top five customers during the Track Record Period. Our Directors further confirmed that, save as disclosed in the paragraph headed "Our suppliers — Overlapping of customers and suppliers" in this section, none of our top five customers were our suppliers during the Track Record Period.

Our Directors confirmed that our Group did not experience any major disruption in business due to material delays or defaulting payments by our customers by reason of their financial difficulties during the Track Record Period. Our Directors further confirm that, during the Track Record Period, we did not (i) have any material legal or arbitration proceedings or pending or threatened legal or arbitrations proceedings with any of our customers or any material return or rejection of our works and products from our customers; or (ii) receive any request or demand for termination of building protection contracts from our customers.

Major terms of our building protection works contracts with customers

Since we mainly act as building protection works provider engaged by the main contractor, the contracts with our customers generally require us to observe the terms in the main contracts entered between our customers as the main contractor and their customers. On some occasions, we also enter into contracts with the end-customers such as the property management companies. Set out below is a summary of typical key terms of our building protection works contracts with our customers:

Scope of works	:	The scope of services and type of works to be carried out by our Group are specified in the project contract. Contracts may also include the product specifications and requirements as set out by individual customers.
Contract Price	:	The contract sum of our contracts is generally a provisional price subject to remeasurement. For the lump sum fixed price contract, we undertake to carry out a defined scope of works in return for an agreed contract price. For such remeasurement contracts, we are provided with a reference to schedule showing the items, brief description and quantities of works to be performed by us and the final contract sum is subject to remeasurement upon completion of the work. The contract price may be adjusted due to any variation orders to the defined scope of works following the mechanism specified in the relevant contract.

Duration of projects	:	Generally, both the expected commencement date and expected completion date are stipulated in the contracts between our Group and our respective customers. However, the actual or final completion date may be beyond the scheduled completion date due to various reasons, mainly including unanticipated geological conditions of the construction sites, adverse weather and variations of works ordered by customers. Based on our completed projects during the Track Record Period, the average duration of our building protection works projects was around 25 months. In light of the above, some contracts contain an "extension of time" provision, which stipulates a mechanism for us to apply for an extension on the completion date so that we would not have to pay any liquidated damages for the delay of completion where the cause is beyond our control, e.g. due to variation of works instruction by the main contractor.
Payment terms	:	We are usually entitled to submit interim payment applications to our customers, usually on a monthly basis, with regard to the amount of works completed as set out in the contract in that month. Our customers and/or their authorised persons will generally carry out an inspection on the completed works before they issue a payment certificate to certify the value of the amount of works completed by our Group. After the relevant party has certified the value of works completed, our customers usually arrange for settlement of payment based on the value of work certified in Hong Kong dollars by cheque. Subject to the terms of individual contracts, our customers are generally required to settle the payment to us (i) within one month after receipt of our payment application; or (ii) within one month after certification of our payment application.
Retention money	:	Retention money is retained by some of our customers in order to secure due performance of all our obligations under the contract and the amount of retention money usually represents 10% of the value of works certified in each payment, subject to a maximum retention of 5% of the total original contract value. Half of the retention money is usually released to us upon completion of the main contract and the issue of the certificate of practical completion, and the remaining half is released to us after the expiry of the defect liability period, which usually commenced after the completion of the main contract and lasted for 12 to 24 months. As at 31 March 2018, 31 March 2019 and 30 September 2019, the amounts of retention money receivable were approximately HK$10.5 million, HK$13.7 million and HK$15.7 million, respectively. Our Directors confirm that there was no material claim against us in relation to work defects or substandard workmanship which had been brought against our Group by our customers and resulted in the forfeiture of all or part of the retention money during the Track Record Period up to the Latest Practicable Date.

Surety Bond	:	During the Track Record Period, in one project, we were required to provide a surety bond which equal to approximately 10% of the total contract sums issued by banks in favour of the customers as security for the due performance and observance of our obligations under the relevant project. The surety bonds are normally released upon completion of the project subject to the terms of the relevant contract or the surety bond.
Insurance	:	It is the obligation of the main contractor of the construction project to effect all necessary insurance policies for its subcontractors. Under the contracts, we are required to report any accident or injury happened to our staff and our subcontractor's staff to the main contractor within stipulated time.
Variation orders	:	Our customers are entitled to request us to carry out variation works, which may involve the alterations or modifications of the design, quality or quantity of the works as described in the contract. The contract would usually set out the mechanism for reaching a variation order between our customers and us, and the chain of approval required before variation orders are taken.
Defect liability period and warranty period	:	Defect liability period usually ranges from 12 to 24 months. When there are any defects identified during such period, we will be responsible for rectifying the defects caused by either defective materials or any substandard workmanship without charges to our customers. In addition to the defect liability period, some customers may require us to execute a guarantee or warranty that the works performed under the contract shall be free from defect for 10 to 15 years.
Liquidated damages	:	We may be required to compensate our customers a sum of liquidated damages if we fail to complete our works on or before the agreed time pursuant to the contract.
Termination	:	In the event of termination of the main contract between the ultimate employers and our customers, our contracts with our customers will be terminated correspondingly. Furthermore, in the event of default, such as our failure to proceed with the contract work diligently, bankruptcy, liquidation, a petition having been filed against our customers or us or abandoning or suspension in carrying out the contracted works, our customers may terminate the contract by giving notice.

Our Directors confirm that, during the Track Record Period, there was no claim for material liquidated damages made by our customers in respect of our building protection works. Our Directors do not expect any material delay in the time of completion of projects in progress as at the Latest Practicable Date which is likely to cause material liquidated damages to be imposed on us.

Major terms of our building protection product sales orders

In respect of our Group's supply of building protection products, our customers would generally place order on us for the purchase of our building protection products, instead of entering into any long term contract with our Group. Set out below is a summary of the major terms of the sale orders:

Product description

A description of the products will be stipulated including the brand, product code, technical specification of the products, size or volume, quantity, unit price and total amount.

Payment terms

The credit terms provided to our customers generally range from payment upon delivery to 60 days credit.

Deliver date

The estimated delivery time is specified which generally ranged from same day delivery to around 3 months from the date of order confirmation.

Return policy

We generally do not offer any product return policy to our customers.

Product warranties

We generally do not provide product warranties to our customers for our supply of building protection products.

Our pricing strategy

In general, the pricing of our building protection works and products is determined on a cost-plus basis.

For the supply of building protection products, on top of our consideration of the cost of sales for individual products we sourced and our overall cost of business operation, we will generally determine our quotation with mark up by taking into account (i) the prevailing market demand and supply; (ii) market prices for similar products; (iii) the brand name effect and market positioning of the products we supplied; (iv) the volume of the orders; (v) credit terms and credibility of the customer; (vi) the difficulties in matching the customer's required specification; (vii) availability of our products and logistic arrangement required; (viii) our past dealing and relationship with the customer; and (ix) the quality and market scarcity of our products. Since there is no binding selling price of our building protection products, our pricing is considered market driven. As a result, our mark-up for each product might be different from transactions to transactions.

When preparing our quotations for the provision of building protection works, we generally take into account the estimated costs of both the building protection products and the subcontractors to be sourced and engaged by us plus a markup. Our estimated cost might vary depending on the scale, complexity, scope of work, specifications and time frame of the individual projects, as well as the availability of the manpower and resources required.

Our project management staff will be responsible for preparing quotations, analysing the requirements of our customers and estimating the amount of building protection materials, subcontractors and time required for completing the projects. Our senior management are responsible for approving the final selling price of our building protection products and the quotation of our building protection works.

In any event, our Group generally passes any increase in our cost of sales and services incurred from the provision of building protection works to our customers by adjusting the contract price which will be determined based on the prevailing demand and supply in the market. Our Directors are of the view that our Group has adopted an effective pricing strategy and was able to maintain positive gross profit margin that ranged from approximately 34.5% to 40.0% for our building protection works and ranged from approximately 42.4% to 45.6% for our supply of building protection products during the Track Record Period.

Our Group has also adopted a series of internal policies to ensure our business operation, such as provision of quotations to our customers, would not contravene the Competition Ordinance (Chapter 619 of the Laws of Hong Kong). For instance, our staff are not allowed to collude with other market participants on any parameter of competition or enter into any kind of arrangements or agreements with other market participants that will cause price fixing, output restriction, market sharing or the rigging of potential bids or to conduct any acts which aims to prevent, restrict or distort competition in Hong Kong. We will from time to time seek legal advice on whether our arrangements comply with the Competition Ordinance.

Credit policy

We generally give our customers for our building protection works a credit term ranging from 14 to 30 days after our payment application or certification of our payment application; and our customers for purchasing our building protection products a credit term ranging from 15 to 30 days. In granting credit term to our customers, we take into account the track record, the scale of operation, creditworthiness and our relationship with individual customers. Our finance team continuously monitors the status of the outstanding accounts receivable due to us from each customer.

During the Track Record Period, we did not experience any unsettled payment which could cause material adverse effect to our business and operation.

OUR SUPPLIERS

During the Track Record Period, our suppliers include (i) suppliers of building protection products and other building materials; and (ii) subcontractors (who act as the sub-subcontractors of our building protection works projects).

We generally order the building protection products or request for subcontracting services on a project-by-project basis. Save for the distribution agreements with four brand owners of building protection products, i.e. BASF, TREMCO, Vandex and PCI (BASF and PCI were held by the same ultimate owner and TREMCO and Vandex were held by the same ultimate owner), and the cooperation agreements with the suppliers of own-brand building protection products, we do not enter into any long-term contract with our suppliers. The price is usually determined by reference to a pre-agreed quotation plus a delivery costs depending on the delivery schedule and method. While our customer would generally set out the specifications of the building protection products they require in a building protection works project, we are free to choose our own suppliers to source the products which meet such specifications.

Selection of suppliers

We believe that our sourcing and selection of suppliers play a crucial part in ensuring the quality of building protection products supplied by us, which would in turn give confidence to our customers in our capability to deliver reliable and quality building protection works. As at the Latest Practicable Date, we sourced (i) our own-brand building protection products from the selected Independent Third Party suppliers from jurisdictions such as the PRC, Taiwan and Singapore; and (ii) building protection products from the third-party brand owners from our approved list of suppliers depending on the availability of the products required. The selection of suppliers are based on several factors, including (i) their reputation and scale of operation of supplier; (ii) the price, quality, specification and range of the building protection products supplied; and (iii) its ability to provide stable supply of building protection products.

Our Directors confirmed that our Group had stable relationship with our suppliers of building protection products and our Group did not have any material dispute with any of such suppliers during the Track Record Period and up to the Latest Practicable Date.

In furtherance to the distribution agreement and/or cooperation agreement we entered into with our suppliers, we will separately place purchase orders to source the building protection products on a project-by-project basis. The purchase order typically contains (i) price, quantity and specifications of the building protection products; (ii) delivery date; and (iii) payment term. The payment term offered to us is generally from cash on delivery to 120 days.

Our five largest suppliers of building protection products during the Track Record Period

For each of the two years ended 31 March 2019 and the six months ended 30 September 2019, our total purchases attributable to our five largest suppliers of building protection products amounted to approximately HK$52.5 million, HK$57.6 million and HK$27.8 million, representing approximately 79.2%, 72.8% and 75.5% of our total purchases of our Group, respectively. During the same period, our purchases attributable to our largest supplier amounted to approximately HK$24.0 million, HK$28.8 million and HK$10.6 million, representing approximately 36.2%, 36.4% and 28.7% of our total purchases of our Group, respectively.

The following tables set forth the details of our top five suppliers of building protection products during the Track Record Period:

FY 2018

Supplier	Nature of products purchased from our supplier	Business relationship with our Group since	Payment method	Credit period	Approximate total amount of purchase from the supplier	Approximate % of total purchases of our Group
					(approximately HK$ million)	
BASF Hong Kong Ltd. ("BASF (HK)") *(Note 1)*	Building protection products	2002	Cheque	Within 90 to 120 days after invoice date	24.0	36.2%
Tremco CPG Hong Kong Limited ("Tremco") *(Note 2)*	Building protection products	2006	Cheque	Within 30 days after the delivery date	11.5	17.4%
Fosroc Hong Kong Ltd ("Fosroc HK") *(Note 3)* .	Building protection products	2007	Cheque	Within 45 days after month end	9.2	13.9%
Bautec Pacific Pte Ltd ("Bautec Pacific") *(Note 4)*	Building protection products	2010	Telegraphic Transfer	Within 60 days after invoice date	4.1	6.1%
Supplier A *(Note 5)*	Building protection products	2009	Telegraphic Transfer	Within 30 days	3.7	5.6%
				Five largest suppliers combined	52.5	79.2%

FY 2019

Supplier	Nature of products purchased from our supplier	Business relationship with our Group since	Payment method	Credit period	Approximate total amount of purchase from the supplier	Approximate % of total purchases of our Group
					(approximately HK$ million)	
BASF Hong Kong Ltd. ("BASF (HK)") *(Note 1)*	Building protection products	2002	Cheque	Within 90 to 120 days after invoice date	28.8	36.4%
Tremco CPG Hong Kong Limited ("Tremco") *(Note 2)*	Building protection products	2006	Cheque	Within 30 days after the delivery date	14.3	18.0%
Supplier A *(Note 5)*	Building protection products	2009	Telegraphic transfer	Within 30 days	5.8	7.4%
Bautec Pacific Pte Ltd ("Bautec Pacific") *(Note 4)*	Building protection products	2010	Telegraphic transfer	Within 60 days after invoice date	5.4	6.8%
Hoylake Technology Pte Ltd *(Note 6)* . .	Building protection products	2018	Telegraphic transfer	Cash on delivery or within 30 days after end of month	3.3	4.2%
				Five largest suppliers combined	57.6	72.8%

FP2019

Supplier	Nature of Products purchased from our supplier	Business relationship with our Group since	Payment method	Credit period	Approximate Total amount of purchase from the supplier	Approximate % of total purchases of our Group
					(approximately HK$ million)	
BASF Hong Kong Ltd. ("BASF (HK)") *(Note 1)*	Building protection products	2002	Cheque	Within 90 to 120 days after invoice date	10.6	28.7%
Tremco CPG Hong Kong Limited ("Tremco") *(Note 2)*	Building protection products	2006	Cheque	Within 30 days after delivery date	5.4	14.8%
Fosroc Hong Kong Ltd ("Fosroc HK") *(Note 3)*	Building protection products	2007	Cheque	Within 45 days after month end	5.0	13.5%
Bautec Pacific Pte Ltd ("Bautec Pacific") *(Note 4)*	Building protection products	2010	Telegraphic transfer	With 60 days after invoice date	3.7	10.1%
Hoylake Technology Pte Ltd *(Note 6)*	Building protection products	2018	Telegraphic transfer	Cash on delivery or within 30 days after end of month	3.1	8.4%
				Five largest suppliers combined	27.8	75.5%

Notes:

1. BASF (HK) is the Hong Kong subsidiary of a German chemical company with international presence. The holding group of BASF (HK) was listed overseas, including the Frankfurt Stock Exchange and SIX Swiss Exchange, and was engaged in various business segments, including supply of coatings and construction chemicals for construction. We entered into a distribution agreement with BASF (HK) to distribute and supply BASF and PCI branded building protection products in Hong Kong. For more details of the brands, please refer to the paragraphs headed "Our business — (B) Our supply of building protection products — Our building protection products — (i) Distribution of third party brands building protection products" in this section above.
2. Tremco (formerly known as Tremco Far East Limited) is the Hong Kong subsidiary of a United States' supplier of sealant, weatherproofing and passive fire control solutions for commercial and residential construction and industrial applications. The supplier was in turn part of the holding group listed on the New York Stock Exchange which manufacture and market specialty coatings, sealants and construction materials. We entered into a distribution agreement with Tremco to distribute and supply its branded building protection products in Hong Kong and Macau. For more details of the brand, please refer to the paragraphs headed "Our business — (B) Our supply of building protection products — Our building protection products — (i) Distribution of third party brands building protection products" in this section above.
3. Fosroc HK is the Hong Kong subsidiary of an international manufacturer and supplier founded in the United Kingdom, which offered high performance chemicals for the construction industry, with a particular focus on concrete and cement. During the Track Record Period, we purchased building protection products under the brand of "Fosroc" from Fosroc HK. According to the Frost & Sullivan Report, the brand of "Fosroc" was created over 80 years ago and is a leading

international manufacturer and supplier of high performance chemicals for the construction industry, with a particular focus on concrete and cement. Fosroc has an extensive network of international offices and manufacturing locations across Europe, the Middle East, North and South Asia. Fosroc HK is one of the top five building protection products companies in terms of revenue in Hong Kong in 2018. Fosroc has two distributors in Hong Kong and Macau.

4. Bautec Pacific is a Singapore company whose business includes providing technical and marketing support for building protection products under the brand of "remmers". During the Track Record Period, we were the authorised distributor and approved applicator of "remmers" building protection products in Hong Kong and Macau. For more details of the brand, please refer to the paragraphs headed "Our business — (B) Our supply of building protection products — Our building protection products — (i) Distribution of third party brands building protection products" in this section above.
5. Supplier A is a supplier based in the United States which designs, manufactures, and markets its own branded building materials for customers in the construction industry. During the Track Record Period, we were the authorised distributor for Supplier A's branded building protection products in Hong Kong and Macau. For details of the brands of building protection products which we had obtained distribution right, please refer to the paragraphs headed "Our business — (B) Our supply of building protection products — Our building protection products — (i) Distribution of third party brands building protection products" in this section above.
6. Hoylake Technology Pte Ltd is a Singapore company which specializes in waterproofing and construction chemical products. It supplied our own-brand "DP ChemTech" and "DP" building protection products to us on an OEM basis during the Track Record Period. For more details of our own branded building protection products, please refer to the paragraphs headed "Our business — (B) Our supply of building protection products — Our building protection products — (i) Distribution of third party brands building protection products" in this section above.

During the Track Record Period, our five largest suppliers of building protection products were all Independent Third Parties. None of our Directors, their respective close associates or any Shareholder who or which, to the best knowledge of our Directors, owns more than 5% of the issued share capital of our Company had any interest in our five largest suppliers during the Track Record Period. Our Directors further confirm that, save as disclosed in the paragraph headed "Our suppliers — Overlapping of customers and suppliers" below, none of our top five suppliers were our customers during the Track Record Period.

Overlapping of customers and suppliers

For FY2018, FY2019 and FP2019, there were six, nine and one overlapping customers and suppliers, respectively. To the best knowledge and belief of our Directors, these entities and their ultimate beneficial owners are Independent Third Parties.

Our sales to these customers amounted to approximately HK$16.0 million, HK$22.3 million and HK$5.3 million, which accounted for approximately 10.4%, 11.6% and 5.2% of our total revenue for FY2018, FY2019 and FP2019, respectively. During the same corresponding year/period, our purchases from these customers amounted to approximately HK$24.9 million, HK$1.5 million and HK$0.2 million, respectively, which accounted for approximately 37.6%, 2.0% and 0.5%, respectively, of our total purchase. Gross profit for the sales to these customers for FY2018, FY2019 and FP2019 was approximately HK$5.6 million, HK$8.7 million and HK$2.3 million, respectively, whereas the relevant gross profit margin for the corresponding year/period was approximately 35.0%, 39.0% and 42.9%, respectively.

Based on our experience in the building protection products market in Hong Kong and Macau, and also according to the Frost & Sullivan Report, it is not unusual for suppliers of building protection products to also source building protection products from their customers, due to circumstances where there is a lack of inventory of the suppliers. Our Directors note that while it is not our common practice to purchase or sell from/to our customers and suppliers, respectively, we can be benefited from these transactions where our relationship with such customers and suppliers can be maintained, thus keeping a stable sourcing network as well as enhancing our source of revenue. Set out below is the particulars of our major customers and major suppliers who are also our suppliers or customers, and the reasons of such transactions with them:

Kwun Fat Construction & Engineering Co., Ltd. ("Kwun Fat")

During the Track Record Period, we had also purchased building protection products from Kwun Fat, who was our third largest customer in FY2018, fifth largest customer in FY2019 and fourth largest customer in FP2019. During the Track Record Period, our revenue generated from Kwun Fat was approximately HK$9.2 million, HK$11.4 million and HK$5.3 million for FY2018, FY2019 and FP2019, respectively, representing approximately 6.0%, 5.9% and 5.2% of our total revenue for the corresponding year/period.

Kwun Fat is a construction contractor based in Macau which engaged in construction work. As confirmed by our Directors, (i) in FY2018, one of our customers sourced certain waterproofing products from us which we could not, at that point of time, identify any other available supplier other than Kwun Fat. The purchase orders we in turn placed with Kwun Fat amounted to approximately HK$0.41 million in aggregate, representing approximately 0.6% of our total purchase in FY2018; (ii) in FP2019, one of our customers sourced waterproofing products from us whom we could not, at that point of time, identify any other available supplier other than Kwun Fat. The purchase orders we in turn placed with Kwun Fat amounted to approximately HK$0.2 million in aggregate, representing approximately 0.5% of our total purchase in FP2019. Such arrangements were only temporary for the purpose of fulfilling the purchase orders placed with us by our customers within the limited time frame. Apart from the above, we did not purchase any building protection products from Kwun Fat during the Track Record Period.

The terms of sales of building protection products we sold to Kwun Fat were similar to those we provided to other customers. The average gross profit margin for our building protection products sold to Kwun Fat was approximately 37.4% for FY2018 and 42.9% for FP2019. Our Directors are of the view that there are no unusual benefits to our Group or Kwun Fat other than the profit and loss derived from the arm's length transaction with it as disclosed above.

Delta Construction Engineering Ltd. ("Delta Construction Engineering")

During the Track Record Period, we also purchased building protection products from Delta Construction Engineering, who was our fourth largest customer in FY2018 and FY2019 and third largest customer in FP2019, respectively. During the Track Record Period, our revenue generated from Delta Construction Engineering was approximately HK$9.1 million, HK$13.1 million and HK$8.3 million for FY2018, FY2019 and FP2019, respectively, representing approximately 5.9%, 6.8% and 8.1% of our total revenue for the corresponding year/period.

Delta Construction Engineering is a construction contractor based in Hong Kong which provides engineering services covering waterproofing projects. As confirmed by our Directors, in FY2019, as we received a purchase order for a waterproofing product with tight delivery schedule which we were unable to restock on time from other suppliers, we sourced the relevant product from Delta Construction Engineering who had available stock at the time. This arrangement was only a temporary measure, and with a purchase amount of approximately HK$18,000, representing approximately 0.02% of our total purchase in FY2019. Apart from the above, we did not purchase any building protection products from Customer A during the Track Record Period.

The terms of sales of building protection products we sold to Delta Construction Engineering were similar to those we provided to other customers. The average gross profit margin for our building protection products sold to Delta Construction Engineering was approximately 38.0% for FY2019. Our Directors are of the view that there are no unusual benefits to our Group or Delta Construction Engineering other than the profit and loss derived from the arm's length transaction with it as disclosed above.

Customer A

During the Track Record Period, we also purchased building protection products from Customer A, who was our fifth largest customer in FY2018. During the Track Record Period, our revenue generated from Customer A was approximately HK$7.8 million, HK$0.4 million and nil for FY2018, FY2019 and FP2019, respectively, representing approximately 5.1%, 0.2% and nil of our total revenue for the corresponding year/period.

Customer A is a private company incorporated in Hong Kong which engages in construction business. As confirmed by our Directors, in FY2019, as we received a purchase order for a tiling product with tight delivery schedule which we were unable to restock on time from other suppliers, we sourced the relevant product from Customer A who had available stock at the time. This arrangement was only a temporary measure, and with a purchase amount of approximately HK$50,000, representing approximately 0.06% of our total purchase in FY2019. Apart from the above, we did not purchase any building protection products from Customer A during the Track Record Period.

The terms of sales of building protection products we sold to Customer A were similar to those we provided to other customers. The average gross profit margin for our building protection products sold to Customer A, which comprised mainly remmers branded products, was approximately 52.1% in FY2019. Overall, the remmers branded building protection products supplied by us had an average gross profit margin of approximately 57.2% in FY2019. For more details, please refer to the paragraphs headed "Financial Information - Discussion and analysis of financial performance of our Group - Gross profit and gross profit margin - (ii) Analysis of gross profit margin by types of building protection products" in this prospectus. Our Directors are of the view that there are no unusual benefits to our Group or Customer A other than the profit and loss derived from the arm's length transaction with it as disclosed above.

BASF Hong Kong Ltd. (“BASF (HK)”)

During the Track Record Period, we also supplied building protection products to BASF (HK), who was our largest supplier in FY2018, FY2019 and FP2019, respectively. During the Track Record Period, we only generated revenue from BASF (HK) in FY2018 in the amount of approximately HK$7,000, representing approximately 0.005% of our total revenue for the corresponding year.

BASF (HK) is the Hong Kong subsidiary of a German chemical company with international presence. For further details, please refer to the paragraph headed “Our suppliers - Our five largest suppliers of building protection products during the Track Record Period” in this section above. Our sales to BASF (HK) was an one-off transaction. As confirmed by our Directors, as BASF (HK) could not restock one of its “BASF” branded building protection products in time to fulfil its sales order at the time, it purchase such products from us which we at the time had available stocks.

The terms of sales of building protection products we sold to BASF (HK) were similar to those we provided to other customers. The average gross profit margin for our building protection products sold to BASF (HK) was approximately 27.6% for FY2018. Our Directors are of the view that there are no unusual benefits to our Group or BASF (HK) other than the profit and loss derived from the arm’s length transaction with it as disclosed above.

Our subcontractors

During the Track Record Period, we engaged subcontractors to undertake all the labour intensive works in all our building protection works projects, where they are generally responsible for the application of building protection products designated by us to areas of the properties covered in our scope of engagement and conducting various tests afterwards, including infra-red scan tests, spark tests, flooding tests and smoke tests. Where necessary, we entered into secondments arrangement with the subcontractors and their employees pursuant to which the subcontractors’ employees will be seconded to work for our Group as our employees at our designated site under our direction as if they are our employees under the secondment period. We are responsible for the overall project management, coordination, procurement of the necessary building protection products, quality assurance and the safety and environmental aspects of the projects. With this mode of operation, we are able to reduce the costs of retaining a large number of workers as our permanent employment, thereby enabling us to focus on our core management competencies and allowing us the flexibility to deploy our resources more cost effectively without compromising our work quality. For FY2018, FY2019 and FP2019, our subcontracting costs accounted for approximately 23.0%, 23.7% and 25.2% of our total costs of sales and services, respectively. Our agreements with our subcontractors are generally on a project-by-project basis.

Under the terms of the contracts with our customers, we are ultimately liable to our customers for the acts and performance of our subcontractors and their workers, including defaults, non-performance or negligence. As such, our Directors consider it important to put in place a stringent selection process for our subcontractors. We will enlist a new candidate into our pool of subcontractors after reviewing various factors including: (i) their qualifications; (ii) financial soundness; and (iii) their experience and track records in undertaking building protection works.

During the Track Record Period, we had over 60 subcontractors on our approved list of subcontractors to undertake building protection works projects. With a relatively large pool of subcontractors our Group previously engaged, our Directors do not foresee any material difficulties in finding substitute subcontractors should such need arise.

Our selection of subcontractors for a particular project is generally based on subcontract fees quoted, the scope of works undertaken and whether the skills the subcontractor possessed matches with the technical requirements of the project. We periodically evaluate the performance of our subcontractors.

The tables below set out the details of our five largest subcontractors during the Track Record Period:

FY2018

Subcontractor	Services provided to our Group	Business relationship with our Group since	Payment method	Credit period	Invoiced amount	Approximate percentage of total subcontracting costs of our Group
					(approximately HK$ million)	
Subcontractor A *(Note 1)*	Waterproofing works	2011	Cheque	Within 15 days from the monthly payroll statement	11.9	56.2%
Subcontractor B *(Note 2)*	Waterproofing works	2010	Cheque	Within 15 days from the monthly payroll statement	1.7	8.0%
Subcontractor C *(Note 3)*	Joint sealant works	1992	Cheque	Within 15 days from the monthly payroll statement	1.6	7.7%
Subcontractor D *(Note 4)*	Flooring works	1994	Cheque	Within 15 days from the monthly payroll statement	1.3	6.0%
Subcontractor E *(Note 5)*	Waterproofing works and joint sealant works	2013	Cheque	Within 14 days to one month after date of invoice	1.2	5.4%
			Total invoiced amount to our top five largest subcontractors		17.7	83.3%

FY2019

Subcontractor	Services provided to our Group	Business relationship with our Group since	Payment method	Credit period	Invoiced amount	Approximate percentage of total subcontracting costs of our Group
					(approximately HK$ million)	
Subcontractor A *(Note 1)*	Waterproofing works	2011	Cheque	Within 15 days from the monthly payroll statement	10.5	39.3%
Subcontractor D *(Note 4)*	Flooring works	1994	Cheque	Within 15 days from the monthly payroll statement	5.6	20.9%
Subcontractor B *(Note 2)*	Waterproofing works	2010	Cheque	Within 15 days from the monthly payroll statement	3.4	12.9%
Subcontractor F *(Note 6)*	Joint sealant works	2017	Cheque	Within 15 days from the monthly payroll statement	1.5	5.5%
Subcontractor C *(Note 3)*	Joint sealant works	1992	Cheque	Within 15 days from the monthly payroll statement	1.4	5.2%
			Total invoiced amount to our top five largest subcontractors		22.4	83.8%

FP2019

Subcontractor	Services provided to our Group	Business relationship with our Group since	Payment method	Credit period	Invoiced amount	Approximate percentage of total subcontracting costs of our Group
					(approximately HK$ million)	
Subcontractor A *(Note 1)*	Waterproofing works	2011	Cheque	Within 15 days from the monthly payroll statement	6.6	43.8%
Subcontractor D *(Note 4)*	Flooring works	1994	Cheque	Within 15 days from the monthly payroll statement	2.2	15.0%
Subcontractor E *(Note 5)*	Waterproofing works and joint sealant works	2013	Cheque	Within 14 days to one month after day of invoice	1.8	12.3%
Subcontractor B *(Note 2)*	Waterproofing works	2010	Cheque	Within 15 days from the monthly payroll statement	1.3	8.7%
Subcontractor C *(Note 3)*	Joint sealant works	1992	Cheque	Within 15 days from the monthly payroll statement	1.3	8.6%
			Total invoiced amount to our top five largest subcontractors		13.2	88.4%

Notes:

1. Subcontractor A is a sole proprietorship based in Hong Kong, which engages in waterproofing works.
2. Subcontractor B is private company limited by shares, which engages in waterproofing works.
3. Subcontractor C is a sole proprietor which engages in joint sealant works.
4. Subcontractor D is a sole proprietor which engages in flooring works.
5. Subcontractor E is a partnership which engages in engineering works.
6. Subcontractor F is a sole proprietor which engages in joint sealant works.

Relationship with our five largest subcontractors during the Track Record Period

Our Directors confirmed that none of our Directors, their associates or Shareholders who own more than 5% of the share capital of our Company as at the Latest Practicable Date had any interest in any of our Group's five largest subcontractors during the Track Record Period. Our Directors further confirmed that none of our subcontractors were our major customers during the Track Record Period.

Our Directors confirmed that our Group did not experience any major disruption in business due to material delays by our subcontractors during the Track Record Period. Our Directors further confirm that they did not have any legal or arbitration proceedings or pending or threatened legal or arbitrations proceedings with any of our subcontractors.

Major terms of subcontract

As our customers engage us on a project-to-project basis, our Group does not enter into any long-term contract with our subcontractors. We enter into subcontracting agreement setting out the general terms of subcontracting arrangement. The following summarise the common key terms of engagement with our subcontractors:

Scope of works and specifications of the building protection products	The subcontracting agreements will set out the scope of the subcontracted works and specifications of the building protection products to be applied in the subcontracted works. Our subcontractors are generally responsible for the application of building protection products as designated by us to areas of the properties covered in our scope of engagement with our customers and conducting various tests upon completion of the works.
Subcontracting charges	The subcontracting agreements set out the fixed subcontracting charges.
Payment term.	In general, the subcontractor has to submit the payment application on the date specified in the agreement and we shall make payment on the date specified in the following month.
Retention monies	We may withhold 5% of each payment to our subcontractors as retention money. Generally, 50% of retention payables will be released to our subcontractors after the issue of the certificate of final accounts and the remaining balance will be released upon the expiration of one year after completion of the works by the subcontractor.

Secondment arrangement

Some of our customers require the workers who enter their site to carry out the building protection works be our employees. Hence, to facilitate the workers provided by our subcontractors to enter into the project site to undertake the building protection works, if necessary, the subcontractors will second their workers to work at our designated project site for our Group during the secondment period. As confirmed by Frost and Sullivan Report, this secondment arrangement is common in the construction industry in Hong Kong. Pursuant to the secondment arrangement, we enter into employment agreement with individual employees directly and bear all the employer's responsibilities including payment of wages and the employer's contributions to the Mandatory Provident Fund. Such wages and our contributions to the Mandatory Provident Fund paid for these employees were recognised as part of our direct staff costs under the cost of sales and services during the Track Record Period. During the secondment period, these workers will become our employees solely working under our directions from time to time.

Our Directors consider that the secondment arrangements are beneficial to the operation of our Group for the following reasons:

(i) We generally engaged subcontractors to carry out the labour intensive works in our building protection works projects during the Track Record Period and up to the Latest Practicable Date, which is consistent with the industry practice according to Frost & Sullivan. However, with respect to some building protection works projects, the entry to the relevant project site was restricted to only our employees. In such cases, we enter into secondment arrangement with our subcontractors, and enter into employment agreements with their individual workers directly. As aforementioned under the paragraph headed "Our subcontractors" in this section above, an employment relationship between the secondment workers and us would be established with the seconded workers under such secondment arrangement, where we would assume all the employer's obligations and responsibilities arising thereof in lieu of the sub-contractors. As a result, the subcontracting and secondment arrangements would (a) give us the flexibility with regard to the mode of engagement of our labour force to carry out the labour intensive works of the project; and (b) enable us to save our financial resources from retaining a large number of workers as our permanent employees as the employment of the seconded workers will be terminated after completion of the works; and

(ii) Our subcontractors are selected by us after carefully considering a number of factors to our satisfaction, such as their qualifications and experiences and skills of their workers. During the Track Record Period, we had long standing business relationships with most of our major subcontractors, and we are familiar and satisfied with their work quality. In this connection, rather than looking for suitable direct labour from the market, employing the workers of our subcontractors under secondment would enable us to (a) maintain the quality of the building protection works rendered; and (b) save our time and manpower from training the workers from scratch to perform the works up to our standard.

Control over subcontractors

To closely monitor the performance of our subcontractors and to ensure that the subcontractors comply with the contractual requirements and the relevant laws and regulations, we require them to follow our internal control measures in relation to quality assurance, safety and environmental compliance. During the course of the project, our project team regularly convenes meetings with our subcontractors and closely monitors their work progress and performance as well as their compliance with the relevant on-site safety environmental protection measures and our quality standards.

During the Track Record Period, we had not experienced any material difficulties in finding subcontractors to undertake building protection works for our projects. Our Directors believe that having the flexibility to engage subcontractors to carry out building protection works of the project would provide us the flexibility to better manage our manpower and better utilise our own internal resources to be deployed in different projects.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not received any material claims or complaints from our customers in respect of workers of our subcontractors as to quality or timeliness in delivery of services.

QUALITY ASSURANCE

In relation to our provision of building protection works, each of our projects has a project manager who is responsible for the project's overall quality assurance.

Our Directors and our project managers are generally responsible for our Group's overall quality assurance. Please refer to section headed "Directors and Senior Management" in this prospectus for further details on their biographical information.

In relation to the quality assurance of building protection products sold and distributed by us, please refer to paragraph headed "The Workflow of Our Synergistic Business Model — (B) Workflow regarding our provision of building protection works — (5) Project planning and implementation — (e) Project quality management" in this section for further details.

For more details of the quality assurance of our building protection works, please refer to paragraph headed "The Workflow of Our Synergistic Business Model — (B) Workflow regarding our provision of building protection works — (5) Project planning and implementation — (a) Formation of project team, (b) Formulation of project execution plans, and (c) Project implementation and monitoring" in this section.

For more details of our quality control measure over our suppliers, including our subcontractors, please refer to the paragraph headed "Our suppliers — Selection of suppliers" in this section.

During the Track Record Period and up to the Latest Practicable Date, our Group had not received any material complaint or request for any kind of material compensation from our customers due to quality issue of our performance, our subcontractors' performance and our building protection products.

LICENCES AND PERMITS

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all material licences, permits and registration required for carrying on our business operations in Hong Kong and Macau, details of which are set out below:

Licences/ permits/ registration	Holder/ registrant	Issuing authority/ scheme administrator	Trade code and type(s) of works/trades covered	Registration Number	Expiry date
Registered Specialist Trade Contractor . . .	Sunray Engineering (HK) Company Limited	Construction Industry Council	01.10 Other structural and civil trades — Expansion joints	R004007	1 June 2024
Registered Specialist Trade Contractor . . .	Sunray Engineering (HK) Company Limited	Construction Industry Council	02.01 — Finishing wet trades — Others (Floor hardener)	R004007	1 June 2024
Registered Specialist Trade Contractor . . .	Sunray Engineering (HK) Company Limited	Construction Industry Council	02.06 — Tanking and waterproofing	R004007	1 June 2024
Registered Specialist Trade Contractor . . .	Sunray Engineering (HK) Company Limited	Construction Industry Council	02.07 — Painting	R004007	1 June 2024
Registered Specialist Trade Contractor . . .	Sunray Engineering (HK) Company Limited	Construction Industry Council	02.10 — Other finishing trades and components — Others (Joint sealant work)	R004007	1 June 2024
Registered Specialist Trade Contractor . . .	Karcenar Limited trading as Sunray Engineering Company	Construction Industry Council	02.01 — Finishing wet trades — Others (Floor hardener)	R003757	23 July 2023
Registered Specialist Trade Contractor . . .	Karcenar Limited trading as Sunray Engineering Company	Construction Industry Council	02.06 — Tanking and waterproofing	R003757	23 July 2023
Registered Specialist Trade Contractor . . .	Karcenar Limited trading as Sunray Engineering Company	Construction Industry Council	02.07 — Painting	R003757	23 July 2023
Registered Specialist Trade Contractor . . .	Karcenar Limited trading as Sunray Engineering Company	Construction Industry Council	02.10 — Other finishing trades and components — Others (Joint sealant work)	R003757	23 July 2023

INVENTORY MANAGEMENT

Our inventories mainly comprise building protection products and other building materials, which are mainly purchased on an as-needed basis and delivered to our leased warehouses in Kwai Chung and Cheung Sha Wan, the third party warehousing facilities in Tsuen Wan and Hung Shui Kiu provided by independent third-party logistics services providers, or the destinations designated by our project team or our customers. During the Track Record Period, we were generally charged (i) a fixed rent by the relevant landlords for leasing our warehouses; and/or (ii) service fees by the independent third-party logistics service providers for their logistics and warehousing services with their warehousing facilities, which were calculated according to the weight and size of the goods stored and the distance travelled for delivery of the goods. In the case of our building protection products which are dangerous goods within the meaning of the Dangerous Goods Ordinance (Chapter 295 of the laws of Hong Kong), we would store such products at third party warehousing facilities which possess the requisite licenses for storage granted under the Dangerous Goods Ordinance. Our staff members are responsible for checking the dangerous goods license of the third party warehousing facilities before engaging their services. We are generally charged by these third party warehousing facilities monthly for our building protection products stored at a rate of per cubic meter/ton used. Our staff members are responsible to closely monitor the inventory level to minimise and waste on inventory or obsolete inventory. For FY2018, FY2019 and FP2019, the number of the inventory turnover days was approximately 65.7 days, 59.6 days and 48.5 days, respectively. As such, Our Directors believe that the risk of obsolescence of inventory is low.

We purchase most of the building protection products after we have confirmed the purchase orders with our customers to avoid accumulation of excessive inventory. For some building protection products that entail regular purchase orders, we would maintain certain level of stock at our warehouse or our other third party warehousing facilities. To exert control over our inventory stored at these third party warehousing facilities, we ensure that (i) the warehousing facilities possess the requisite licenses and that our inventories are properly stored; (ii) physical count on the inventory is conducted at least on an annual basis; and (iii) the provider of the third party warehousing facilities have maintained an insurance policy with coverage available to our Group.

Our inventory turnover days were approximately 65.7 days, 59.6 days and 48.5 days for FY2018, FY2019 and FP2019, respectively. For further details on our inventory turnover days, please refer to the paragraph headed "Financial Information — Analysis of various items in the consolidated statements of financial position — Inventories" of this prospectus.

INSURANCE

We have taken out the insurances set out in the paragraphs below in respect of our operations.

Employees' compensation

We have taken out employees' compensation insurance to cover our liabilities under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all our employees working in our office as required under section 40 of the Employees' Compensation Ordinance for an amount of up to HK$100 million per event. For any liabilities arising from injuries at construction site, under section 24 of the Employees' Compensation Ordinance, a main contractor is liable to any accident of the workers of its subcontractors on the construction sites and is required to take out an insurance policy for an amount of up to HK$200 million per event to cover its liability and that of its subcontractors under the Employees' Compensation Ordinance and at common law. Therefore, our liabilities and the liabilities of our subcontractors under the Employees' Compensation Ordinance and at common law for injuries at construction site are covered by the insurance policy taken out by the main contractor of the project.

Contractors' all risks insurance and other insurance taken out by the main contractor

For all of the projects undertaken by us, the main contractor has taken out contractors' all risk insurance policies which typically cover (a) liability arising from potential bodily injury to third parties or death as a result of the performance of our contract works undertaken by us or by our subcontractors at the construction site; and (b) liability arising from damage to third parties' properties as a result of the performance of our contract works undertaken by us or by our subcontractors at the construction site. Our Directors confirm that there is no statutory requirement on minimum insurance coverage of contractors' all risks insurance.

As disclosed in the section headed "Risk Factors" in this prospectus, we are exposed to certain risks of getting into disputes with our subcontractors, workers and other parties and it is not unusual to encounter certain difficult or dangerous conditions at the construction site which may result in personal injuries or even fatality of site workers. Please refer to the paragraph headed "Risk Factors — Risks Relating to Our Business — Any material litigation and disputes may adversely affect our Group's performance" in this prospectus for further details. Our Directors consider that such risks and liabilities will be well covered under the contractors' all risk insurance on and subject to the terms and conditions of the insurance policy.

Uninsured risks

Certain risks are disclosed in the section headed "Risk Factors" in this prospectus, such as risk in relation to potential claims arising from latent defects liability. Particularly, while the warranty period for our building protection works generally lasts for 10 to 15 years, our subcontractors' performance, liquidity risk and the product liability risk in relation to the building protection products sold and distributed by us, etc., are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Notwithstanding that, although our insurance policy does not cover any losses and claims caused by substandard performance of our subcontractors, we can generally deduct the retention monies payable to such subcontractor. Based on our past experience with the subcontractors and our periodic evaluation of the performance of our subcontractors, our Directors consider that the risk of losses or claims caused by substandard performance of works of or delay caused by the subcontractors is low. Further, during the Track Record Period, we did not experience any claims from our customers in respect of the latent defects.

Our Directors believe that our current insurance policies are adequate, and the coverage of our insurance policies is consistent with industry norm having regard to our current operations and the prevailing industry practice. For FY2018, FY2019 and FP2019, our total insurance expenses amounted to approximately HK$0.4 million, HK$0.4 million and HK$0.4 million, respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made and did not make or had not been the subject of any material insurance claim.

EMPLOYEES

As at the Latest Practicable Date, our Group had approximately 69 employees in Hong Kong and Macau. The following table provides a breakdown of our employees by function:

Function	Number of employees
Administration and human resources	9
Project management	4
Quantity Surveyors	3
Foreman	4
Sales and marketing	6
Logistics	2
Accounting and finance	3
Technician	3
Temporary workers *(Note)*	35
Total	69

Note: The temporary workers are the workers seconded by our subcontractors and employed by us directly under the secondment arrangement between us and our subcontractors. For details of the secondment arrangement, please see the paragraph headed "Our suppliers — Our subcontractors" in this section.

We generally recruit our employees through internal recruitment, internal referral, job postings on the internet, and recruitment agencies. We provide training to our employees in aspects such as general and technical skills and management skills.

We engage subcontractors to provide labour force to undertake the building protection works. As a result, we do not need to recruit or retain a large number of permanent workers. For FY2018, FY2019 and FP2019, our direct staff costs, which represent salaries and benefits provided to our staff in project team, amounted to approximately HK$6.0 million, HK$8.5 million and HK$4.3 million, respectively, representing approximately 6.6%, 7.5% and 7.2% of our total cost of sales and services, respectively.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material dispute with our employees or our subcontractors, or disruption to our operations due to labour dispute and we had not experienced any difficulty in the recruitment and retention of employees or workers.

Save for the matters as disclosed in the paragraph headed "Non-compliance matters" in this section, our Directors confirm that our Group had complied with the applicable labour laws and regulations in Hong Kong and Macau in all material respects during the Track Record Period and up to the Latest Practicable Date.

MARKET AND COMPETITION

According to the Frost & Sullivan Report, the building protection works market in Hong Kong was relatively fragmented with an aggregated market share of approximately 10.9% for top five market players, which represented a market value of approximately HK$387.2 million for FY2019. In terms of the revenue, the Group ranked second with a market share of approximately 3.0% in the building protection work market in Hong Kong in FY2018. The market size of the building protection work market in Hong Kong had experienced growth from approximately HK$2,110.0 million in 2013 to approximately HK$3,644.9 million in 2019 at a CAGR of 9.5%, and is projected to reach HK$4,323.0 million by 2023, at a CAGR of approximately 4.4% between 2019 and 2023. The growth is expected to be driven by (i) the growing demand from major applications such as waterproofing works on external wall and roof; and (ii) the growing construction sector.

The building protection products market in Hong Kong is relatively concentrated with limited number of market participants. With waterproofing products accounting for a large proportion of the building protection products market, the major participants of the building protection products market are mostly large waterproofing products manufacturers, while other market players, including international own-brand-manufacturers of tiling and flooring products, the distributors for these brands, and local own-brand manufacturers taking up the rest of the market. In FY2018, our Group had a market share of approximately 2.4% in the building protection products market in Hong Kong. The building protection products market had grown from approximately HK$1,029.7 million to HK$1,778.5 million in 2019 with a CAGR of approximately 9.5%, and is projected to reach approximately HK$2,094.6 million in 2023 at a CAGR of approximately 4.2%. The growth is expected to be driven by (i) the building construction projects implemented by the government in both the private and public sectors in Hong Kong; and (ii) the higher expectation on building protection products by customers in terms of price, quality and delivery.

Please refer to the section headed "Industry Overview" for further details of the building protection works and products markets in Hong Kong and Macau.

SEASONALITY

The building protection works projects involving external walls and roof top may suffer from delay due to adverse weather conditions like typhoons, and as a result, we may need to temporarily suspend our external wall works projects to avoid unsafe working environments. Such temporary suspension may lead to a delay in the completion of our works. In case of adverse weather conditions, we are usually entitled under the contracts to claim extension of time to complete our projects. Save as mentioned above, our Directors believe that the building protection works industry in which we operate, including the provision of building protection works and sale and distribution of building protection products, does not exhibit any significant seasonality.

PROPERTIES

The following table summarises the information regarding our leased properties during the Track Record Period and up to the Latest Practicable Date:

Location	Approximate gross floor area (sq.ft.) *(Note 1)*	Term	Lessor	Key terms of the tenancy	Usage by our Group
Units 802-804, 8th Floor, Laford Centre, 838 Lai Chi Kok Road, Kowloon, Hong Kong	3,530	1 July 2018 to 30 June 2020 (both days inclusive)	An Independent Third Party	Monthly rent of HK$67,070	Office use
Flat D, 65/F, Tower 3 Grand Promenade, 38 Tai Hong Street, Sai Wan Ho, Hong Kong	1,311	1 April 2018 to 31 March 2020 (both days inclusive)	Red Fame Limited *(Note 2)*	Monthly rent of HK$45,000	Directors' quarters
Rua de Pequim, No. 202A-246, Finance Centre de Macau, 15th Floor F, Macau	707	1 September 2019 to 31 August 2021	An Independent Third Party	Monthly rent of HK$13,500	Office use
Room 402, 4th Floor, Luen Fat No. 3 Industrial Building, 123-129 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	1,600	22 October 2016 to 21 October 2018 *(Note 3)*	An Independent Third Party	Monthly rent of HK$13,000	Warehouse
Factory B1, 6th Floor, Yeung Yiu Chung (No. 6) Industrial Building, No. 19 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong	3,964	1 February 2020 to 31 January 2022	An Independent Third Party	Monthly rent of HK$43,604	Warehouse

Notes:

1. The approximate gross floor area occupied represents the gross floor area set out in the tenancy agreements signed with the owners or is based on our Directors' best estimation.
2. Red Fame Limited is directly owned as to 50% by Mr. Lam and 50% by Mrs. Lam and hence Red Fame Limited is a connected person of our Company pursuant to the GEM Listing Rules. On 23 March 2020, Red Fame Limited and Karcenar HK entered into a lease agreement, pursuant to which Karcenar HK leased the same premises from Red Fame Limited for a term of two years commencing 1 April 2020 and ending on 31 March 2022 (both days inclusive). Please refer to the paragraph below for further details with respect to the relevant lease agreement between Red Fame Limited and our Group.
3. The tenancy agreement expired on 21 October 2018 and our Group did not renew the tenancy agreement upon its expiry.

Lease agreement entered into with Red Fame Limited

Red Fame Limited is a limited liability company incorporated in Hong Kong on 19 December 2007 and is owned as to 50% by Mr. Lam, our executive Director and one of the Controlling Shareholders, and 50% by Mrs. Lam, our executive Director. As such, Red Fame Limited is a connected person pursuant to the GEM Listing Rules. As at the Latest Practicable Date, Red Fame Limited was a property investment company.

On 1 April 2018, a lease agreement (the "**Old Lease Agreement**") was entered into between Red Fame Limited (as landlord) and Karcenar HK (as tenant) in respect of the premises situated at Flat D, 65/F, Tower 3, Grand Promenade, 38 Tai Hong Street, Sai Wan Ho, Hong Kong with a gross floor area of approximately 1,311 square feet for residential use (the "**Premises**"), and was used as the Directors' quarters by our Group as at the Latest Practicable Date.

The Old Lease Agreement was for a term of two years commencing from 1 April 2018 and ending on 31 March 2020 (both days inclusive) at a monthly rental of HK$45,000 (exclusive of rates, government rent and management fee which are payable by the tenant). The monthly rental is payable in advance on the seventh day of each and every successive calendar month.

On 23 March 2020, Red Fame Limited and Karcenar HK entered into a lease agreement (the "**New Lease Agreement**") pursuant to which Karcenar HK leased the Premises from Red Fame Limited for a term of two years commencing 1 April 2020 and ending on 31 March 2022 (both days inclusive) on the same terms as the Old Lease Agreement. In accordance with HKFRS 16, the lease under the Old Lease Agreement and the New Lease Agreement are respectively regarded as an acquisition of asset by us, and respectively constitute a one-off connected transaction of our Group. Please refer to the section headed "Connected Transaction" in this prospectus of details.

Our Directors (including our independent non-executive Directors) confirm that the transactions under the Lease Agreement and the New Lease Agreement have been entered into in the ordinary and usual course of business of our Group on normal commercial terms and based on arm's length negotiations, and the terms of the Lease Agreement and the New Lease Agreement are fair and reasonable and in the interests of our Company and Shareholders as a whole.

INTELLECTUAL PROPERTY

Trademarks

As at the Latest Practicable Date, our Group had the following registered trademarks which are material to our business:

Trademark	Registered owner	Date of registration	Expiry date	Registration number	Class *(Note 3)*
(Note 1)	Tech Link	18 April 2011	17 April 2021	301891738	2, 6 and 19
(Note 1)	Tech Link	10 April 2019	9 April 2029	304886830	2, 6 and 19
(Note 1)	Tech Link	10 April 2019	9 April 2029	304886821	1 and 17
(Note 1)	Tech Link	10 April 2019	9 April 2029	304886812	1, 2, 6, 17 and 19
(Note 2)	Karcenar HK trading as Sunray Engineering Company; Sunray Engineering	18 April 2019	17 April 2021	304891924	42

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks in Macau which we believe are material to our business:

Trademark	Applicant	Date of application	Application number	Class *(Note 4)*
(Note 1)	Fair Building	4 July 2019	N/156563(551) N/156579(546)	1, 2, 6, 17 and 19
(Note 1)	Fair Building	4 July 2019	N/156564(753) N/156580(864)	1, 2, 6, 17 and 19
	Fair Building	4 July 2019	N/156565(686) N/156581(898)	1, 2, 6, 17 and 19
	Fair Building	4 July 2019	N/156566(613) N/156582(579)	1, 2, 6, 17 and 19

As at the Latest Practicable Date, our Group has registered the following trademarks in Macau which we consider are material to our business:

Trademark	Registered owner	Date of registration	Expiry date	Trademark number	Class
(Note 1)	Fair Building	5 February 2020	5 February 2027	N/156567(618) N/156571(160) N/156575(667)	1, 2, 6, 17 and 19
(Note 1)	Fair Building	5 February 2020	5 February 2027	N/156568(537) N/156572(421) N/156576(960)	1, 2, 6, 17 and 19
	Fair Building	5 February 2020	5 February 2027	N/156569(199) N/156573(084) N/156577(905)	1, 2, 6, 17 and 19
	Fair Building	5 February 2020	5 February 2027	N/156570(310) N/156574(641) N/156578(350)	1, 2, 6, 17 and 19

Notes:

1. This trademark is in blue and red colours
2. This trademark has a circle pattern in orange and an "S" in black
3. Class 1: Chemicals for industry, unprocessed artificial resins, unprocessed plastics; fire extinguishing and fire prevention compositions; adhesives for use in industry; putties and other paste fillers

   Class 2:

   - For trademark with registration number of 301891738 : Paints, varnishes, lacquers; preservatives against rust and against deterioration of wood
   - For trademark with application numbers of 304886830 and 304886812: Paints, varnishes, lacquers; preservatives against rust and against deterioration of wood; colorants; raw natural resins

   Class 6: Metal building materials

Class 17: Unprocessed and semi-processed rubber; plastics and resins in extruded form and insulating materials; flexible pipes, tubes and hoses, not of metal

Class 19: Building materials (non-metallic); asphalt, pitch and bitumen

Class 42: Engineering

4. Class 1: Industrial adhesives; chemical additives for drilling mud; chemical additives for drilling mud; agglomerates for concrete; coagulants for concrete; water rust inhibitors; bentonite; drilling mud; plasticizers; catalyst; viscose; industrial chemicals; cement waterproofing preparation other than paint; cement waterproofing chemicals other than paint; cement protective products other than paint and oil; cement preservatives other than paint and oil; And overcoating compounds; release preparations; metal hardeners; fire-extinguishing compositions; fire-retardant preparations; lithium oxide; masonry preservatives other than paints and oils; brick preservatives other than paints and oils; Oil brick preservative; unprocessed plastic; unprocessed synthetic resin; unprocessed artificial resin; surfactant; window decontamination chemicals; window decontamination chemicals; industrial titanium dioxide; wall tile adhesive; Preparation; varnish solvent; industrial glucose; masonry building moisture-proofing agent other than paint; chemical reinforcing agent for rubber; oil cement mud (putty); oil cement mud (mastic, putty).

Class 2: Paint; varnish; preservative; asphalt paint; wood coating (paint); wood stain; roofing coatings (paint); oil coating (coating); coating (paint); antirust oil; fireproof paint; fire retardant paint; paint coagulant; paint-used binder; paint binder; natural resin; metal antirust preparation; metal protection preparation; wood preservative; paint thinner; paint drier; primer.

Class 6: Metal reinforcement materials for concrete; iron ore; metal building components; metal fittings for construction; metal cover for construction; metal lining for walls (construction); metal cladding for construction; metal partition (construction); metal roofing materials; metal reinforcement materials for construction; metal construction materials; metal bricks for construction; metal buildings; metal roof coverings; metal building baffles; metal sheets for construction; metal building panels; metal building siding; refractory building materials.

Class 17: Watering hose; drainage hose; soundproof material; waterproof ring; rubber or plastic filling material; rubber or plastic filler; non-thermal conductive material for heat preservation; synthetic rubber; non-metallic hose; insulating material; anti-heat radiation composition; expansion joint filler; chemical composition for trapping; seal; insulating varnish; moisture-proof building material; insulating paint; latex (natural rubber); non-packaging plastic film; liquid rubber; liquid rubber; Insulating refractory material.

Class 19: Asphalt; asphalt for construction; cement; asphalt (artificial); stone binder; refractory soil; clinker (refractory); building mortar; fireproof cement coating; cement coating for fire protection; non-metallic partition; non-metallic building; asphalt coating for roof; linoleum for construction; cement for furnace; cement for blast furnace; sandstone for construction; slag (building materials); magnesia cement; coating (building materials); non-metallic cladding for walls (building); non-metallic linings for walls (buildings); building stones; artificial stone; non-metallic flooring; non-metallic cladding for construction; building coverings; non-metallic building coverings; non-metallic partitions for construction; non-metallic building coating materials; pavement dressings; sand (except foundry sand); silica (quartz); asphalt (tar pitch); materials; non-metallic wall panels; non-metallic reinforcement materials for construction; non-metallic building materials; non-metallic paving blocks; non-metallic bricks for construction; non-metallic wall tiles for construction; brick floor; non-metallic drain pipe; condensed bagasse (building materials); non-metallic roofing panels composed of solar cells; non-metallic refractory building materials.

Domain names

As at the Latest Practicable Date, our Group had registered the following domain names which we believe are material to our business:

Domain name	Registrant	Registration date	Expiry date
sunray.com.hk	Sunray Engineering Company *(Note 1)*	18 January 2019	18 January 2029
techlinkcon.com.hk	Tech Link	20 July 2006	27 July 2020

Note: It refers to Karcenar Limited trading as Sunray Engineering Company.

During the Track Record Period and up to the Latest Practicable Date, no material claim or dispute was brought against our Group in relation to any infringement of trademarks, patents or other intellectual property rights. Our Directors are not aware of any use by any third party of our logo or brand and believe that there has been no infringement of our intellectual property rights that would result in a significant potential impact to our business.

Our management reviews our business practices regularly to ensure our compliance with all licensing requirements and the successful renewal of our qualifications, licences and permits. To the best knowledge and belief of our Directors after making reasonable enquiries, as at the Latest Practicable Date, our Directors were not aware of any major legal impediment for the renewal of our qualifications, licences or permits.

OCCUPATIONAL HEALTH AND WORK SAFETY

We are committed to provide a safe and healthy working environment to our employees and the employees of our subcontractors. Regarding our building protection works projects, our employees (other than those workers seconded to us from our subcontractors) are generally not engaged in the carrying out of the works and the principal exposure of our employees to any work safety occurs when our employees are required to be on-site for site visits and perform inspection of our project progress. We have put much efforts to ensure our employees' strict compliance with safety requirements in order to avoid industrial accidents happened in our projects. As we delegate the building protection works to our subcontractors who are qualified in their fields, we require our subcontractors who undertake our projects to abide by all safety laws, rules, regulations, measures and procedures and all safety requirements to comply with all current enactments relating to their works.

During the Track Record Period, no prosecution had been laid against us by any relevant authorities in respect of violation of applicable laws or regulations of health and safety. Our Directors confirmed that no material injury or fatal accident was recorded on the sites for which we were responsible during the Track Record Period.

ENVIRONMENTAL COMPLIANCE

Our Group is committed to environment protection by conducting our business in an environmentally responsible manner. We aim to prevent pollution, reduce waste and enhance waste recycling from our operations. When rendering building protection works, we are generally required to follow, and procure our subcontractors to follow, the relevant environment protection policies or environmental management system of the main contractor at the work site. In general, the permitted hours for operation at project site is from 7:00 am to 7:00 pm. Monday to Saturday. Works are not permitted on general public holidays unless prior approval has been granted by the Director of the Environmental Protection Department through the construction noise permit system.

During the Track Record Period, our Group did not incur any material amount in relation to compliance with applicable environmental requirements. Our Group estimates that its annual cost of compliance going forward will be at a level similar to that during the Track Record Period.

During the Track Record Period, our Group was not prosecuted by and did not receive any warning letter from any Governmental authority for breaching any applicable environmental laws and regulations relating to environmental protection.

LEGAL PROCEEDINGS

(I) Settled employees' compensation claim

Set out below are the details of an employees' compensation claim against our Group which has been settled during the Track Record Period and up to the Latest Practicable Date:

Nature of the claim	Date of incident	Capacity of plaintiff	Names of defendants	Settlement amount	Insurance coverage	Status
An accident resulting in one employees' compensation claim It was alleged that the employee sustained left ankle injury while he was in the course of employment with Sunray Engineering at the project site in Pau Chung Street	The accident was happened before the Track Record Period on 23 January 2017	An employee of Sunray Engineering under secondment arrangement	Sunray Engineering (in the capacity as a subcontractor) and a customer of Sunray Engineering (in the capacity as a main contractor)	HK$274,222.42	Our Directors confirmed that the liabilities of our Group under this claim were covered by insurance taken by the relevant main contractor	The claim has been settled in November 2018

Our Directors are of the view that occurrence of personal injuries is not uncommon in the building protection works market. Our Directors confirm that the claim has been covered by insurance taken out by the main contractor.

(II) Outstanding employees' compensation claims as at the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, our Group recorded two personal injury accidents. The injured persons in both accidents have filed employees' compensation claims against our Group. As at the Latest Practicable Date, we have no outstanding personal injury claim.

Set out below are the details of the two outstanding employees' compensation claims against our Group as at the Latest Practicable Date:

Accident	Nature of the claim	Date of accident	Capacity of applicant	Names of respondents	Insurance coverage	Status
Accident 1	An employee sustained injury to her back while she was in the course of employment with Sunray Engineering at the construction site at Tsuen Wan	14 September 2017	An employee of Sunray Engineering	Sunray Engineering (in the capacity of a subcontractor) and a customer of Sunray Engineering (in the capacity of a main contractor)	Our Directors confirmed that the liabilities of our Group under this claim will be covered by insurance taken by the relevant main contractor	The hearing was adjourned to a date to be fixed
Accident 2	An employee sustained injury to his left foot while he was in the course of employment with Sunray Engineering at the construction site at Shatin	7 September 2018	An employee of Sunray Engineering	Sunray Engineering (in the capacity of a subcontractor) and a customer of Sunray Engineering (in the capacity of a main contractor)	Our Directors confirmed that the liabilities of our Group under this claim will be covered by insurance taken by the relevant main contractor	First hearing was scheduled on 15 May 2020

In view of the insurance coverage of the above claims and the indemnity given by our Controlling Shareholders, our Directors consider that these claims would not result in any material impact on the financial position or operation of our Group and no provision is necessary to be made.

(III) Potential personal injury claims as at the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, our Group recorded two personal injury accidents. Together with the accident in relation to the employees' compensation claim which happened before the Track Record Period and has been settled as mentioned above, all injured persons may commence their personal injury claims under common law within the limitation period of three years from the date of the relevant accidents. All the injured persons have not suffered serious bodily injuries and to the best knowledge of our Directors, all the potential claims will have no material financial and operational impact on our Group. The potential personal injury claims, when filed, will be handled by solicitors appointed by the main contractors' insurers. We are not in a position to assess the likely quantum of such potential claims. It is the obligation of the relevant main contractors in the projects to effect proper insurance policies against damages, claims and compensation in respect of the persons who are employed to work at the project sites. Our Directors confirmed that all the potential personal injury claims will be well covered by the insurance maintained by the relevant main contractors and/or indemnified by our Controlling Shareholders.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

NON-COMPLIANCE MATTERS

During the Track Record Period and up to the Latest Practicable Date, save as the material or systematic non-compliances set out below, we had complied with the applicable laws and regulations in Hong Kong and Macau in all material respects:

Non-compliance incident	Reason(s) identified	Legal consequences, potential maximum penalties and provision made	Rectification actions (if any) taken, current status	Enhanced internal control measures to prevent recurrence of the non-compliance
Failure to submit information regarding the commencement (namely Form IR 56E) and cessation (namely Form IR 56F) of employment to the Inland Revenue Department ("**IRD**") by certain subsidiaries of our Group during the Track Record Period. The employees involved included but not limited to the employees under secondments arrangement.	The failure was unintended and due to inadvertent oversight of our Group's administrative and accounts staff and their ignorance of the requirements under the relevant laws and regulations.	Under section 80(1) of the Inland Revenue Ordinance ("**IRO**"), any person without reasonable excuse fails to comply with sections 52(4) and 52(5) for the filing of Form IR 56E and Form IR 56F shall be guilty of an offence and the maximum penalty for each offence is HK$10,000. As there were 97 and 75 occasions of non-compliance of sections 52(4) and 52(5) of the IRO respectively during the Track Record Period, the potential aggregate maximum penalty in relation to such non-compliances is HK$1,720,000. Considering that (1) the omission is unintended; and (2) the omission was not intended to avoid tax, our legal counsel, Mr. Alan C.Y. Yung ("**Legal Counsel**") is of the view that the chance of maximum penalty or penalty of significant amount being imposed is low. An amount at the lower end of HK$3,000 may be imposed per each occasion. As such, the penalty to which our Group may be subjected to would amount to about HK$516,000. Our Legal Counsel also opined that the risk of prosecution of the directors and/or officers of the involved Group companies arising from the non-compliances is remote. As at the Latest Practicable Date, our Group has not received any notice from the IRD regarding the said non-compliances. Based on the above, no provision has been made in respect of the potential fines by our Group.	Upon enquiry with the IRD, we were informed that to avoid duplicate filing, outstanding Forms IR 56E and IR 56F were not required to be submitted since the relevant employer's returns of remuneration & pension (Forms IR 56B) have been submitted. The relevant Forms IR 56E and IR 56F for all of our employees since January 2019 were duly filed within the prescribed time limit. The Controlling Shareholders of our Group has also undertaken to indemnify our Group against any damages, liabilities, claim or losses suffered by our Group as a result of this non-compliance.	We have strengthened our written policies in recruiting new staff and submission of documents to IRD for new staff and resigned staff for the Group. All staff personnel records are updated monthly and the documents submitted to IRD are reviewed by the management to ensure compliance with the IRO.

Non-compliance incident	Reason(s) identified	Legal consequences, potential maximum penalties and provision made	Rectification actions (if any) taken, current status	Enhanced internal control measures to prevent recurrence of the non-compliance
Failure to submit the employer's return of remuneration and pensions (namely Form IR 56B) to the IRD by Sunray Engineering for two employees under secondments arrangement whose annual income are in excess of HK$132,000 in FY2018. Sunray Engineering also failed to file Form IR 56E for these two employees.	The failure was unintended as the administrative staff mistakenly considered that it was the subcontractor's duty to file Form IR 56B for the relevant employees as they worked for Sunray Engineering under secondments arrangement.	Under section 80(1) IRO, the maximum penalty for a breach of section 52(2) for failing to file Form IR 56B is HK$10,000. As there were two occasions of non-compliance of section 52(2) of the IRO, the potential aggregate maximum penalty in relation to such non-compliances is HK$20,000. Considering that (1) the omission is unintended; (2) the omission was not intended to avoid tax; and (3) the Group is a first-time offender, our Legal Counsel is of the view that the chance of maximum penalty being imposed is low. An amount at the lower end of HK$3,000 may be imposed per each occasion. As such, the penalty to which our Group may be subjected to would amount to about HK$6,000. Our Legal Counsel also opined that the risk of prosecution of the directors of Sunray Engineering arising from the non-compliances is remote. As at the Latest Practicable Date, our Group has not received any notice from the IRD regarding the said non-compliances. Based on the above, no provision has been made in respect of the potential fines by our Group.	Sunray Engineering has re-filled the Form IR 56B for the two employees in May 2019. The Controlling Shareholders of our Group has also undertaken to indemnify our Group against any damages, liabilities, claim or losses suffered by our Group as a result of this non-compliance.	We have strengthened our written policies in submission of documents to IRD for secondment staff for the Group. All staff personnel records are updated monthly and the documents submitted to IRD are reviewed by the management to ensure compliance with the IRO.

Our Directors are of the view that after considering (i) the nature of the above non-compliance incidents; (ii) the remedial actions taken by our Group; (iii) the insignificant amount of the maximum aggregate penalties that may be imposed on us; and (iv) the results of internal control review conducted by our independent internal control consultant:

(1) the above non-compliance incidents did not and will not have any material adverse effect on our business, results of operation and financial position;

(2) our internal controls currently in place to prevent recurrence of similar non-compliance incidents are adequate and effective; and

(3) our Directors are suitable to act as directors of our Company under Rules 5.01 and 5.02 of the GEM Listing Rules and we and our business are both suitable for Listing under Rule 11.06 as the non-compliance incidents:

    (a) do not involve any element of dishonesty on the part of our Directors;

    (b) do not involve deliberate intent on the part of our Directors or our Company not to comply with the relevant laws and regulations; and

    (c) would neither cast doubt on the integrity or competence of our Directors nor affect their suitability to act as our directors under Rules 5.01 and 5.02 of the GEM Listing Rules.

The Sponsor concurred with the Directors' view that the non-compliance incidents do not have any material impact on our Directors' suitability to act as directors under Rules 5.01 and 5.02 of the GEM Listing Rules and our suitability for listing under Rule 11.06 of the GEM Listing Rules having considered all circumstances and the nature and impact of the non-compliance incidents; and the implementation of the enhanced internal control policies and measures/remedial actions, and our Group's internal control system is sufficient and effective for its operation.

LIQUIDITY MANAGEMENT STRATEGY

According to the Frost & Sullivan Report, just like the rest of the construction industry, building protection works providers often incur significant amount of operating cash outflows as upfront costs and working capital at an early stage of the project. Such upfront costs and expenses normally cover procurement costs of building protection products and materials and subcontracting charges. It is however an industry norm that building protection works providers receive cash inflow from progress payments upon certification by their customers with reference to the percentage of works completed. As a result, cash collection period from customers is usually longer than the period for payment of suppliers and subcontractors' charges. These upfront costs coupled with the timing mismatch in the trade related receivable and payables have placed a significant burden on the building protection works providers' internal resources and their ability to finance operation and cash outflow in carrying out the project before the receipt of progress payments from customers. In addition, it is also an industry practice for customers to withhold up to 5% of the total contract sum as retention money, half of which will generally be released to building protection works providers after the issue of the certificate of practicable completion and the remaining balance will be released subsequent to the expiry of the defects liability period ranging from 12 to 24 months, which causes further stress on the cash flow of building protection works providers. Such financial pressure will grow exponentially when a building protection works provider experiences a growing business operation and handles multiple projects at the same time.

The aforementioned market practice inevitably exposes our Group to potential liquidity mismatch, which will be intensified along with our business growth. As such, our Directors believe that we might face liquidity risk from time to time as a result of the mismatch of our operating cash flow arising from our delay in settling our upfront cost and working capital required in the form of our trade payables from converting our trade receivables and contract asset into cash. For details, please refer to the section headed "Financial Information" in this prospectus. For FY2018 and FY2019, our Group experienced a significant drop in our cash flow generated from operating activities from approximately HK$41.2 million to HK$1.5 million, which indicated a potential mismatch from the timing of payment to suppliers and subcontractors with the payment received from customers. While our cash flow generated from operating activities reached approximately HK$12.9 million for FP2019, our Directors consider that the liquidity pressure on our Group persisted, which would be better demonstrated with reference to our contract assets and adjusted trade receivable turnover days as follows. Our contract assets amounted to approximately HK$41.6 million, HK$70.1 million and HK$91.2 million as at 31 March 2018 and 2019 and 30 September 2019, respectively. The amount of contract assets, which in summary, represents the amount of uncertified and unbilled completed works and the amount of retention receivables, can, together with the amount of our trade receivables, reflect the capital pressure we are facing from time to time. In order to better reflect the liquidity pressure in our operation, after taking into account our contract assets in the calculation of trade receivable turnover days, our adjusted trade receivable turnover days would then become 150.2 days, 140.5 days and 172.2 days for FY2018, FY2019 and FP2019, respectively, indicating a potential cash flow mismatch for our Group in relation to our payments to our suppliers and subcontractors and cash collection from our customers. For detailed analysis of our net cash used in operating activities, please refer to the paragraph headed "Financial Information — Liquidity and capital resources — Net cash generated from operating activities" in this prospectus.

According to Frost and Sullivan Report, in order to maintain its liquidity and finance the significant amount of working capital, it is not uncommon for an industry player in building protection works market to seek debt financing. However, loan applications for private companies usually require the borrower to provide securities and collaterals. Such requirement may bar some private companies without sufficient resources to provide securities from obtaining debt financing. As a result, many industry players in the Hong Kong have to resort to seeking financial assistance from their controlling shareholders or asking their controlling shareholders to provide personal guarantees in case of debt financing from financial institution. Further, most banks and financial institutions only offer more favourable interest rate and financing terms to companies that have a listing status and are able to provide corporate guarantee.

Over years of operation, our Group did not own any property and was offered with a low credit limit with relatively high interest rates from financial institutions refer to paragraph headed "Financial Information — Indebtedness" of this prospectus. Our Group has, therefore, adopted a low financial leverage business structure and prudent liquidity management strategy to grow our business in the midst of a business environment characterised with a relative high liquidity risk. In this connection, instead of financing through banks or other financial institutions, we have relied on our working capital generated from our operation or the financing directly from our shareholders in the following ways:

(i) direct financing from our shareholder. For example, we had an amount due to our Controlling Shareholder, Mr. Lam, in the sum of approximately HK$10.3 million as at 31 March 2018. Such amount was subsequently settled in full during FY2019.

(ii) the capital investment from our then shareholders and Controlling Shareholders, as detailed under the section headed "History, Development and Reorganisation" in this prospectus, which was recoded as part of our capital and reserves.

(iii) the accumulated net profits of our Group that had not been distributed to shareholders as dividends over the years of our operation were recorded as a substantial part of our capital and reserves. As at 31 March 2018 and 2019 and 30 September 2019, we recorded capital reserve of approximately HK$94.6 million, HK$104.1 million and HK$118.2 million, respectively. In other words, we had been conserving our resources as working capitals in order to maintain our future growth initiatives.

We consider that our low leverage structure and prudent liquidity management strategy have reinforced the liquidity position of our Group.

In order to further ease our liquidity pressure which will be intensified along with our business growth, we have put in place the following internal control measures and procedures to strengthen our liquidity management:

(i) We would closely monitor our liquidity position and ensure sufficient working capital for our business operation, both in short run and long run, through consistently reviewing our product sales projection on a monthly basis and budget the upfront cost required for each of our projects in the pipeline from time to time. As detailed under the paragraph headed "The Workflow of Our Synergistic Business Model — (B) Workflow regarding our provision of building protection works — (4) Project quotation preparation and submission" in this section, our management would take into account the size of projects and availability of our resources in assessing whether or not to bid for a building protection works project;

(ii) In respect of our supply of building protection products to our customers, we would consider its nature and size of business and the number of trade receivable turnover days with such customer as compared with our overall trade payable turnover days, which aims at maintaining our liquidity position while preserving the growth in our business;

(iii) We would closely monitor our cash and bank balance through constantly reviewing our internal records and banking account. When we identify any potential shortfall in our cash position, we would strive to negotiate for earlier settlement from our customers and/or request a longer credit period from our suppliers in order to mitigate the cash flow mismatch. When necessary, we might also apply for bank overdrafts from financial institutions as well as the use of equity financing (if available) to relieve the cash flow tension;

(iv) We would perform ageing analysis of both trade receivables and payables at the end of each month, which will be regularly submitted to the management for review and approval;

(v) Material past due trade receivables are closely monitored and evaluated on a case-by-case basis with appropriate follow-up actions, depending on the customer's normal payment processing procedures, our relationship with the customer, its payment history, its financial position as well as the general economic condition. Follow-up actions to recover overdue trade receivables include (a) active communications with the customers' responsible personnel for processing payments; (b) cessation in processing any further purchase orders from such customer until the overdue balance is recovered; (c) reviewing the recoverable amount of each individual trade receivable balance at the end of each reporting period to ensure adequate impairment allowances are provided for irrecoverable amounts; and (d) seeking legal advices when necessary;

(vi) Our finance and administration team would prepare monthly trade receivables aging report which will be reviewed by our senior management and issue reminder for payment to the relevant customer if the relevant payment was overdue for more than one month, indicating that we reserve our right to impose additional interest on the overdue amount and may take legal action if the delay in repayment persists; and

(vii) If any receivables past due cannot be recouped and if our Group did not possess sufficient working capital to pay to our suppliers on a timely basis, our Group will need to utilise our overdrafts facilities to repay our suppliers or finance our daily operations, if necessary.

We had not experienced any material liquidity problem in settling our payables in the normal course of business when they had fallen due during the Track Record Period. Our Directors are of the view that, our Group has maintained sufficient working capital and will not have material liquidity problems in settling our trade payables in the normal course of business based on the historical settlement record with our customers, the cash level maintained by us from time to time, our regular aging analysis on our trade payable and receivables; and our endeavours for stable and positive net profit margin. Such prudent liquidity management strategy, however, indicates our financial reliance on our Shareholders, continuing investment, which may pose limitation on our business growth. Should there be any opportunities of sizeable projects coming up, our Directors are of the view that we would have to pursue equity financing in the interest of our long-term sustainable development.

INTERNAL CONTROL

To assess and identify weakness in our internal procedures, systems and controls, we engaged an independent internal control consultant (the "**Internal Control Consultant**") in December 2018 to perform a detailed evaluation of the adequacy and effectiveness of our Group's internal control system including the areas of anti-fraud policy, whistle blowing policy, human resources, anti-corruption, conflict of interest, financial reporting, legal compliance and risk management with an aim to, among other matters, improve our Group's corporate governance and ensure compliance with the applicable regulations.

The Internal Control Consultant is a company providing, among others, internal control review services, which has been previously engaged in internal control review projects for a number of companies listed on the Stock Exchange and companies preparing for listing in Hong Kong.

The objective of the internal control review is to assess and identify significant weaknesses in relevant procedures, systems and controls as established by our Group. Through the review during the period of January 2019 to May 2019, the Internal Control Consultant identified some weaknesses and deficiencies in our internal control system and recommended certain measures to be implemented.

The Internal Control Consultant identified the following key findings and our Group has taken the following remedial actions based upon the recommendations from the Internal Control Consultant:

Key findings	Remedial actions taken or to be taken
Our Group had no internal audit department nor external consultant to help evaluate, monitor and improve the operating effectiveness of the internal controls	Our Group has been sourcing and comparing quotations from external consultants for annual internal audit services, and will ensure that internal audit will be performed on an annual basis after the Listing
Our Group had no formal procedures for reporting connected or related party transactions	Formal procedures for identifying and reporting connected or related party transactions had been included in the internal control manual and compliance manual which has been adopted in June 2019

Internal control measures to improve corporate governance and prevent recurrence of non-compliance

We recognise the importance of up-keeping adequate internal control and risk management systems. In order to continuously improve our corporate governance and prevent recurrence of non-compliance, we intend to adopt or have adopted the following measures:

1. Our Group has arranged for our Directors and senior management to attend a training program on the relevant applicable laws and regulations, including the GEM Listing Rules, provided by our Company's Hong Kong legal advisers prior to the Listing. Our Group will continue to arrange various training programs on an annual basis to be provided by its legal advisers in Hong Kong and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the relevant laws and regulations. In addition, specific training programme(s) in relation to updates on relevant applicable laws and regulations will also be held when necessary;

2. We will appoint Alpha Financial Group Limited as our compliance adviser upon Listing to advise us on regulatory compliance with the Listing Rules, who will be responsible for assessing and monitoring compliance with our internal control policies, recommending additional internal control measures if required, coordinating compliance training for our employees and reporting the above to our Directors;

3. We will strengthen trainings for our employees on compliance matters in order to develop a corporate culture and to enhance employee compliance perception and responsibility. We plan to provide training to employees of managerial level on an annual basis and ad hoc training to all relevant employees when we find it necessary;

4. Our Group has appointed Mr. Lam Kwun Leung, as our company secretary, to handle the secretarial matters and day-to-day compliance matters of our Group. Mr. Lam Kwun Leung is also responsible for the timing and procedures for convening annual general meetings, including the time for sending notice of meeting and laying the respective financial statements;

5. When necessary, we will engage external professionals, including auditors, internal control consultants, external legal adviser(s) and other advisers to render professional advice with respect to our compliance with statutory and regulatory requirements, as applicable to our Group from time to time. Our Group intends to engage Deloitte Touche Tohmatsu as our Group's auditor after Listing;

6. Our Group will hire a senior staff member with substantial experience in human resources to handle human resources matters including compliance with the reporting requirements to Inland Revenue Department regarding the filing of Form IR56B, Form IR56E and Form IR56F and in other areas such as recruiting suitable staff, staff benefits and remunerations; training, labour and employee relations and organisation development.

7. On 18 March 2020, we established an audit committee which will implement formal and transparent arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations, including timely preparation and laying of accounts. It will also periodically review our compliance status with the Hong Kong laws after Listing. The Audit Committee will exercise its oversight by, inter alia:

   (i) reviewing our internal control and legal compliance;

   (ii) discussing the internal control systems with the management of our Group to ensure that the management has performed its duty to have an effective internal control system; and

   (iii) considering the major investigation findings on internal control matters as delegated by the Board or on its own initiative and the management's response to these findings.

8. Our Group will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and compliance when necessary and appropriate. We will engage external legal advisers in Hong Kong to provide legal services to our Group in relation to future compliance with the laws and regulations in Hong Kong.

9. Our Group has adopted guidelines to its staff to ensure our project quotation process will not contravene with the Competition Ordinance (Chapter 619 of the Laws of Hong Kong), including not colluding with other market participants on any parameter of competition such as price and output. Our staff members are prohibited to enter into any kind of arrangements or agreements with our Group's competitors in the market that will cause price fixing, output restriction, market sharing or the rigging of potential bids or to conduct any act which aims to prevent, restrict or distort competition in Hong Kong. Our Directors confirm that we will regularly seek legal advice on whether our arrangements comply with the Competition Ordinance.

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares to be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), Ultra Success, which is wholly-owned by Mr. Lam, will hold 75% of our Company's entire issued share capital. Ultra Success and Mr. Lam will be our Controlling Shareholders within the meaning of the GEM Listing Rules.

Mrs. Lam, the spouse of Mr. Lam, is a close associate of Mr. Lam. Other than her capacity of being the spouse of Mr. Lam, as at the Latest Practicable Date, Mrs. Lam did not hold any interest in our Group except for the deemed interest arising as a spouse of Mr. Lam under the SFO.

Mr. Lam and Mrs. Lam together own Red Fame Limited in equal share. Red Fame Limited as landlord leased a premises to Karcenar HK as tenant for the use as Directors' quarters (the "**Red Fame Lease**"). For details, please refer to the paragraph headed "Business — Properties — Lease agreement entered into with Red Fame Limited".

Mr. Lam, being one of our Controlling Shareholders, is an executive Director of our Company. For further details, please refer to the paragraph headed "Directors and Senior Management — Board of Directors — Executive Directors" in this prospectus.

Save as disclosed above, there is no other person who will, immediately following completion of the Share Offer (without taking into account the Shares to be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme) and the Capitalisation Issue, be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

RULE 11.04 OF THE GEM LISTING RULES

Each of the Controlling Shareholders have confirmed that as at the Latest Practicable Date, none of them or their respective close associates has any interest in a business which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on its business independently from the Controlling Shareholders and their associates after Listing for the following reasons:

Management independence

Our management and operational decisions are made by our Board and senior management. Our Board comprises two executive Directors and three independent non-executive Directors. Although Mr. Lam, being a Controlling Shareholder, also holds directorship in our Company, we consider that our Board and senior management will function independently from our Controlling Shareholders because:

(i) each Director is aware of his/her fiduciary duties as a Director which require, among others, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

(ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum. Our Group has also adopted certain corporate governance measures for conflict situation, details of which are set out in the paragraph headed "Corporate governance measures" in this section; and

(iii) all our senior management member are independent from our Controlling Shareholders. They have substantial experience in the industry we are engaged in and have served our Group for a period of time during which they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders.

Operational independence

Our organisational structure is made up of individual departments, each with specific areas of role and responsibilities. We have also established a set of internal controls to facilitate the effective operation of the business. We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses necessary to carry on and operate our business.

Although during the Track Record Period, there were certain transactions between us and our related parties, details of which are set out in note 30 of the Accountants' Report set out in Appendix I to this prospectus, our Directors have confirmed that these related party transactions were conducted in the ordinary course of business and on normal commercial terms. Save as the Red Fame Lease, none of the historical related party transactions with the connected person is expected to continue after Listing.

In view of the above, our Directors consider that there is no operational dependence by us on our Controlling Shareholders.

Financial independence

Our Group has our own financial management and accounting systems, accountant and administration department and independent treasury functions, and we make financial decision according to our own business needs.

As at the Latest Practicable Date, there was no outstanding loan or borrowings from our Controlling Shareholders or any of their respective close associates. For the personal guarantee provided by Mr. Lam in respective of the bank facility granted by the Bank of China (Hong Kong) Limited in an aggregate maximum amount of HK$4,000,000, the personal guarantee will be released upon the Listing and will be replaced by corporate guarantee from the Group companies.

Having considered the above factors, our Directors consider that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders and thus there is no financial dependence on our Controlling Shareholders.

OVERVIEW

During the Track Record Period, our Group had entered into certain transactions with our connected persons. Details of these transactions are as follows:

DISCONTINUED CONNECTED TRANSACTION

During the Track Record Period, we engaged Great Construction Engineering Limited, a company incorporated in Hong Kong and wholly-owned by Mr. Lam Ka Bun, the brother of Mr. Lam to provide infra-red test services for our waterproofing works. For FY2018, FY2019 and FP2019, the total amount paid by us to Great Construction Engineering Limited amounted to HK$200,000, nil and nil respectively. Our Directors confirm that the terms of the said transactions were fair and reasonable and on normal commercial terms. The said transactions are not expected to continue after the Listing.

ONE-OFF CONNECTED TRANSACTION

Our Group had entered into lease agreements with Red Fame Limited. Red Fame Limited is a limited company incorporated in Hong Kong on 19 December 2007 and is owned as to 50% by Mr. Lam, the executive Director and one of the Controlling Shareholders, and 50% by Mrs. Lam, the executive Director of our Company. As such, Red Fame Limited is a connected person pursuant to the GEM Listing Rules. As at the Latest Practicable Date, Red Fame Limited was a property investment company. For details of this connected transaction, please refer to paragraph headed “Business — Properties — Lease agreement entered into with Red Fame Limited” in this prospectus.

BOARD OF DIRECTORS

Our Board of Directors currently consists of five directors, comprising two executive Directors and three independent non-executive Directors. The following table sets forth certain information regarding our Directors:

Name	Age	Present position(s) in our Company	Date of joining our Group	Date of appointment as Director	Brief description of roles and responsibilities	Relationship with other Directors and senior management
Executive Directors						
Mr. Lam Ka Wing (林嘉榮)	59	Executive Director, chairman of the Board and chief executive officer	September 1988	February 2019	Responsible for the overall strategic planning, business development and overseeing the daily operation of our Group	Spouse of Mrs. Lam
Ms. Wong Pui Yee Edith (汪佩儀)	48	Executive Director	July 2018	February 2019	Responsible for overseeing overall administrative affairs of our Group	Spouse of Mr. Lam
Independent Non-executive Directors						
Mr. Ng Kwun Wan (吳冠雲)	56	Independent Non-executive Director	March 2020	March 2020	Providing independent advice to the Board and advising on corporate governance matters and acting as the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee	None

Name	Age	Present position(s) in our Company	Date of joining our Group	Date of appointment as Director	Brief description of roles and responsibilities	Relationship with other Directors and senior management
Ms. Cho Mei Ting (曹美婷)	56	Independent Non-executive Director	March 2020	March 2020	Providing independent advice to the Board and advising on corporate governance matters and acting as the chairlady of the Remuneration Committee and a member of the Audit Committee and Nomination Committee	None
Mr. Ho Ka Kit (何家傑)	48	Independent Non-executive Director	March 2020	March 2020	Providing independent advice to the Board and advising on corporate governance matters and acting as the chairman of the Nomination Committee and a member of the Remuneration Committee and Audit Committee	None

DIRECTORS

The Board currently consists of five Directors, comprising two executive Directors and three independent non-executive Directors.

The functions and duties of the Board include but not limited to determining business plans and investment plans, preparing annual budget proposals and exercising other powers, functions and duties as conferred by the Articles of Association.

EXECUTIVE DIRECTORS

Mr. Lam Ka Wing (林嘉榮), aged 59, is an executive Director, chairman of the Board and chief executive officer of our Group. Mr. Lam founded our Group in 1988 and has over 30 years of experience in the building protection industry. He is primarily responsible for the overall strategic planning and business development and overseeing the daily operation of our Group. Mr. Lam completed secondary education in 1980.

Prior to founding our Group, Mr. Lam worked as a salesperson in a supplier and manufacturer of building protection products from 1986 to 1989. He founded our Group in 1988. Mr. Lam has been the director of Karcenar HK and Sunray Engineering since March 1989 and December 2006 respectively and has been responsible for formulating overall business strategies and overseeing daily operations of our Group.

Mr. Lam was a director of the following companies incorporated in Hong Kong immediately before their respective dissolution:

Name of company	Nature of business	Means of dissolution	Date of dissolution
Lee Chun Company Limited	Property Holding	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	14 June 2002
Amazing Limited. . . .	Property Holding	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	17 January 2003
Techco Overseas Limited	Property Holding	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	4 August 2006
PMC Building Material Company Limited	Property Holding	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	5 October 2007
Art World Limited. . .	Property Holding	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	18 October 2007
Standard Regent International Limited	Property Holding	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	25 January 2008

Name of company	Nature of business	Means of dissolution	Date of dissolution
Manhattan Technology Limited	Property Holding	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	5 February 2010
Poly Sino Technology Limited	Property Holding	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	12 March 2010
Better Nation Limited	Property Holding	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	25 March 2011
Sky Win Holdings Limited	Property Holding	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	13 July 2012

Mr. Lam confirmed that the deregistration of the above companies were made voluntarily by way of submitting an application to the Companies Registry of Hong Kong because these companies had ceased to carry on operation immediately before the respective applications. The above dissolved companies were solvent immediately prior to their respective dissolutions and there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the companies.

Ms. Wong Pui Yee Edith (汪佩儀), aged 48, is an executive Director of our Group and the spouse of Mr. Lam. She is responsible for overseeing overall administrative affairs of our Group.

Mrs. Lam obtained her diploma in executive secretarial studies from Sara Beattie College in September 1993.

Prior to joining our Group in July 2018, Mrs. Lam began her career as a secretary to the commercial director at Caldbecks Limited, a company primarily engaged in the trading of wine and spirits, from September 1993 to July 1999. She then joined the group company of Mason Financial Holdings Limited (formerly known as Willie International Holdings Limited), a company listed on the Stock Exchange (stock code: 273) and primarily engaged in investment and finance related business, as a personnel and administration officer in November 1999 and left as a corporate administration manager in August 2015. She worked in HEC Corporate Services Ltd., a financial services provider, as a corporate administration manager from August 2015 to July 2018 and was responsible for overseeing administrative and human resources matters of the company. Since July 2018, Mrs. Lam has been the human resources and administration manager of our Group and has been responsible for overseeing overall administrative affairs of our Group. Since August 2018, she has become a consultant of Cordoba Homes Management Limited, a property management company and provides advice on various human resources and office administrative matters.

Mrs. Lam was a director of the following companies incorporated in Hong Kong immediately before their respective dissolution:

Name of company	Nature of business	Means of dissolution	Date of dissolution
Art World Limited . . .	Property Holding	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	18 October 2007
Sky Win Holdings Limited	Property Holding	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	13 July 2012

Mrs. Lam confirmed that the deregistration of the above companies were made voluntarily by way of submitting an application to the Companies Registry of Hong Kong because these companies had ceased to carry on operation immediately before the respective applications. The above dissolved companies were solvent immediately prior to their respective dissolutions and there was no wrongful act on her part leading to the dissolution and she is not aware of any actual or potential claim that has been or will be made against her as a result of the dissolution of the companies.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Kwun Wan (吳冠雲) ("Mr. Ng"), aged 56, was appointed as an independent non-executive Director of our Group on 18 March 2020. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee with effect from the Listing Date. He is responsible for providing independent advice to the Board and advising on corporate governance matters.

Mr. Ng obtained his Bachelor's degree in Accounting and Finance from the University of Manchester (formerly known as the Manchester Polytechnic) and his Master's degree majoring in Accounting from the University of New South Wales in July 1988 and May 1990 respectively. He has been a member of Hong Kong Institute of Certified Public Accountants since July 1993.

Mr. Ng has over 20 years of experience in management. From November 1994 to August 2004, he worked for New World Development (China) Limited and New World China Enterprises Projects Limited, both wholly owned subsidiaries of New World Development Company Limited, a company listed on the Stock Exchange (stock code: 17) and engages in the business of property development and property investment, with his last position as a deputy general manager. He then joined Smart Faith Management Limited, a subsidiary of South China Holdings Company Limited, a company listed on the Stock Exchange (stock code: 413)) as a general manager of industrial operations in the real estate department, responsible for overseeing the company's operations in the Tianjin Region, from September 2006 to March 2009. He has also been an independent non-executive director of China Flavors and Fragrances Company Limited since December 2009, the shares of which are listed on the Stock Exchange (stock code: 3318) and an independent non-executive director of Zhongzhi Pharmaceutical Holdings Limited since July 2015, the shares of which are listed on the Stock Exchange (stock code: 3737).

Mr. Ng was a director of the following companies incorporated in Hong Kong immediately before their respective dissolution:

Name of company	Nature of business	Means of dissolution	Date of dissolution
New World Enterprises (China) Limited	Investment Holding	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	5 September 2003
Harvest Sign Investments Limited	Investment Holding	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	12 December 2003

Mr. Ng confirmed that the deregistration of the above companies were made voluntarily by way of submitting an application to the Companies Registry of Hong Kong because these companies had ceased to carry on business operation immediately before the respective applications. The above dissolved companies were solvent immediately prior to their respective dissolutions and there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the companies.

Ms. Cho Mei Ting (曹美婷) ("Ms. Cho"), aged 56, was appointed as an independent non-executive Director of our Group on 18 March 2020. She is also the chairlady of the Remuneration Committee and a member of the Audit Committee and Nomination Committee with effect from the Listing Date. She is responsible for providing independent advice to the Board and advising on corporate governance matters.

Ms. Cho obtained her Bachelor's degree in Arts from The University of Hong Kong in November 1986. She then obtained her Bachelor's degree in Laws from Manchester Metropolitan University in September 2000 and further obtained her postgraduate certificate in laws from The University of Hong Kong in June 2001. Ms. Cho is a qualified solicitor in Hong Kong since 2003.

Ms. Cho had worked for several solicitor firms during 2004 to 2010, during which she handled a wide range of legal matters covering matrimonial, commercial and conveyancing matters. From April 2004 to October 2007, Ms. Cho worked as an assistant solicitor in Messrs. Paul W. Tse. She later joined Messrs. Au-Yeung, Cheng, Ho & Tin as a lawyer from October 2007 to August 2010. She then founded Messrs. Cho Mei Ting & Co., Solicitors in 2010 as a sole proprietor. She was an independent non-executive director of China Ludao Technology Company Limited (stock code: 2023) from October 2013 to July 2017.

Ms. Cho was a director of the following company incorporated in Hong Kong immediately before its dissolution:

Name of company	Nature of business	Means of dissolution	Date of dissolution
Rich Concept International Limited	Property Holding	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	22 September 2006

Ms. Cho confirmed that the deregistration of the above company was made voluntarily by way of submitting an application to the Companies Registry of Hong Kong because the company had ceased to carry on operation immediately before the relevant application. The above dissolved company was solvent immediately prior to its dissolution and there was no wrongful act on her part leading to the dissolution and she is not aware of any actual or potential claim that has been or will be made against her as a result of the dissolution of the company.

Mr. Ho Ka Kit (何家傑)("Mr. Ho"), aged 48, was appointed as an independent non-executive Director of our Group on 18 March 2020. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee and Audit Committee with effect from the Listing Date. He is responsible for providing independent advice to the Board and advising on corporate governance matters.

Mr. Ho is a chartered civil engineer, a chartered structural engineer and a registered structural engineer under the Buildings Ordinance (Cap.123 of the Laws of Hong Kong). Mr. Ho obtained his bachelor's degree in applied science majoring in civil engineering from The University of Toronto in June 1996. He was admitted as a member of the Institution of Structural Engineer, a member of the Hong Kong Institution of Engineers and a member of the Institution of Civil Engineer since November 2003, August 2004 and December 2007 respectively. He was also admitted as a member of the Hong Kong Concrete Institute and a member of the Hong Kong Institution of Highways and Transportation since January 2014 and June 2015 respectively.

Mr. Ho has over 18 years of experience in the construction industry, specialising in civil and structural engineering. He worked as an engineer in Liu Kwong & Associates Ltd., an architectural and engineering firm, from April 2000 to June 2002, during which he was responsible for performing structural design and site supervision of construction works. He joined Meinhardt (C&S) Ltd., a construction and engineering company, as an engineer II in June 2002 and left as the director of structural works in February 2019 and was responsible for project management and coordination. Since January 2019, Mr. Ho has been a director of Kenith Ho & Associates Limited, a company principally engaged in the provision of architectural and structural engineering consultancy services.

Other disclosure pursuant to Rule 17.50(2) of the GEM Listing Rules

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the date of this prospectus. Immediately following completion of the Share Offer and the Capitalisation Issue, save as the interests in the Shares which are disclosed in the section headed "Substantial Shareholders" of this prospectus, each of our Directors will not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 17.50(2)(h) to (v) of the GEM Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

The following table sets forth certain information regarding our senior management:

Name	Age	Present position(s) in our Company	Date of joining our Group	Brief description of roles and responsibilities	Relationship with other Directors and senior management
Senior management					
Mr. Lam Kwun Leung (林冠良)	34	Financial controller and company secretary	December 2018	Responsible for supervising financial affairs and corporate secretarial matters of our Group	None
Mr. Wong Hang Tai (黃恒泰)	48	General manager	May 2002	Responsible for formulating overall business strategies and overseeing the sales and marketing department	None
Mr. Au Yeung Kai Sang (歐陽繼生)	57	Project manager	August 2011	Responsible for administering activities on sites and overseeing the progress of construction projects	None

Mr. Lam Kwun Leung (林冠良)("Mr. Sammy Lam"), aged 34, is the financial controller and company secretary of our Group and is responsible for supervising financial affairs and corporate secretary matters of our Group. He has over 10 years of experience in accounting and internal control.

Mr. Sammy Lam obtained his Bachelor's degree in Business Administration majoring in Accounting from the Hong Kong University of Science and Technology in November 2007. He has been a member of the Hong Kong Institute of Certified Public Accountants since September 2010.

Mr. Sammy Lam began his career working as an auditor in KPMG from January 2007 and left as an audit manager in June 2014. He then joined Huawei Tech. Investment Co., Ltd., an information and communications technology company, as a project audit manager in June 2014 and left as a senior inspection manager in February 2018, during which he was responsible for conducting operational inspection and implementing internal control policies. During February 2018 to December 2018, Mr. Sammy Lam was the senior accounting manager of Reignwood International Investment (Group) Company Limited, a diversified international investment company, and was responsible for overseeing financial matters of the company. Since December 2018, Mr. Sammy Lam joined our Group as a financial controller and company secretary.

Mr. Wong Hang Tai (黃恒泰)("Mr. Wong"), aged 48, is the general manager of our Group and is responsible for formulating overall business strategies and overseeing the sales and marketing department. He has over 23 years of experience in the building materials trading industry.

Mr. Wong obtained his Bachelor's degree in Science from the Chinese University of Hong Kong in December 1993. He further obtained his diploma in marketing from the Hong Kong Institute of Marketing and his postgraduate diploma in marketing from the Chartered Institute of Marketing in July 1997 and June 1998 respectively.

During June 1993 to May 1995, Mr. Wong worked in DMT International Hong Kong Limited, a plastics and chemicals trading company and a wholly-owned subsidiary of Chinney Alliance Group Limited, a company listed on the Stock Exchange (stock code: 385), as a marketing officer. He then joined Arnhold & Co., Ltd., a building materials and engineering equipment trading company, as a sales officer in July 1995 and left as a senior sales officer in June 1998. From July 1998 to May 2002, he joined Hampton Building Materials Ltd., a building materials trading and construction company as a product manager with his last position as a general manager during which he was principally responsible for overseeing the sales and marketing department and project department. Since May 2002, he has been the manager in Tech Link and is responsible for formulating overall business strategies and overseeing business operation of the company.

Mr. Au Yeung Kai Sang (歐陽繼生)("Mr. Au Yeung"), aged 57, is the project manager of our Group and is responsible for administering activities on sites and overseeing the progress of construction projects. Mr. Au Yeung has over 20 years of experience in the construction industry.

Mr. Au Yeung obtained his diploma in management studies from the Hong Kong Management Association and the Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in March 1993.

From 1995 to 2006, Mr. Au Yeung worked in a number of construction materials trading and/or manufacturing companies including Daido Group, the holding company of which is listed on the Stock Exchange (stock code: 544), and LP&G Coating Group and was principally responsible for overseeing the sales and marketing department. Prior to joining our Group, he joined B&Q Asia Limited, an indirect subsidiary of Kingfisher Group, an international home improvement retailer listed on the London Stock Exchange (stock code: KGF), as a decoration centre and trade manager and was responsible for overseeing sales and projects in December 2006. Since August 2011, Mr. Au Yeung became a project manager of Sunray Engineering.

Due to the economic crisis, Mr. Au Yeung was adjudged bankrupt pursuant to a bankruptcy order on 23 September 2002 as he defaulted in mortgage repayments. Mr. Au Yeung was subsequently discharged from bankruptcy pursuant to an order of the High Court of Hong Kong on 23 September 2006. In view of the fact that (i) the bankruptcy has been discharged in 2006; and (ii) the job nature of project manager does not involve the handling of cash, the Directors are of the view that the status of Mr. Au Yeung being a discharged bankrupt will not cause any material adverse impact on his suitability to be appointed as a project manager of our Group.

None of our senior management had been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus and there is no information which needs to be disclosed pursuant to Rules 17.50(2)(h) to (v) of the GEM Listing Rules or any other matters concerning any senior management which need to be brought to the attention of our Shareholders.

COMPANY SECRETARY

Mr. Sammy Lam is the company secretary of our Company. Please refer to the paragraph headed "Senior management" in this section for his biography.

AUTHORISED REPRESENTATIVES

Mr. Lam and Mr. Sammy Lam have been appointed as the authorised representatives of our Company under Rule 5.24 of the GEM Listing Rules.

COMPLIANCE OFFICER

Mrs. Lam was appointed as the compliance officer of our Company. Please refer to the paragraph headed "Executive Directors" in this section for her biography.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Corporate Governance Code ("**CG Code**") provision A.2.1 stipulates that the roles of chairman of the Board and chief executive should be separate and should not be performed by the same individual. Mr. Lam is the chairman of the Board and the chief executive officer of our Group. In view of the fact that Mr. Lam has been operating and managing our Group since its establishment, our Directors believe that it is in the best interest of our Group to have Mr. Lam taking up both roles for effective management and business development. From a corporate governance point of view, the decisions of our Board are made collectively by way of voting and therefore the chairman should not be able to monopolise the decision making of our Board. Our Board considers that the balance of power between our Board and our management can still be maintained under the current structure. Our Board shall review the structure from time to time to ensure appropriate action be taken should the need arise. Therefore, our Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstances.

Our Directors are committed to achieving high standards of corporate governance with a view to safeguard the interests of the Shareholders. To accomplish this, save as disclosed above, our Group will comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules and the associated GEM Listing Rules.

COMPLIANCE ADVISER

Our Company has appointed Alpha Financial Group Limited as the compliance adviser of our Company pursuant to Rule 6A.l9 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Group must consult with, and if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction under the GEM Listing Rules, is contemplated by our Group, including share issues and share repurchases;

(iii) where our Group proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this Prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 17.11 of the GEM Listing Rules. The terms of appointment shall commence on the Listing Date and end on the date on which our Group complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year after the Listing, or until the agreement is terminated, whichever is the earlier.

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee on 18 March 2020 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditors; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company. The Audit Committee currently consists of three members, namely Mr. Ng Kwun Wan, Ms. Cho Mei Ting and Mr. Ho Ka Kit. The chairman of our Audit Committee is Mr. Ng Kwun Wan.

Remuneration Committee

Our Company established the Remuneration Committee on 18 March 2020 with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules and paragraph B.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration and ensure none of our Directors determine their own remuneration. The Remuneration Committee currently consists of three members, namely Ms. Cho Mei Ting, Mr. Ng Kwun Wan and Mr. Ho Ka Kit. The chairlady of the Remuneration Committee is Ms. Cho Mei Ting.

Nomination Committee

Our Company established the Nomination Committee on 18 March 2020 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis; identify individuals suitably qualified to become Board members; assess the independence of the independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee currently consists of three members, namely Mr. Ho Ka Kit, Mr. Ng Kwun Wan and Ms. Cho Mei Ting. The chairman of the Nomination Committee is Mr. Ho Ka Kit.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Our Nomination Committee is responsible for ensuring the diversity of our Board. After the Listing, our nomination committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

DIRECTORS' AND EMPLOYEES' REMUNERATION

For FY2018, FY2019 and FP2019, the aggregate amount of fees, salaries, allowances, discretionary payments, bonuses and contribution to pension schemes paid by our Company to our Directors were approximately HK$0.8 million, HK$3.5 million and HK$2.2 million respectively. It is estimated that under the arrangements currently in force, the aggregate remuneration (including directors' fee, basic salary, allowance, non-cash benefit and retirement scheme contribution) payable to our Directors (including the independent non-executive Directors) for the year ending 31 March 2020 will be approximately HK$4.1 million. We shall maintain relevant liability insurance for our Directors upon Listing.

The remuneration paid by our Company to our top five highest paid individuals (including our Directors) for each of FY2018, FY2019 and FP2019 were approximately HK$14.9 million, HK$11.1 million and HK$5.8 million respectively. During the Track Record Period, no remuneration was paid by our Company to, or receivable by, the Directors or our five highest paid individuals as an inducement to join or upon joining our Company.

No compensation was paid by our Company to, or receivable by, the Directors, past Directors or our five highest paid individuals for the loss of any office in connection with the management of the affairs of any subsidiary of our Company during the Track Record Period.

During the Track Record Period, none of our Directors waived any emoluments. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or our five highest paid individuals during the Track Record Period.

Under the remuneration policy of our Company, the remuneration committee will consider factors such as salaries paid by comparable companies, tenure, commitment, responsibilities and performance in assessing the amount of remuneration payable to our Directors, senior management and employees.

REMUNERATION POLICY

The Director's fee for each of our Directors is subject to the Board's review from time to time in its discretion after taking into account the recommendation of our Remuneration Committee. The remuneration package of each of our Directors is determined by reference to market terms, seniority, experiences, duties and responsibilities of that Director within our Group. Our Directors are entitled to statutory benefits as required by law from time to time such as pension.

Prior to the Listing, the remuneration policy of our Group to reward its employees and executives is based on their performance, qualifications, competence displayed and market comparable. Remuneration package typically comprises salary, contribution to pension schemes and discretionary bonuses relating to the profit of the relevant company. Upon and after the Listing, the remuneration package of our Directors and the senior management will, in addition to the above factors, be linked to the return to the Shareholders. The Remuneration Committee will review annually the remuneration of all our Directors to ensure that it is attractive enough to attract and retain a competent team or executive members.

DIRECTORS' COMPETING INTERESTS

None of our Directors or their respective close associates has any interest in any business, apart from the business operated by members of our Group, that competes, directly or indirectly, with our Group's business which requires disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

EMPLOYEES

For details of the employees of our Group, please refer to the paragraph headed "Business — Employees" of this prospectus.

SHARE CAPITAL

The tables as shown below assume the Share Offer and the Capitalisation Issue have become unconditional and the issue of Shares pursuant thereto is made as described herein (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme).

The authorised and issued share capital of our Company following the completion of the Capitalisation Issue and Share Offer is as follows:

Authorised share capital:		*HK$*
1,560,000,000	Shares of HK$0.01 each	15,600,000

Shares in issue or to be issued, fully paid or credited as fully paid:

1	Share in issue as at the date of this prospectus	0.01
749,999,999	Shares to be issued pursuant to Capitalisation Issue	7,499,999.99
250,000,000	New Shares to be issued pursuant to the Share Offer	2,500,000
1,000,000,000	Total	10,000,000

Assuming the Offer Size Adjustment Option is exercised in full, the issued share capital of our Company immediately after completion of the Capitalisation Issue and Share Offer will be HK$10,375,000 divided into 1,037,500,000 Shares.

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer and the Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the "minimum prescribed percentage" of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

RANKING

The Offer Shares will be ordinary shares in the share capital of our Company and will rank pari passu in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

CIRCUMSTANCES WHERE MEETING OF THE COMPANY IS REQUIRED

There are certain circumstances where annual general meetings or extraordinary general meetings of our Company are required under our Articles and the GEM Listing Rules. A general summary of such circumstances are set out below:

- an annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles) at such time and place as may be determined by our Board.

- our Board may, at its discretion, call extraordinary general meetings. However, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of our Company carrying the right of voting at general meetings of our Company (the "**requisitionist**") shall have the right, by written requisition to our Board or the secretary of our Company, to require an extraordinary general meeting to be called by our Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty one (21) days of such deposit our Board fails to proceed to convene such meeting the requisitionist(s) himself/herself/itself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board shall be reimbursed to the requisitionist(s) by our Company.

Other than the above circumstances, certain corporate actions may require the approval of members, which would be obtained at a general meeting. For details, please refer to the section headed "Summary of the Constitution of our Company and Cayman Islands Companies Law" in Appendix III to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed "Structure and Conditions of the Share Offer" below being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

(a) 20% of the aggregate number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue; and

(b) the aggregate number of Shares repurchased pursuant to the authority granted to our Directors as referred to in the paragraph headed "General Mandate to Repurchase Shares" below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of any options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until:

(a) the conclusion of our Company's next annual general meeting;

(b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or

(c) it is varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed "A. Further information about our Company and our subsidiaries — 3. Written resolutions of the sole Shareholder" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions set forth in the section headed "Structure and Conditions of the Share Offer" of this prospectus being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate number of our Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue.

This general mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the GEM Listing Rules and all applicable laws.

This general mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) the expiration of the period within which our Company is required by the Articles or any applicable laws of the Cayman Islands to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

For further details of the repurchase mandate, please see the paragraph headed "Statutory and General Information — A. Further information about our Company and our subsidiaries — 3. Written resolutions of the sole Shareholder" in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors arc aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme), the following persons/entities will have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Substantial Shareholders	Capacity/Nature of Interest	Number of Shares *(Note 1)*	Approximate percentage of shareholding interests of our Company
Ultra Success.	Beneficial owner	750,000,000 Shares (L)	75%
Mr. Lam *(Note 2)*	Interest in controlled corporation	750,000,000 Shares (L)	75%
Mrs. Lam *(Note 3)*.	Interest of spouse	750,000,000 Shares (L)	75%

Notes:

1. The letter (L) denotes the person's long interest in our Shares.
2. Ultra Success is a company incorporated in the BVI and is wholly-owned by Mr. Lam. Mr. Lam is deemed to be interested in all the Shares held by Ultra Success for the purpose of the SFO.
3. Mrs. Lam is the spouse of Mr. Lam. Accordingly, Mrs. Lam is deemed to be interested in all the Shares held by Mr. Lam under the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, who will, directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member or our Group and are therefore regarded as substantial shareholders under the GEM Listing Rules.

You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, as set out in the Accountants' Report set in Appendix I to this prospectus and not merely rely on the information contained in this section. Our consolidated financial statements have been prepared in accordance with the HKFRSs.

The following discussion and analysis contain certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception, historical trends, current conditions, and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties over which we do not have control. For further information, you should refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a Hong Kong-based building protection provider that integrates the provision of building protection works and the supply of building protection products, with a focus on waterproofing works.

Our building protection works can be broadly categorised into (i) waterproofing works; (ii) flooring works; and (iii) joint sealant works. During the Track Record Period, our building protection works were carried out with the building protection products sourced and procured by us, and in various types of buildings in both public and private sectors such as commercial buildings, residential buildings and community facilities.

The building protection products supplied by us include waterproofing products, tiling products, flooring products and others.

The table below sets forth a breakdown of our revenue by the types of revenue for the years/periods indicated:

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
					(Unaudited)			
Provision of building protection works	76,317	49.8	106,372	55.5	42,743	52.1	63,016	61.5
Supply of building protection products	76,920	50.2	85,359	44.5	39,296	47.9	39,433	38.5
	153,237	100.0	191,731	100.0	82,039	100.0	102,449	100.0

Our direct customers include main contractors and subcontractors of construction projects who engaged us to provide building protection works and/or purchased building protection products from us. Apart from our direct customers, we also market and promote our own-brand building protection products to property developers and their consultants, who may engage our direct customers as their contractors in their construction projects.

The following discussion and analysis are based on the financial results of our Group during the Track Record Period as presented in the Accountant's Report as set out in Appendix I to this prospectus.

BASIS OF PREPARATION AND PRESENTATION

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12 February 2019. In anticipation of the Listing, we underwent the Reorganisation, as stated in the section headed "History, Development and Reorganisation" in this prospectus. Following the Reorganisation, our Company became the holding company of all the subsidiaries now comprising our Group.

Upon completion of the Group Reorganisation on 29 March 2019, the Company has become the holding company of the companies now comprising the Group.

Our financial information has been prepared under the principle of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. Our Group resulting from the above mentioned Reorganisation is regarded as a continuing entity and the Historical Financial Information of the Group as shown in the Appendix I to this prospectus has been prepared using carrying amounts of assets and liabilities of the companies now comprising the Group as if the Company had been the holding company of the companies now comprising the Group throughout the Track Record Period. The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of our Group for the Track Record Period include the results, changes in equity and cash flows of the entities now comprising our Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where there is a shorter period. The consolidated statement of financial position of our Group as at 31 March 2018 has been prepared to present the assets and liabilities of the entities now comprising our Group as if our current group structure had been in existence on that date, taking into account the respective dates of incorporation, where applicable.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination. The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The consolidated financial information for FY2018, FY2019 and FP2019 has been prepared in accordance with the accounting policies in compliance with HKFRSs, on the basis set out in the paragraph headed "Accountants' Report — Notes to the historical financial information — 2. Basis of preparation and presentation of historical financial information" in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial position have been, and will continue to be, affected by several factors, including those set out below and in the section headed "Risk Factors" in this prospectus. Factors other than those set forth below could also have a significant impact on our results of operations and financial position in future.

Building protection works market and building protection products market in Hong Kong and Macau

Our building protection solution business is principally operated in Hong Kong and Macau and our revenue are generally derived from customers of construction industry in Hong Kong and Macau. As such, demand for our products and services is dependent upon the amount of construction activities in Hong Kong and Macau which in turn can be significantly impacted by various factors, including material changes in GDP and its growth rate, level of fixed assets investment, government policies, mortgage rate, interest rate, inflation, rate of unemployment, demographic trends and other economic factors and conditions in Hong Kong and Macau. We believe the economic growth in Hong Kong and Macau and, in particular, the growth in the building protection solution market, will continue to have a significant impact on our results of operation and financial condition. For details, please refer to the section headed "Industry Overview" in this prospectus.

Cost of sales and services and gross profit margin

Our Group generally maintains our gross profit margin level by adopting a cost-plus pricing model. Our cost of sales and services mainly comprises the purchase cost of building protection products and subcontractor costs. For details, please refer to paragraph headed "Business — Our customers — Our pricing strategy" in this prospectus.

By sourcing all our own-brand building protection products from external suppliers and distributing building protection products procured from third party brand owners, there is no guarantee that the quality of building protection products supplied by our Group to our customers can meet our customers' required standards as the quality of these products is beyond our control, and thus, if our customers complain about the quality of these products, we may be forced to replace these building protection products from other suppliers at our costs. This may also delay our delivery of products and services. Furthermore, we cannot guarantee the cost of building protection products will be stable or that our current suppliers will continue to provide building protection products at prices acceptable to our Group. Our inability to source the required building protection products from alternative suppliers on similar or more favourable terms, or our failure in factoring the potential fluctuations in the price of these products into our quotations, and pass on, part or the whole of, such increases to our customers, may materially and negatively affect our financial results and position.

During the Track Record Period, we engaged subcontractors to perform building protection works in our projects on contract basis. Under the contracts entered into between our customers and us, we are generally liable to our customers for the quality of our building protection works. In the event that the building protection works performed by our subcontractors are not up to standard, we may incur extra costs to rectify the substandard works and hence our financial performance may be affected adversely.

Although our Group's gross profit margin is susceptible to movements in the purchase costs and other factors, our annual gross profit margin remained relatively stable ranging from approximately 39.2% to 41.9% during the Track Record Period.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our cost of building protection materials and subcontracting costs on our profit before tax during the Track Record Period. Fluctuations in our cost of building protection materials and subcontracting costs are assumed to be 7.5%, 15.0% and 30.0%, while all other factors remained unchanged:

	Changes in cost of building protection materials		
	+ / - 7.5%	**+ / - 15.0%**	**+ / - 30.0%**
	HK$'000	*HK$'000*	*HK$'000*
Hypothetical fluctuations			
Decrease / Increase in profit before tax			
For FY2018	4,808	9,617	19,234
For FY2019	5,756	11,512	23,024
For FP2019	2,979	5,958	11,916

	Changes in subcontracting costs		
	+ / - 7.5%	**+ / - 15.0%**	**+ / - 30.0%**
	HK$'000	*HK$'000*	*HK$'000*
Hypothetical fluctuations			
Decrease / Increase in profit before tax			
For FY2018	1,587	3,175	6,349
For FY2019	2,003	4,006	8,012
For FP2019	1,124	2,248	4,497

Prospective investors should note that the above analysis is based on assumptions and for illustration purpose only, and should not be viewed as the actual effect of such hypothetical fluctuations.

SIGNIFICANT ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION CERTAINTY

Significant accounting policies and estimates are those accounting policies and estimates that involve significant judgements and uncertainties and potentially yield materially different results under different assumptions and conditions. The section headed "Accountants' Report — Notes to the historical financial information — 4. Significant accounting policies" in Appendix I to this prospectus sets forth certain significant accounting policies. Our consolidated financial information has been prepared in accordance with the HKFRSs, which requires that we adopt accounting policies and make estimates that we believe are the most appropriate in the circumstances for the purposes of giving a true and fair view of our financial performance and financial position. Estimates and judgements are based on historical experience, prevailing market conditions and rules and regulations, and are reviewed on a continual basis taking into account of the changing environment and circumstances.

Basis of consolidation

Our financial information incorporates the financial statements of our Company and entities controlled by our Company. Control is achieved when our Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Our Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when our Group obtains control over the subsidiary and ceases when our Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date our Group gains control until the date when our Group ceases to control the subsidiary.

Our financial information incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

Profit or loss and each item of other comprehensive income are attributed to owners of our Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of our Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Where necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies into line with our Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of our Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from our Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in our Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between our Group and the non-controlling interests according to our Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of our Company.

Revenue Recognition

Provision of building protection works

Our Group provides the provision of building protection works based on contracts entered with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, our Group is contractually required to perform services at the customers' specified sites that our Group creates or enhances an asset that the customers controls as our Group performs. Our revenue from the provision of building protection works is therefore recognised over time using input method, i.e. based on the proportion that costs incurred for work performed by our Group to date relative to the estimated total costs in measuring the percentage of completion for the revenue recognised during each of the reporting period. If there is any adjustment required to the input method for uninstalled materials, our Group would ensure that the input method meets the objective of measuring progress towards complete satisfaction of a performance obligation. Our management considers that input method would faithfully depict our Group's performance towards complete satisfaction of these performance obligation under HKFRS 15 "Revenue from Contracts with Customers".

For contracts that contain variable consideration (i.e. variation order), our Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method would better predict the amount of consideration to which our Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, our Group updates the estimated quotation (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the change in circumstances during the reporting period.

For warranty embedded to the construction contracts, the Group accounts for the warranty in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the contracting work complies with the agreed-upon specifications.

Based on the internal record of our Group, we did not incur any expenses with regard to the warranty during the Track Record Period, and did not incur any material amount of the said expenses in the last 10 years immediately preceding the Track Record Period. During the said periods, no material claim was brought against us by our customers. In light of the above, our Group did not recognize the provisions for the warranty during the Track Record Period and up to the Latest Practicable Date.

Supply of building protection products

Revenue from the supply of building protection materials are recognised at a point when the control of goods has been transferred, being when the goods have been shipped to the customers' specified location. The goods delivered can only be returned to our Group in case there are serious quality defects. A receivable is recognised by our Group when the goods are delivered to the customers as this represents the point in time at which our Group's right to consideration becomes unconditional, as only the passage of time is required before payment of that consideration is due.

Contract assets or liabilities

A contract asset represents our Group's right to consideration in exchange for services that our Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents our Groups' unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents our Group's obligation to transfer services to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contract asset is recognised when (i) our Group completes the provision of building protection works under such services contracts but yet to be certified by architects, surveyors or other representatives appointed by our customers, or (ii) our customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer when our Group's right to consideration becomes unconditional other than passage of time. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the input method then our Group recognises a contract liability for the difference.

Financial assets and contract assets are assessed for indicators of impairment at the end of each reporting period. Financial assets and contract assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets and contract assets, the estimated future cash flows of the financial assets and contract assets have been affected.

Impairment of financial assets and contract assets (upon the adoption of HKFRS 9 on 1 April 2018)

Our Group recognises a loss allowance for expected credit loss ("ECL") on financial assets which are subject to impairment under HKFRS 9 (including our trade and other receivables, pledged bank deposit, bank balances and cash and rental deposits) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments.

The ECL on these assets are assessed collectively for debtors based on our Group's internal credit rating, historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

IMPACT OF ADOPTION OF NEW AND AMENDMENTS TO CERTAIN ACCOUNTING POLICIES

Effective for annual periods beginning on or after:

(i) 1 January 2018, HKFRS 9 "Financial instruments" ("**HKFRS 9**") superseded HKAS 39 "Financial instruments", and HKFRS 15 "Revenue from contracts with customers" ("**HKFRS 15**") superseded HKAS 18 "Revenue" and HKAS 11 "Construction contracts"; and

(ii) 1 January 2019, HKFRS 16 "Leases" ("**HKFRS 16**") superseded HKAS 17 "Leases".

The impacts of the applications of the above accounting policies are set out as follows:

HKFRS 9

HKFRS 9 requires the recognition of impairment provision of financial assets measured at amortized costs based on expected credit loss.

We have assessed that the adoption of new impairment methodology would not result in any material impact on our Group's future financial statements.

HKFRS 15

HKFRS 15 requires the entity to recognize the revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

We have assessed that the adoption of HKFRS 15 would not result in significant impact on financial performance of our Group.

HKFRS 16

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

We have assessed that the adoption of HKFRS 16 would not result in significant impact on results and the net assets of the Group.

SUMMARY OF FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

The table below sets forth the selected financial information extracted from our consolidated statements of profit or loss and other comprehensive income for FY2018, FY2019, FP2018 and FP2019, which have been extracted from, and should be read in conjunction with, the Accountants' Report set forth in Appendix I to this prospectus:

	FY2018	FY2019	FP2018	FP2019
	HK$'000	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Revenue	153,237	191,731	82,039	102,449
Cost of sales and services	(91,887)	(112,646)	(49,894)	(59,498)
Gross profit	61,350	79,085	32,145	42,951
Other income	358	265	161	110
Other gains/(losses)	827	381	128	(540)
Impairment losses, net of reversal	—	(274)	(151)	(1,554)
Selling and distribution costs	(6,820)	(8,059)	(3,714)	(2,857)
Administrative expenses	(28,260)	(29,943)	(13,820)	(13,523)
Finance costs	(284)	(169)	(121)	(31)
Listing expenses	—	(5,074)	—	(6,283)
Profit before taxation	27,171	36,212	14,628	18,273
Income tax expense	(5,256)	(7,202)	(2,906)	(4,199)
Profit and total comprehensive income for the year/period	21,915	29,010	11,722	14,074
Profit and total comprehensive income for the year/period attributable to:				
Owners of the Company	15,564	20,793	7,442	14,074
Non-controlling interests	6,351	8,217	4,280	—
	21,915	29,010	11,722	14,074

Consolidated Statements of Financial Position

	As at 31 March		As at 30 September
	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property and equipment	6,999	5,937	5,392
Right-of-use assets	4,327	2,418	1,652
Rental deposits	156	260	—
	11,482	8,615	7,044
Current assets			
Inventories	12,635	12,446	8,609
Trade and other receivables	22,396	18,592	21,633
Contract assets	41,603	70,116	91,177
Pledged bank deposit	—	800	806
Bank balances and cash	89,876	31,271	41,011
	166,510	133,225	163,236
Current liabilities			
Trade and other payables	27,188	15,460	25,697
Contract liabilities	6,209	10,763	11,453
Amount due to a director	10,255	—	—
Lease liabilities	1,412	1,903	1,286
Taxation payables	7,621	8,287	12,491
	52,685	36,413	50,927
Net current assets	113,825	96,812	112,309
Total assets less current liabilities	125,307	105,427	119,353
Non-current liabilities			
Lease liabilities	1,238	504	398
Deferred tax liabilities	829	802	760
	2,067	1,306	1,158
Net assets	123,240	104,121	118,195
Capital and reserves			
Share capital	49	—#	—#
Reserves	94,644	104,121	118,195
Equity attributable to owners of the Company	94,693	104,121	118,195
Non-controlling interests	28,547	—	—
Total equity	123,240	104,121	118,195

Less than HK$1,000

DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE OF OUR GROUP

Revenue

Our revenue was generated from provision of building protection works and supply of building protection products.

Revenue by types of revenue

The following table sets forth a breakdown of the revenue of our Group by types of revenue during the Track Record Period:

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (*Unaudited*)	*%*	*HK$'000*	*%*
Provision of building protection works	76,317	49.8	106,372	55.5	42,743	52.1	63,016	61.5
Supply of building protection products	76,920	50.2	85,359	44.5	39,296	47.9	39,433	38.5
Total revenue	153,237	100.0	191,731	100.0	82,039	100.0	102,449	100.0

(A) Provision of building protection works

Our revenue from provision of building protection works can broadly be categorised into (i) waterproofing works; (ii) flooring works; and (iii) joint sealant works.

Revenue by nature of building protection works

The following table sets forth the breakdown of our revenue by nature of building protection works during the Track Record Period:

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (*Unaudited*)	*%*	*HK$'000*	*%*
Waterproofing works	64,551	84.6	93,693	88.1	37,522	87.8	55,494	88.1
Flooring works	4,545	6.0	7,304	6.9	3,678	8.6	3,598	5.7
Joint sealant works	7,221	9.4	5,375	5.0	1,543	3.6	3,924	6.2
Total revenue from provision of building protection works	76,317	100.0	106,372	100.0	42,743	100.0	63,016	100.0

(i) Waterproofing works

Our waterproofing works refer to the application of appropriate waterproofing materials on the basement, interior, exterior and roof of a building, according to individual customers' requirements and needs.

Amongst the types of building protection works we provided, a majority of our revenue was generated from our waterproofing works which amounted to approximately HK$64.6 million and HK$93.7 million for FY2018 and FY2019, representing approximately 84.6% and 88.1% of our revenue generated from provision of building protection works for the respective years. For FY2019, our Group had undertaken a similar number of projects for waterproofing works as compared to FY2018. Such increase in our revenue during FY2019 was mainly attributable to the revenue derived from the substantial waterproofing works we provided for a number of projects with relatively higher contract sum including (i) some public housing projects in New Territories and Kowloon; (ii) private residential projects in Shouson Hill and Mid-Levels West; (iii) a data centre project in Kwai Chung; (iv) a hotel project in Tung Chung; (v) commercial building projects in Tseung Kwan O Industrial Estate and Science Park; and (vi) community facility projects such as a sport complex in Tai Po, M+ Pavilion in Western Kowloon; and (vii) a cemetery refurbishment project in Tsuen Wan.

Our revenue generated from our waterproofing works amounted to approximately HK$37.5 million and HK$55.5 million for FP2018 and FP2019, representing approximately 87.8% and 88.1% of our revenue generated from provision of building protection works for the respective periods. Such increase in our revenue during FP2019 was mainly attributable to (i) the increase of the number of projects which generated revenue from 53 in FP2018 to 61 in FP2019; and (ii) the revenue derived from the substantial waterproofing works we provided for a number of projects with relatively higher contract sum including (a) some public housing projects in New Territories and Kowloon; (b) private residential projects in Shouson Hill, Wong Chuk Hang and Taikoo; (c) a commercial building project in Tseung Kwan O Industrial Estate; and (d) community facility projects such as a sport complex in Tai Po, M+ Pavilion in Western Kowloon, and a cultural center in Kowloon Bay.

(ii) Flooring works

Our flooring works comprise floor hardening and coating works which refer to the use of liquid floor hardener onto the concrete floors of a premises after the installation of the concrete floors is completed to harden the surface of the concrete floor in order to make it more durable and abrasion resistant than plain concrete floor.

Our revenue generated from our flooring works amounted to approximately HK$4.5 million and HK$7.3 million for FY2018 and FY2019, representing approximately 6.0% and 6.9% of our revenue generated from provision of building protection works for FY2018 and FY2019, respectively. Such increase during FY2019 was mainly attributable to the substantial flooring works we provided for some commercial buildings including (i) a hotel project in Tung Chung, (ii) a private school in Mount Davis Path; and (iii) a training centre in Chek Lap Kok for an airline company.

Our revenue generated from our flooring works amounted to approximately HK$3.7 million and HK$3.6 million for FP2018 and FP2019, representing approximately 8.6% and 5.7% of our revenue generated from provision of building protection works for the respective periods. Such decrease in our revenue during FP2019 was mainly attributable to the net effect of (i) the increase in the revenue derived from the substantial waterproofing works we provided for a number of projects with relatively higher contract sum including (a) commercial building projects in Tseung Kwan O Industrial Estate and Science Park; and (b) a hotel project in Tung Chung; and (ii) the decrease in the revenue generated from a gallery project in Tsuen Wan due to the completion of substantial flooring works in FP2018.

(iii) Joint sealant works

For new building projects, joint sealant works refers to the application of joint sealants to fill the joints between two or more substrates and expansion joints. The projects taken place in existing buildings generally involve the removal of existing joint sealant and replacement with a specified joint sealant.

Our revenue generated from our joint sealant works amounted to approximately HK$7.2 million and HK$5.4 million for FY2018 and FY2019, representing approximately 9.4% and 5.0% of our revenue generated from provision of building protection works for the FY2018 and FY2019, respectively. The decrease in our revenue from joint sealant works was mainly due to a decrease in amount of joint sealant works provided to our customers during FY2019.

Our revenue generated from our joint sealant works amounted to approximately HK$1.5 million and HK$3.9 million for FP2018 and FP2019, representing approximately 3.6% and 6.2% of our revenue generated from provision of building protection works for the respective periods. Such increase in our revenue during FP2019 was mainly attributable to the revenue derived from the substantial joint sealant works we provided for a number of projects with relatively higher contract sum including (i) a hotel project in Tung Chung; (ii) a commercial building project in Chek Lap Kok; and (iii) private residential projects in Yau Tong.

Revenue by sectors

During the Track Record Period, we provided building protection works for various types of buildings in both public and private sectors. The following table sets forth the breakdown of our revenue from provision of building protection works by types of properties in public and private sectors during the Track Record Period:

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
					(Unaudited)			
Private sector								
Residential buildings	27,638	36.2	33,522	31.5	11,987	28.0	19,592	31.1
Commercial buildings (*Note 1*)	30,203	39.6	38,321	36.0	17,811	41.7	18,798	29.8
Community facilities (*Note 2*)	9,325	12.2	9,795	9.2	4,453	10.4	2,269	3.6
Subtotal	67,166	88.0	81,638	76.7	34,251	80.1	40,659	64.5
Public sector								
Residential buildings	4,477	5.9	6,674	6.3	1,845	4.3	6,651	10.6
Commercial buildings (*Note 1*)	699	0.9	8,710	8.2	3,870	9.1	7,613	12.1
Community facilities (*Note 2*)	3,975	5.2	9,350	8.8	2,777	6.5	8,093	12.8
Subtotal	9,151	12.0	24,734	23.3	8,492	19.9	22,357	35.5
Total revenue from provision of building protection works	76,317	100.0	106,372	100.0	42,743	100.0	63,016	100.0

Notes:

1. Commercial buildings include properties for commercial and industrial purposes.
2. Community facilities include hospital, police office and other community facilities.

(i) Private sector

Our building protection works for private sector projects primarily comprises private residential properties, commercial premises, industrial buildings, hotels and private hospitals.

Our revenue generated from building protection works provided to properties in the private sector amounted to approximately HK$67.2 million and HK$81.6 million for FY2018 and FY2019, representing approximately 88.0% and 76.7% of our total revenue generated from provision of building protection works during the respective years, respectively. Benefited from the stable growth in construction market in Hong Kong market, we recorded an increase in our revenue from private sector which was mainly driven by (i) private residential projects in Shouson Hill and Mid-Levels West; (ii) a data centre project in Kwai Chung; (iii) a cemetery refurbishment project in Tsuen Wan; and (iv) a hotel project in Tung Chung undertaken during FY2019. Such overall increase, however, was outweighed by the significant growth in revenue derived from the public sectors, resulting in a drop in portion of revenue derived from the provision of our building protection works in private sector.

Our revenue generated from building protection works provided to properties in the private sector amounted to approximately HK$34.3 million and HK$40.7 million for FP2018 and FP2019, representing approximately 80.1% and 64.5% of our total revenue generated from provision of building protection works during the respective periods. The increase in amount of our revenue derived from private sector during FP2019 was mainly attributable to the net effect of (i) the increase of revenue derived from the substantial building protection works we provided for a number of projects with relatively higher contract sum including (a) private residential projects in Shouson Hill, and Wong Chuk Hang; and (b) a commercial building in Taikoo; and (ii) the decrease of revenue generated from a cemetery refurbishment project in Tsuen Wan due to the completion of building protection works provided to our customers in FP2019. However, the increase in amount of revenue generated from private sector was outweighed by the significant growth in revenue derived from the public sectors, resulting in a drop in portion of revenue derived from the provision of our building protection works in private sector from FP2018 to FP2019.

(ii) Public sector

Our building protection works for public sector projects primarily comprises government buildings and community facilities such as swimming pools and public hospitals. They also include projects from the Hong Kong Housing Authority, which comprise projects for the construction of flats under the Home Ownership Scheme and public housing flats.

Our revenue generated from public sector amounted to approximately HK$9.2 million and HK$24.7 million for FY2018 and FY2019, representing approximately 12.0% and 23.3% of our total revenue generated from provision of building protection works, respectively. Benefited from the stable growth in construction work in Hong Kong, our Group recorded a significant increase in revenue derived from provision of building protection works in public sector, which was mainly due to a substantial amount of building protection works provided during FY2019 for (i) some public housing projects in New Territories and Kowloon; (ii) a number of commercial building projects in Tseung Kwan O Industrial Estate and Science Park; and (iii) community facility projects such as a sport complex in Tai Po and M+ Pavilion in Western Kowloon.

Our revenue generated from building protection works provided to properties in the public sector amounted to approximately HK$8.5 million and HK$22.4 million for FP2018 and FP2019, representing approximately 19.9% and 35.5% of our total revenue generated from provision of building protection works during the respective periods. Such increase in our revenue during FP2019 was mainly attributable to the revenue derived from the substantial building protection works we provided for a number of projects with relatively higher contract sum including (i) some public housing projects in New Territories and Kowloon; (ii) commercial building projects in Tseung Kwan O Industrial Estate and Science Park; (iii) community facility projects such as a cultural center in Kowloon Bay, a sport complex in Tai Po, and M+ Pavilion in Western Kowloon.

(B) Supply of building protection products

Revenue by types of building protection products

The following table sets forth the breakdown of our revenue by types of building protection products during the Track Record Period:

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
					(Unaudited)			
Waterproofing products	51,788	67.3	50,897	59.6	25,305	64.4	27,804	70.5
Tiling products	24,044	31.3	33,779	39.6	13,472	34.3	11,495	29.2
Flooring and other products	1,088	1.4	683	0.8	519	1.3	134	0.3
Total revenue from supply of building protection products	76,920	100.0	85,359	100.0	39,296	100.0	39,433	100.0

Throughout the Track Record Period, we adopt a cost-plus pricing model. For our consideration of the appropriate selling price, please refer to the paragraph headed "Business — Our customers — Our pricing strategy" in this prospectus. The following table sets forth a summary of the sales volume and average selling price (the revenue divided by the respective sales volume) of our three major types of building protection products for the Track Record Period:

	FY2018	FY2019	FP2018	FP2019
Sales volume				
- Waterproofing products (unit)	48,900	44,400	20,200	21,800
- Tiling products (unit)	51,800	75,400	34,800	21,400
- Flooring and other products (unit)	2,300	2,300	2,000	100
	HK$	*HK$*	*HK$*	*HK$*
Average selling price				
- Waterproofing products (per unit)	1,059	1,146	1,253	1,275
- Tiling products (per unit)	464	448	387	537
- Flooring and other products (per unit)	473	297	260	1,340

Notes:

1. Each unit is equivalent to a package of our products, regardless of their respective physical forms, size and volume contained in each package.
2. The sales volume of our products are based on our internal records and calculated to the nearest hundred.

(i) Waterproofing products

The revenue generated from the supply of waterproofing products was approximately HK$51.8 million, HK$50.9 million, HK$25.3 million and HK$27.8 million, representing approximately 67.3%, 59.6%, 64.4% and 70.5% of our total revenue for the supply of building protection products for FY2018, FY2019, FP2018 and FP2019, respectively.

Our overall sales volume of waterproofing products was approximately 48,900 units, 44,400 units, 20,200 units and 21,800 units for FY2018, FY2019, FP2018 and FP2019, respectively. The decrease in our sales volume of waterproofing products from FY2018 to FY2019 was mainly due to the net effect of (i) increase in selling price for our own-brand waterproofing products; and (ii) the increase in demand for waterproofing products under the Tremco brand in relation to a hotel and a casino projects in Macau. For FP2018 and FP2019, while the average selling price of our waterproofing products remained stable, the increase in our sales volume of waterproofing products was mainly attributable to an increase in demand for our waterproofing products under (i) our own brand in relation to a residential building project in Tseung Kwan O; and (ii) PCI brand in relation to a hotel project in Macau.

The average selling price of waterproofing products per unit was approximately HK$1,059, HK$1,146, HK$1,253 and HK$1,275 for FY2018, FY2019, FP2018 and FP2019, respectively. During FY2019, our average selling price of waterproofing products increased as the results of (i) the increase in the selling price of our own-brand waterproofing products; and (ii) an introduction of new waterproofing products under the Schomburg brand where a relatively higher selling price was charged in relation to a public prosecutor office project in Macau.

(ii) Tiling products

The revenue generated from the supply of tiling products was approximately HK$24.0 million, HK$33.8 million, HK$13.5 million and HK$11.5 million, representing approximately 31.3%, 39.6%, 34.3% and 29.2% of our total revenue for the supply of building protection products for FY2018, FY2019, FP2018 and FP2019, respectively.

Our overall sales volume of tilling products was approximately 51,800 units, 75,400 units, 34,800 units and 21,400 units for FY2018, FY2019, FP2018 and FP2019, respectively. The average selling price of tiling products per unit decreased from approximately HK$464 in FY2018 to HK$448 in FY2019, and increased to approximately HK$537 in FP2019.

For FY2018 and FY2019, the sale volume of our tiling products increased while the average selling price of which decreased, which was mainly attributable to the net effect of (i) the increase in demand from our customers for Tremco branded tiling products mainly in relation to a hotel and a casino projects in Macau; and (ii) an increase in sales of PCI branded tiling products which generally had a lower selling price mainly in relation to a commercial building project in Long Ping Station.

For FP2018 and FP2019, the sale volume of our tiling products decreased while the average selling price of which increased was mainly attributable to (i) drop in sales of aforementioned PCI branded tiling products that had a relatively lower selling price; and (ii) an increase in demand of remmers branded tiling products in relation to a carpark project in Hong Kong International Airport.

(iii) Flooring and other products

The revenue generated from the supply of flooring and other products was approximately HK$1.1 million, HK$0.7 million, HK$0.5 million and HK$0.1 million, representing approximately 1.4%, 0.8%, 1.3% and 0.3% of our total revenue for the supply of building protection products for FY2018, FY2019, FP2018 and FP2019, respectively.

Our overall sales volume of flooring and other products was approximately 2,300 units, 2,300 units, 2,000 units and 100 units, for FY2018, FY2019, FP2018 and FP2019, respectively. The average selling price of flooring and other products per unit significantly decreased from approximately HK$473 in FY2018 to HK$297 in FY2019, and increased to approximately HK$1,340 in FP2019. For FY2018 and FY2019, the decrease was mainly due to an significant increase in our sales of a major flooring product under BASF, which generally had a relative low selling price, mainly in relation to a government office project in Macau.

For FP2018 and FP2019, the sale volume of our flooring and other products decreased significantly while the average selling price of which increased was mainly attributable to (i) an increase in sales of a BASF branded flooring product which had a relatively higher selling price mainly in relation to a hotel project in Macau; and (ii) a significant decrease in demand from our customers for our major flooring products under BASF.

Revenue by brands

The following table sets forth a breakdown of our revenue by brands of building protection products during the Track Record Period:

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
					(Unaudited)			
Third party brands								
- PCI	20,629	26.8	20,846	24.4	11,594	29.5	9,196	23.3
- BASF	18,828	24.5	20,796	24.4	9,034	23.0	9,581	24.3
- Tremco	5,716	7.4	14,684	17.2	4,194	10.7	3,767	9.6
- remmers	8,714	11.3	7,980	9.3	1,818	4.6	5,409	13.7
- W.R. Meadows	5,407	7.0	4,698	5.5	3,842	9.8	632	1.6
- Other brands *(Note)*	7,242	9.5	5,974	7.0	3,634	9.2	3,459	8.8
Subtotal	66,536	86.5	74,978	87.8	34,116	86.8	32,044	81.3
Our own brands								
- DP ChemTech/ DP	10,384	13.5	10,381	12.2	5,180	13.2	7,389	18.7
Total revenue from supply of building protection products	76,920	100.0	85,359	100.0	39,296	100.0	39,433	100.0

Note:

1. Other brands under our third party brands mainly consist of brands including Epro, Schomburg, Vandex and Korodur.

(i) Our own brands

Since 2011, we supplied our own-brand "DP ChemTech" and "DP" building protection products which were sourced from selected independent third party suppliers from jurisdictions such as the PRC, Taiwan and Singapore. During the Track Record Period, our own "DP ChemTech" and "DP" building protection products were either consumed for our building protection works, or for supply to other subcontractors. The revenue derived from the supply of our own-branded products amounted to approximately HK$10.4 million, HK$10.4 million, HK$5.2 million and HK$7.4 million for FY2018, FY2019, FP2018 and FP2019, respectively, which accounted for approximately 13.5%, 12.2%, 13.2% and 18.7% of our revenue from the supply of building protection product for the respective years/periods. For FY2018 and FY2019, the revenue derived from our own-branded products which remained stable despite a rise of our selling price of our waterproofing products under our own brand.

For FP2018 and FP2019, the increase in the revenue derived from the supply of own building protection products was mainly attributable to increase in demand of our waterproofing products in relation to a residential building project in Tseung Kwan O.

(ii) Third party brands

As at the Latest Practicable Date, we obtained distributorship of nine brands including PCI, BASF, Tremco, remmers, W.R. Meadows and other brands, covering more than 400 building protection products, which were sourced from eight independent brand owners and manufacturers from Germany, Switzerland and the United States.

During the Track Record Period, a majority of our revenue from the supply of building protection products was derived from the sale of third-party brands sourced and distributed by us, which amounted to approximately HK$66.5 million, HK$75.0 million, HK$34.1 million and HK$32.0 million for FY2018, FY2019, FP2018 and FP2019, respectively, representing approximately 86.5%, 87.8%, 86.8% and 81.3% of our revenue from the supply of building protection products for the respective years/periods. For FY2018 and FY2019, the growth in our overall revenue derived from the supply of building protection products from third-party brands was mainly attributable to the net effect of (i) the increase in demand from our customers for Tremco branded waterproofing and tiling products mainly in relation to a hotel and a casino projects in Macau; (ii) an increase in demand for our tiling products under PCI mainly in relation to a commercial building project in Long Ping Station; (iii) an introduction of new waterproofing products under the Schomburg brand where a relatively higher selling price was charged in relation to a public prosecutor office project in Macau; and (iv) the decrease in sales of PCI branded waterproofing products as well as some other third party branded products.

For FP2018 and FP2019, the decrease in our overall revenue derived from the supply of building protection products from third party brands was mainly attributable to the net effect of (i) decrease in demand from our customers for PCI branded tiling products; (ii) decrease in demand from our customers for our flooring product under BASF; and (iii) increase in demand of remmers branded tiling products in relation to a carpark project in Hong Kong International Airport.

Revenue by geographical locations

The following table sets forth a breakdown of our Group's revenue by geographic locations of our customers during the Track Record Period:

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
					(Unaudited)			
Hong Kong	115,408	75.3	158,763	82.8	71,031	86.6	87,821	85.7
Macau	37,829	24.7	32,968	17.2	11,008	13.4	14,628	14.3
Total revenue.	153,237	100.0	191,731	100.0	82,039	100.0	102,449	100.0

A majority of revenue during the Track Record Period was derived from our operation in Hong Kong whereby we were both the provider of building protection works and supplier of building protection products. At the same time, our operation in Macau only involved in the supply of building protection products. During the Track Record Period, the growth in our overall revenue was mainly driven by the aforementioned increase in our revenue derived from waterproofing works and flooring works for various type of buildings in both private and public sectors, and the aforementioned increase in supply of third-party branded building protection products distributed by us, which was in line with the overall growth of construction market in Hong Kong.

According to Frost and Sullivan Report, a number of sizable waterproofing construction projects in Macau had been completed or reached their final stage in 2018. Our sales of building protection products in Macau dropped from approximately HK$37.8 million for FY2018 to HK$33.0 million for FY2019, which was mainly due to net effect of: (i) the significant decrease in demand for our building protection products as our customers' projects in Macau had nearly come to completion stage during FY2019 and (ii) an increase in demand from our customers for Tremco branded waterproofing and tiling products mainly in relation to a hotel and a casino projects in Macau.

FY2018 compared with FY2019

For FY2018 and FY2019, our overall revenue increased by approximately 25.1% from approximately HK$153.2 million to HK$191.7 million, which was mainly attributable to the increase in both the provision of our building protection works and supply of building protection products.

The growth in the revenue generated from the provision of our building protection works was mainly the results of the aforementioned increase in our revenue recognised from waterproofing works and flooring works provided for various type of buildings with a relatively higher contract sum in both private and public sectors, including: (i) two private residential projects in Shouson hill and Mid-Levels West, (ii) some public housing projects in New Territories and Kowloon; (iii) a hotel project in Tung Chung; (iv) a number of public commercial building projects, such as Tseung Kwan O Industrial Estate and Science Park; (v) a data centre project in Kwai Chung; (vi) a few public community facility projects, such as a sport complex in Tai Po and M+ Pavilion in Western Kowloon; and (vii) a cemetery refurbishment project in Tsuen Wan.

The growth in the revenue generated from our supply of building protection products was mainly the results of the aforementioned increase in the supply of building protection products in Hong Kong despite a decrease in Macau. While the revenue derived from the sales of building protection products under our own brands remained stable, we had recorded an overall growth in the sales of third party brands sourced and distributed by us, which was the net results of: (i) a growth in demand from our customers for Tremco branded waterproofing and tiling products in relation to a hotel and a casino projects in Macau; (ii) the increase in our demand for our tiling products under PCI in relation to a commercial building project in Long Ping Station; and (iii) the decrease in sales of PCI branded waterproofing products as well as some other third party branded products.

FP2018 compared with FP2019

For FP2018 and FP2019, our overall revenue increased by approximately 24.9% from approximately HK$82.0 million to HK$102.4 million, which was mainly attributable to the increase in the provision of our building protection works.

The growth in the revenue generated from the provision of our building protection works was mainly the results of the aforementioned increase in our revenue recognised from waterproofing works and joint sealant works provided for various type of buildings with a relatively higher contract sum in both private and public sectors, including: (i) some public housing projects in New Territories and Kowloon; (ii) private residential projects in Shouson Hill and Wong Chuk Hang; (iii) commercial building projects in Tseung Kwan O Industrial Estate and Taikoo; and (iv) community facility projects such as a sport complex in Tai Po, M+ Pavilion in Western Kowloon, and a cultural center in Kowloon Bay.

The revenue generated from the supply of building protection products remained stable for FP2018 and FP2019.

Cost of sales and services

Our cost of sales and services mainly comprise (i) costs of materials; (ii) subcontracting costs; and (iii) direct staff costs. Cost of materials mainly represents the expenses of building protection products charged to our building protection works and costs of building protection products charged by our suppliers. Subcontracting costs represent charges and fees paid to our subcontractors who mainly provide labour and services necessary for the completion of the building protection works undertaken by us. Direct staff costs represent salaries and benefits provided to our staff in project team who are directly involved in the overall management and monitoring of the building protection works carried out by our subcontractors.

The following table sets forth the breakdown of our cost of sales and services by nature during the Track Record Period:

	FY2018	FY2019	FP2018	FP2019
	HK$'000	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Cost of materials	64,113	76,746	32,914	39,721
Subcontracting costs	21,164	26,706	12,567	14,989
Direct staff costs	6,048	8,479	3,866	4,282
Others	562	715	547	506
Total cost of sales and services	91,887	112,646	49,894	59,498

During the Track Record Period, our cost of sales and services amounted to approximately HK$91.9 million, HK$112.6 million, HK$49.9 million, and HK$59.5 million for FY2018, FY2019, FP2018, and FP2019, respectively. The significant increase in our cost of sales and services was mainly driven by the increase in cost of materials and subcontracting costs, which was in line with the aforementioned growth in our revenue from both the provision of building protection works and the supply of building protection products during FY2019 and FP2019.

Gross profit and gross profit margin

Gross profit represents the excess of revenue over cost of sales and services. The following table sets forth our gross profit and gross profit margin by types of services during the Track Record Period:

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*margin %*	*HK$'000*	*margin %*	*HK$'000* *(Unaudited)*	*margin %*	*HK$'000*	*margin %*
Provision of building protection works	26,312	34.5	40,975	38.5	15,478	36.2	25,228	40.0
Supply of building protection products	35,038	45.6	38,110	44.6	16,667	42.4	17,723	44.9
Total gross profit	61,350	40.0	79,085	41.2	32,145	39.2	42,951	41.9

Our gross profit amounted to approximately HK$61.4 million, HK$79.1 million, HK$32.1 million, and HK$43.0 million for FY2018, FY2019, FP2018, and FP2019, respectively, whereas the gross profit margin was 40.0%, 41.2%, 39.2%, and 41.9% for the respective years/periods. The increase in our gross profit was mainly in line with the trend in our revenue growth and change in gross profit margin. We adopt a cost-plus pricing model. For the factors which we would consider in deciding the appropriate mark-up, please refer to the paragraph headed "Business — Our customers — Our pricing strategy" in this prospectus. Detailed analysis of our gross profit margin during the Track Record Period is explained as follows:

(i) Analysis of gross profit margin of building protection works

The following table sets forth our gross profit and gross profit margins by types of building protection works during the Track Record Period:

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*margin %*	*HK$'000*	*margin %*	*HK$'000*	*margin %*	*HK$'000*	*margin %*
					(Unaudited)			
Waterproofing works . . .	23,220	36.0	38,090	40.7	14,218	37.9	22,841	41.2
Flooring works	1,704	37.5	1,808	24.8	957	26.0	1,214	33.7
Joint sealant works	1,388	19.2	1,077	20.0	303	19.6	1,173	29.9
Total gross profit from the provision of building protection works.	26,312	34.5	40,975	38.5	15,478	36.2	25,228	40.0

The following table sets forth our gross profit and gross profit margins by the type of properties in private and public sectors during the Track Record Period:

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*margin %*	*HK$'000*	*margin %*	*HK$'000*	*margin %*	*HK$'000*	*margin %*
					(Unaudited)			
Private sector								
- Residential buildings. . .	9,566	34.6	13,454	40.1	4,084	34.1	8,000	40.8
- Commercial buildings (*Note 1*)	10,212	33.8	14,356	37.5	6,664	37.4	8,272	44.0
- Community facilities (*Note 2*)	4,070	43.6	5,918	60.4	2,654	59.6	1,120	49.4
Subtotal	23,848	35.5	33,728	41.3	13,402	39.1	17,392	42.8

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*margin %*	*HK$'000*	*margin %*	*HK$'000*	*margin %*	*HK$'000*	*margin %*
					(Unaudited)			
Public sector								
- Residential buildings. . .	1,004	22.4	2,350	35.2	464	25.2	2,246	33.8
- Commercial buildings (*Note 1*)	262	37.5	3,629	41.7	1,269	32.8	3,352	44.0
- Community facilities (*Note 2*).	1,198	30.1	1,268	13.6	343	12.3	2,238	27.7
Subtotal.	2,464	26.9	7,247	29.3	2,076	24.5	7,836	35.0
Total gross profit from the provision of building protection works.	26,312	34.5	40,975	38.5	15,478	36.2	25,228	40.0

Notes:

1. Commercial buildings include properties for commercial and industrial purposes.
2. Community facilities include hospitals, police offices and other community facilities.

During FY2018, FY2019, FP2018, and FP2019, the gross profit from our provision of building protection works accounted for approximately 42.9%, 51.8%, 48.2%, and 58.7% of our overall gross profit for the respective years, with a gross profit margin of approximately 34.5%, 38.5%,36.2%, and 40.0%, respectively. Our overall gross profit margin for our provision of building protection works is the combination of our three major types of building protection works provided for different types of properties and sectors. During the Track Record Period, the overall improvement in our gross profit margin for our building protection works was attributable to the increase of gross profit margin in all of our types of building protection works.

In line with our revenue components with our business focuses on waterproofing works, a majority of our gross profit was derived from the provision of waterproofing works. The gross profit margin in waterproofing works increased from approximately 36.0% in FY2018 to 40.7% in FY2019, which was mainly attributable to the higher gross profit margin we charged for a number of projects, including (i) two private residential projects in Shouson Hill and Mid-Levels West; (ii) a data center in Kwai Chung; (iii) a hotel project in Tung Chung; (iv) a number of commercial building in Tseung Kwan O Industrial Estate and Science Park; and (v) a cemetery refurbishment project in Tsuen Wan. In view of the nature of these projects and the specific requirements of the customers, we charged these customers with a higher profit margin.

The gross profit margin in waterproofing works further increased to approximately 41.2% in FP2019, which was mainly attributable to the successful tender of a commercial building project in Taikoo. Our Group charged higher gross profit margin to the owner of the commercial building project in Taikoo due to the high quality standards required by the owner.

The significant drop in our gross profit margin in flooring works from approximately 37.5% in FY2018 to 24.8% in FY2019 was mainly attributable to (i) the substantial completion of a number of high margin projects during FY2018, including a private residential building in Jordan and an art gallery in Central; (ii) the commencement of a training centre project in Chek Lap Kok Island for an airline company in FY2019 for which our Directors had strategically bid with a relatively lower gross profit margin with an intention to develop a long-term business relationship with the then new main contractor customer.

The gross profit margin in flooring works increased to approximately 33.7% in FP2019. Such increase was mainly attributable to the higher gross profit margin we charged for a number of projects and substantial flooring works provided to the following projects during FP2019, including commercial building projects in Tseung Kwan O Industrial Estate and Tsim Sha Tsui. Our Group provided flooring works to a commercial complex and other commercial buildings. We charged these customers higher gross profit margin due to the higher complexity of the building protection works of the projects.

Our Directors confirm that joint sealant works in general had a relative lower gross profit margin in view of the relatively low complex and technical requirements in project implementation of the works. The gross profit margin of joint sealant works amounted to approximately 19.2% in FY2018 to 20.0% in FY2019, which remained stable during the Track Record Period.

The gross profit margin in joint sealant works further increased to approximately 29.9% in FP2019. Such increase was mainly attributable to the higher gross profit margin we charged for the hotel project in Tung Chung. Our Group provided joint sealant works for the luxury hotel. The owner of the project thereof required high quality standards, so our Group charged higher gross profit margin for the above project.

While our gross profit margin derived from the provision of building protection works for private sector was approximately 35.5% and 41.3% for FY2018 and FY2019, the gross profit margin of the provision of building protection works for public sector was approximately 26.9% and 29.3% for the respective years. In general, our profitability derived from residential and commercial buildings in both private and public sectors as against the provision of building protection works for community facilities was relatively stable as to the best knowledge of our Directors, the building protection works for residential and commercial buildings are more standard and would not involve complicated work procedures. During FY2018, our Directors had strategically undertaken certain number of public residential projects at a relatively competitive price in order to enhance our job reference in public sector. After achieving this objective, we were able to increase our gross profit margin derived from public residential projects to 35.2% in FY2019. On the other hand, in view of our constraint in capital and workforce as a low financial leverage private company, the number of projects we can carry out concurrently is somewhat limited. As such, our senior management preferred undertaking projects with a higher gross profit margin, which were believed to be projects with more complex specifications. In view of the above, we were able to improve our gross profit margin derived from residential building and commercial building for both private and public sectors for FY2019. However, our gross profit margin over community facilities during the Track Record Period was relatively unstable as our Directors confirm that the requirements for building protection works were not standard and might involve complicated work procedures. Our gross profit margin derived from community facilities in private sector was approximately 43.6% and 60.4% during FY2018 and FY2019, respectively. The significant higher gross profit margin derived from which was driven by the commencement of a highly profitable cemetery refurbishment project in Tsuen Wan in late FY2018. Our Directors confirm that we charged it a high gross profit margins due to its tight project schedule and relatively high technical requirements. A substantial amount of project implementation works for this project was brought forward to FY2019, resulting in a significant higher gross profit margin derived by our Group during the respective year. On the other hand, our gross profit margin for undertaking building protection works for community facilities in public sector was approximately 30.1% and 13.6% during FY2018 and FY2019. Such decrease was due to the net effect of (i) the substantial completion of a public hospital project in Kai Tak; and (ii) increment in building protection works provided for the community facilities projects including a sport complex in Tai Po and M+ pavilion museum which have a relatively lower gross profit margin as these projects are priced at a relatively competitive price in order to broaden our job reference in public sector and enhance our profile in Hong Kong building protection works market.

Our gross profit margin derived from the provision of building protection works for private sector was approximately 39.1% and 42.8% for FP2018 and FP2019, whereas the gross profit margin of the provision of building protection works for public sector was approximately 24.5% and 35.0% for the respective periods.

Our gross profit margin of building protection works provided to commercial buildings of private sector increased from 37.5% for FY2019 to 44.0% for FP2019. Such increase was mainly attributable to the higher gross profit margin we charged for the following projects in FP2019 including a commercial building project in Taikoo and a hotel project in Tung Chung. Our Group provided building protection works to a luxury hotel and a large commercial complex. We charged higher gross profit margin for the above projects due to (i) high quality standards required by the owner; or (ii) high complexity of the building protection works of the project.

Our gross profit margin of building protection works provided to community facilities of private sector decreased from 60.4% for FY2019 to 49.4% for FP2019. Such decrease was mainly attributable to the completion of substantial building protection works of the aforementioned highly profitable cemetery refurbishment project in Tsuen Wan, during FY2019.

Our gross profit margin of building protection works provided to community facilities of public sector increased from 13.6% for FY2019 to 27.7% for FP2019. Such increase was mainly attributable to substantial waterproofing works performed in a project with high gross profit margin, namely, a cultural center in Kowloon Bay, during FP2019. The government wished to maintain the quality of waterproofing works as long time as it can, and the government required high standard quality on the project. Therefore, our Group charged high gross profit margin on the project.

(ii) Analysis of gross profit margin by types of building protection products

The following table sets forth our gross profit and gross profit margins by types of building protection products during the Track Record Period:

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*margin %*	*HK$'000*	*margin %*	*HK$'000*	*margin %*	*HK$'000*	*margin %*
					(Unaudited)			
Waterproofing products	21,957	42.4	20,988	41.2	9,557	37.8	12,760	45.9
Tiling products	12,418	51.6	16,758	49.6	6,843	50.8	4,880	42.5
Flooring and other products	663	60.9	364	53.3	267	51.4	83	61.9
Total gross profit from the supply of building protection products	35,038	45.6	38,110	44.6	16,667	42.4	17,723	44.9

The following table sets forth a breakdown of our gross profit margin by brands of building protection products during the Track Record Period:

	FY2018		FY2019		FP2018		FP2019	
	HK$'000	*margin %*	*HK$'000*	*margin %*	*HK$'000*	*margin %*	*HK$'000*	*margin %*
					(Unaudited)			
Third party brands								
- PCI	12,786	62.0	12,181	58.4	6,499	56.1	5,992	65.2
- BASF	7,172	38.1	8,540	41.1	3,310	36.6	3,585	37.4
- Tremco	1,233	21.6	3,557	24.2	936	22.3	1,010	26.8
- remmers	5,148	59.1	4,564	57.2	919	50.6	2,037	37.7
- W.R. Meadows	2,059	38.1	1,944	41.4	1,382	36.0	268	42.4
- Other brands *(Note)*	3,684	50.9	3,687	61.7	2,091	57.6	1,943	56.2
Subtotal	32,082	48.2	34,473	46.0	15,137	44.4	14,835	46.3
Our own brand								
- DP ChemTech/ DP	2,956	28.5	3,637	35.0	1,530	29.5	2,888	39.1
Total gross profit from the supply of building protection products	35,038	45.6	38,110	44.6	16,667	42.4	17,723	44.9

Note:

1. Other brands under our third party brands mainly consist of brands including Epro, Schomburg, Vandex and Korodur.

Our Director are of the view that the underlying drivers for our gross profit margin in the supply of building protection products lie at both the quality and the wide spectrum of services we provided to our customers when we supply building protection products to them and our distributorship in supply a few types of products that have higher gross profit margin where other distributors may not have such distributorship. As detailed under the paragraph headed "Business — The workflow of our synergistic business model — (A) Workflow regarding our supply of building protection production service" in this prospectus, instead of merely supplying building protection products to customers in Hong Kong and Macau, we also provide services including (i) the identification and sourcing of products that can cater for the varying needs and requirements of our customers from renowned international brand owners, (ii) the recommendation of appropriate products to the main contractors or their architects, consultants for use in their projects based on our knowledge on the features and functions of different products and our expertise and experience in the industry; and (iii) our arrangement of procurement, sale and logistic of building protection products and offering credit terms and product warranty to our customers. The gross profit margin for our supply of building protection products was mainly determined by the sales of each of our three major types of products under different brands or the combination of them. In general, when we decide to be the distributor of a product or a brand, we consider the target customer group and the applicability of the product in different projects. The corresponding market demand for the products is mainly subject to brand name effect, product quality and specifications, and market scarcity. Accordingly, different gross profit margin and price range were set for different brands and types of our building protection products.

According to Frost and Sullivan report, the profitability of a distributor varied from brand to brand and type to type of products. Some distributors can derive relatively higher gross profit margin for certain types of products under a brand, which are due to their ability to select the most suitable products with higher profit margin for customers based in their knowledge on the features and functions of the products, their ability to properly price the products towards market demand, brand recognition, and availability of the products in the market. As discussed under section headed "Industry overview — Brand barriers" of this prospectus, brand owners seek to sell their products through a limited number of selected distributors. Given there are no binding selling prices of our Group's building protection products, the price of which is therefore market driven. In this connection, our Directors believe that the selling price of our Group's building protection products is within market range. Throughout the Track Record Period, our Group adopted a cost-plus pricing model. For details, please refer to the section headed "Business — pricing strategy" in this prospectus. Our Group obtained distributorship of nine brands from third-party brand owners which covered more than 400 building protection products with gross profit margin ranging from approximately 21.6% to 65.2% during the Track Record Period. According to Frost and Sullivan, the nine brands of which the Group acting as a distributor generally maintained one to four distributors in Hong Kong and Macau only. Our Director believe that, as concurred by Frost & Sullivan, our Group could derive relatively higher gross profit margins from the sale of certain products of certain brands, including a few waterproofing products of some mid to high end brands (e.g. BASF and PCI) as we are one of the few distributors of these products in Hong Kong and Macau and we would generally recommend these products to our customers whilst these products are well recognised in the market. Furthermore, given there are only a few distributors for these products, we can properly price these products to ensure that our price is comparable with that of other distributors. As detailed under "Business — Competitive strengths", differentiating our Group from other industry players, our Directors believe that we have further strengthened our profitability from the sale of certain waterproofing products of certain brands during the Track Record Period due to the facts that: (i) we had maintained a long term business relationship with the brand owners and secured a steady supply of quality building protection products from suppliers across the world in meeting our customers' varying needs and requirements; (ii) our synergistic business model and our dual capacity in the supply of building protection products and building protection works has better secured the demand and sales volume for our products and enhanced our bargaining power on bulk purchases discounts towards our product manufacturers and brand owners; and (iii) we have established long-standing business relationship with our customers in the sale of building protection products.

The gross profit for our supply of building protection products amounted to approximately HK$35.0 million, HK$38.1 million, HK$16.7 million and HK$17.7 million for FY2018, FY2019, FP2018 and FP2019, respectively, and represented the gross profit margins of approximately 45.6%, 44.6%, 42.4% and 44.9% in the respective years/period. For FY2018 and FY2019, the overall decrease in our gross profit margin in this respect was mainly attributable to the slight decrease in our gross profit margin for all three types of products we supplied, in particular, the decrease of gross profit margin of flooring products. Such decrease was mainly due to the significant increase in our sales of a major flooring product under BASF in a government office project in Macau, which generally had a relatively low selling price and gross profit margin. While the gross profit margin derived from our own-brand building protection products increased in FY2019, the overall gross profit margin for the supply of our building protection products dropped, which was mainly attributable to the decrease in our gross profit margin derived from the third-party branded products sourced and distributed by us.

For FP2018 and FP2019, the overall increase in our gross profit margin for all three types of products we supplied was driven by the increase of gross profit margin of waterproofing products and flooring products. Such increase was mainly attributable to (i) increase in our sales of waterproofing products under PCI in hotel projects in Macau, which generally had a relatively high gross profit margin; and (ii) increase in sales of a flooring product under BASF in relation to a hotel project in Macau.

The gross profit margin of our own-brand products was generally lower than that of the third-party branded products distributed by us, given that (i) our own-brand products mainly target the low to mid end market of building protection products in Hong Kong and Macau, which we charge a relatively lower gross profit margin from the sale of our own-brand products; and (ii) the market recognition of our own brand was not as high as the third party brands since our own-brand products have been developed for less than 10 years but most of the international renowned brands have been developed for over 25 years and their products do have undergone laboratory testing, and are well recognized in the market. Our own-brand products are with limited laboratory testing on their functionality whereby it is difficult for us to recommend our own-brand products for use in large-scale building protection works projects in both (i) the public sector where laboratory test of the relevant product is generally required to ensure such product can conform with relevant requirements and standards of the project; and (ii) private sector where employers or architects may often require building protection products to undergo laboratory tests before such product could be used in the project. On the other hand, the third party brands distributed by us were long-established. The gross profit margin derived from our own brand was approximately 28.5%, 35.0%, 29.5% and 39.1% for FY2018, FY2019, FP2018 and FP2019, respectively. Such improvement during the Track Record

Period was mainly attributable to (i) the net effect of our strategic product positioning along with certain upward price adjustments for some of our own-brand building protection products despite a decrease in our sales volume; and (ii) an introduction of a new OEM supplier from Singapore during FY2019 which could supply us with certain products under our own brand at a relatively lower costs.

During the Track Record Period, in line with our revenue components for the supply of building protection products, a majority of our gross profit margin was derived from third-party branded products. Our mark-up charged on third-party branded products was generally higher than that of our own-brand products. In distributing certain third-party branded products including PCI, remmers, W.R. Meadows, BASF and a few other brands, our Directors confirm that we mainly target the mid to high end market of building protection products in Hong Kong, where we were able to charge a relatively higher gross profit margin from the sale of these products. The gross profit margin for our third party brands slightly decreased from approximately 48.2% for FY2018 to 46.0% for FY2018 and FY2019. Such decrease was mainly attributable to the net effect of: (i) an increase in demand for Tremco branded tiling products with a relatively lower gross profit margin among the third-party branded products we supplied; and (ii) an increase in the sale of the relatively less profitable PCI branded tiling products for a residential building project in Long Ping station during FY2019; and (iii) an introduction of new waterproofing products under Schomburg brand, which had a higher gross profit margin.

The gross profit margin for our third party brands slightly increased from approximately 44.4% for FP2018 to approximately 46.3% for FP2018. Such increase was mainly attributable to the net effect of (i) increase in our sales of waterproofing products under PCI with relatively high gross profit margin in relation to hotel projects in Macau; and (ii) increase in sales of remmers branded tiling products in relation to a carpark project in Hong Kong International Airport, which generally had a relatively low gross profit margin.

FY2018 compared with FY2019

Our Group's gross profit amounted to approximately HK$61.4 million and HK$79.1 million for FY2018 and FY2019 respectively, whereas our gross profit margin was approximately 40.0% and 41.2% for the respective years. The increase in our gross profit was mainly attributable to the net effect of (i) the aforementioned growth in our overall revenue during the respective year; (ii) the improvement in our overall gross profit margin derived from the provision of building protection works; and (iii) the slight decrease in our gross profit margin derived from the supply of building protection products.

The improvement of our overall gross profit margin from the provision of building protection works during FY2019 was the net result of: (i) an improvement in our gross profit margin derived from the provision in waterproofing works; (ii) the drop in gross profit margin derived from the flooring works; (iii) our strategy to undertake projects in residential and commercial buildings under both private and public sectors which, we consider, were with more complex and specifications where a higher margin could be charged during FY2019; (iv) an improvement in gross profit margin derived from our private community facilities projects driven by a highly profitable cemetery refurbishment project in Tsuen Wan; and (v) our strategy to undertake certain community facilities projects in the public sector to increase our project reference despite a relative lower profit margin charged.

The slight decrease in our gross profit margin from our supply of building protection products during FY2019 was mainly due to the net effect of: (i) the improvement in our gross profit margin from the sale of our own-brand building protection products as a result of both our upward price adjustment and the products supplied by our new OEM supplier from Singapore at relatively lower price; (ii) the drop in gross profit margin from third-party branded products mainly due to the increase in demand for Tremco branded tiling products with a relatively lower gross profit margin; and (iii) the increase in demand for a few relatively less profitable tiling products under the PCI brand.

FP2018 compared with FP2019

Our Group's gross profit amounted to approximately HK$32.1 million and HK$43.0 million for FP2018 and FP2019, respectively, whereas our gross profit margin was approximately 39.2% and 41.9% for the respective periods. The increase in our gross profit was mainly attributable to (i) an improvement in our gross profit margin derived from provision of waterproofing works which was mainly attributable to the higher gross profit margin we charged for a commercial building project in Taikoo; (ii) an improvement in our gross profit margin derived from provision of flooring works, which was attributable to the higher gross profit margin we charged for several commercial building projects; and (iii) the significant increase in our gross profit margin in joint sealant works, which was mainly attributable to the higher gross profit margin we charged for a hotel project in Tung Chung and a residential project at the Peak.

Our gross profit margin of our supply of building protection products remained stable in FP2018 and FP2019.

Other income

Our other income consists of bank interest income and sundry income. Our other income amounted to approximately HK$0.4 million, HK$0.3 million, HK$0.2 million, and HK$0.1 million for FY2018, FY2019, FP2018 and FP2019, respectively. Our other income remained immaterial to our Group during the Track Record Period.

Other gains and losses

Our other gains and losses consist of (i) net exchange gain/loss; (ii) gain on disposal of property and equipment; and (iii) loss arising from early termination of lease contracts. Our other gains, on a net basis, amounted to approximately HK$0.8 million, HK$0.4 million, HK$0.1 million, and other losses on a net basis of HK$0.5 million for FY2018, FY2019, FP2018 and FP2019, respectively.

For FY2018 and FY2019, the decrease was mainly attributable to a net exchange loss of approximately HK$0.5 million. Our other gains and losses remained immaterial to our Group during the Track Record Period.

For FP2018 and FP2019, the decrease was mainly attributable to the gain on disposal of property and equipment at approximately HK$0.9 million during FP2018 while no gain or loss on disposal of property and equipment was recorded during FP2019.

Impairment losses, net of reversal

Since the adoption of HKFRS 9 on 1 April 2018, our Group estimates the amount of impairment loss for ECL on trade receivables and contract assets based on the credit risk of them. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to our Group in accordance with the contract and all the cash flows that our Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise. Our impairment losses was nil, approximately HK$0.3 million, HK$0.2 million, and HK$1.6 million for FY2018, FY2019, FP2018, and FP2019, respectively. The significant increase of impairment loss during FP2019 was mainly attributable to the written-off of the trade receivables and contract assets of a debtor. Our Directors considered that the debtor is under severe financial difficulty where the debtor (i) has been delisted from the Stock Exchange; and (ii) was unable to issue its financial statements, and there is no realistic recovery of the trade receivables and contract assets thereof. Therefore, our Group recorded an impairment loss on the above trade receivable and contract assets.

Selling and distribution costs

Our selling and distribution costs mainly include transportation and delivery costs, warehouse and storage and advertising and promotion expenses. The following table sets forth the breakdown of selling and distribution costs during the Track Record Period:

	FY2018	**FY2019**	**FP2018**	**FP2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Transportation and delivery costs	4,479	5,166	2,618	1,810
Warehouse and storage	2,258	2,854	1,073	1,008
Advertising and promotion expenses	83	39	23	39
	6,820	8,059	3,714	2,857

Our selling and distribution costs amounted to approximately HK$6.8 million, HK$8.1 million, HK$3.7 million, and HK$2.9 million for FY2018, FY2019, FP2018, and FP2019, respectively. Such increase was mainly driven by the growth in transportation and delivery costs and warehouse and storage cost which was in line with the aforementioned growth in our overall revenue during FY2019.

Our selling and distribution costs decreased from HK$3.7 million for FP2018 to HK$2.9 million for FP2019. Such decrease was mainly attributable to (i) lower inventory level maintained in our warehouse which was in line with the decrease in our inventory balance as at 30 September 2019; and (ii) less air-freight charges was incurred due to improvement of our inventory management and forecast.

Administrative expenses

Our administrative expenses primarily consist of salaries and benefits (including Director's emolument), depreciation expense, repair and maintenance, rental expense, legal and professional fee, travelling and entertainment expense, insurance expense and other expenses.

The following table sets forth the breakdown of administrative expenses during the Track Record Period:

	FY2018	FY2019	FP2018	FP2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Salaries and benefits (including Director's emolument)	19,176	17,483	6,765	8,130
Depreciation	3,986	4,143	2,213	1,934
Repair and maintenance	879	1,230	794	673
Rental expense	310	302	133	152
Legal and professional fee	47	737	458	34
Travelling and entertainment expense	1,107	1,811	843	887
Insurance	405	403	375	390
Others	2,350	3,834	2,239	1,323
	28,260	29,943	13,820	13,523

Our administrative expenses amounted to approximately HK$28.3 million, HK$29.9 million, HK$13.8 million, and HK$13.5 million for FY2018, FY2019, FP2018, and FP2019, respectively. The slight increase during FY2019 was mainly attributable to the net effect of: (i) the net decrease in salaries and benefits as the results of the appointment of our new director and senior management and the resignation of Mr. Lo upon the disposal of his interest in our Group during FY2019 as detailed under section headed "History, Development and Reorganisation" of this prospectus; and (ii) an increase in legal and professional fee, travelling and entertainment expenses, repair and maintenance fee and depreciation, which were in line with the aforementioned growth in our revenue during FY2019.

The slight decrease from FP2018 to FP2019 was mainly attributable to the net effect of: (i) the net increase in salaries and benefits as the results of the appointment of our new director and senior management during the second half year of FY2019; and (ii) the net decrease in depreciation and legal and professional fee.

Listing expenses

Based on the Offer Price of HK$0.26 (being the mid-point of the Offer Price range stated in this prospectus), estimated listing expenses in connection with the Share Offer are approximately HK$36.0 million, of which approximately HK$5.1 million and HK$6.3 million have been charged to profit or loss for the FY2019 and FP2019, respectively, and approximately HK$7.8 million is expected to be charged to profit or loss for the remaining period of the financial year ending 31 March 2020 and approximately HK$16.8 million is expected to be directly attributable to issue of Shares and accounted as a deduction from equity upon the successful listing under the relevant accounting standards.

Finance costs

Our finance costs consist of interest expenses on lease liabilities. Our finance costs remained immaterial which amounted to approximately HK$0.3 million, HK$0.2 million, HK$0.1 million, and HK$0.03 million for FY2018, FY2019, FP2018, and FP2019, respectively.

Income tax expenses

Our Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operated.

Cayman Islands / BVI profits tax

The entities of our Group established in the Cayman Islands and the BVI are exempted from income tax.

Hong Kong profits tax

All our Hong Kong subsidiaries were subject to Hong Kong profits tax rate at 16.5% on the assessable profits arising in or derived from Hong Kong during FY2018. Commencing from the year of assessment 2018/19 onwards, the assessable profits of our Hong Kong subsidiaries are subject to the two-tiered profits tax rates that (i) assessable profits up to HK$2.0 million will be subject to profits tax rate at 8.25%; and (ii) the remaining assessable profits over HK$2.0 million will be subject to profits tax rate at 16.5%.

Macau complementary tax

Under Macau Complementary Tax Law, companies are divided into Group A and Group B. Group A companies are assessed based on the estimated assessable profit. Group B companies are assessed by the Macau Finance Bureau on a deemed profit basis. Macau Complementary Tax is calculated at a rate of 12% on the estimated assessable profit above MOP600,000 during the Track Record Period.

During the Track Record Period, all of our Group's revenue was derived in Hong Kong and Macau. Therefore, we are subject to Hong Kong profits tax and Macau complementary tax. Our effective tax rates were approximately 19.3%, 19.9%, 19.9%, and 23.0% for FY2018, FY2019, FP2018, and FP2019, respectively. In general, our income tax was charged based on profit before income tax to each of subsidiaries of our Group. With our adoption of HKFRS 15, our revenue from the provision of building protection works is recognised by input method with the percentage of completion of contract activity calculated by the proportion of contract costs incurred for the work performed to date bear to the estimated total contract costs. While the intra-group transactions from the supply of building protection products to our own building protection works project are eliminated, the contract costs incurred for the work performed to date within our Group will also be eliminated, thus lowering the percentage of completion of contract activity. Hence, our overall revenue and profit before income tax for the year at consolidated level will also be lower than the aggregation of revenue and profit before income tax at subsidiary level on which the tax was charged, respectively, during the same year. Further, the increase in the recognition of listing expenses is not deductible for tax purpose. As a result, our overall effective tax rate, which was essentially the aggregation of income tax expense (based on profit before income tax of each at subsidiary) divided by profit before income tax at consolidation level, appeared to be higher than the statutory tax rates during the Track Record Period.

The significant increase of our effective tax rate for FP2019 was mainly attributable to significantly lower profit before taxation for FP2019 as compared to that for FY2019 when our Group charged listing expense of approximately HK$5.1 million and HK$6.3 million for FY2019 and FP2019, respectively. However, only the profit before taxation for six months were taken into account in FP2019, thus the profit before taxation is significantly lower in FP2019 and the effective tax rate increased.

Profit for the year/period and net profit margin

Our profit for the year amounted to approximately HK$21.9 million, HK$29.0 million, HK$11.7 million, and HK$14.1 million for FY2018, FY2019, FP2018, and FP2019, respectively, representing a net profit margin of approximately 14.3%, 15.1%, 14.3%, and 13.7%, respectively. The overall growth in our profit for the year and net profit margin was mainly attributable to the aforementioned overall growth in our revenue and gross profit margin outweighing the increase in our selling and distribution costs and administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

The following table sets forth a selected summary of our consolidated statements of cash flows for the years indicated:

	FY2018	**FY2019**	**FP2018**	**FP2019**
	HK$'000	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Net cash generated from operating activities	41,198	1,501	8,765	12,917
Net cash (used in)/generated from investing activities	(4,054)	(2,146)	2,598	(292)
Net cash used in financing activities	(17,357)	(57,960)	(12,194)	(2,885)
Net increase/(decrease) in cash and cash equivalents	19,787	(58,605)	(831)	9,740
Cash and cash equivalents at beginning of the year/period	70,089	89,876	89,876	31,271
Cash and cash equivalents at end of the year/period	89,876	31,271	89,045	41,011
Operating cash flows before movements in working capital	31,184	39,715	16,074	21,763

Net cash generated from operating activities

For FY2018, our net cash generated from operating activities was approximately HK$41.2 million, while our profit before income tax was approximately HK$27.2 million. The difference of approximately HK$14.0 million was mainly attributable to the net effect of (i) the adjustments for depreciation of approximately HK$4.0 million; (ii) the increase in inventories of approximately HK$2.2 million; (iii) the decrease in trade and other receivables of approximately HK$5.6 million; (iv) the increase in contract assets of approximately HK$2.5 million; (v) the significant increase in trade and other payables of approximately HK$12.7 million; (vi) the increase in contract liabilities of approximately HK$2.0 million; and (vii) the payment of tax of approximately HK$5.6 million.

For FY2019, our net cash generated from operating activities was approximately HK$1.5 million, while our profit before income tax was approximately HK$36.2 million. The difference of approximately HK$34.7 million was mainly attributable to the net effect of (i) the adjustments for depreciation of approximately HK$4.1 million; (ii) the decrease in trade and other receivables of approximately HK$3.5 million; (iii) the significant increase in contract assets of approximately HK$29.1 million; (iv) the decrease in trade and other payables of approximately HK$10.8 million; (v) the significant increase in contract liabilities of approximately HK$4.6 million; and (vi) the payment of tax of approximately HK$6.6 million.

For FP2018, our net cash generated from operating activities was approximately HK$8.8 million, while our profit before income tax was approximately HK$14.6 million. The difference of approximately HK$5.8 million was mainly attributable to the net effect of (i) the adjustments for depreciation of approximately HK$2.2 million; (ii) the increase in inventories of approximately HK$3.7 million; (iii) the increase in trade and other receivables of approximately HK$5.8 million; (iv) the increase in contract assets of approximately HK$3.5 million; (v) the decrease in trade and other payables of approximately HK$6.0 million; (vi) the increase in contract liabilities of approximately HK$11.6 million; and (vii) the payment of tax of approximately HK$0.01 million.

For FP2019, our net cash generated from operating activities was approximately HK$12.9 million, while our profit before income tax was approximately HK$18.3 million. The difference of approximately HK$5.4 million was mainly attributable to the net effect of (i) the adjustments for depreciation of approximately HK$1.9 million; (ii) the decrease in inventories of approximately HK$3.8 million; (iii) the increase in trade and other receivables of approximately HK$1.6 million; (iv) the increase in contract assets of approximately HK$22.6 million; (v) the increase in trade and other payables of approximately HK$10.9 million; (vi) the increase in contract liabilities of approximately HK$0.7 million; and (vii) the payment of tax of approximately HK$0.04 million.

The significant drop in our cash flow generated from operating activities during FY2019 indicated the potential cash flow mismatch from the timing we made payment to our suppliers and subcontractors with the timing we received payment from our customers. Our Directors believe that we might face liquidity risk from time to time as a result of the mismatch of our operating cashflow which may happen when we cannot settle our upfront cost and working capital required in the form of our trade payables by converting our trade receivables and contract asset into cash. As discussed under paragraphs headed "Analysis of various items in the consolidated statements of financial position — Trade and other receivables — Trade receivables" and "Analysis of various items in the consolidated statements of financial position — Trade and other payable — Trade payables" of this section, while our turnover days of trade payable was approximately 52.6 days, 37.3 days, and 38.5 days for FY2018, FY2019, and FP2019, we had recorded turnover days of trade receivables of approximately 54.5 days, 34.2 days, and 28.2 days for FY2018, FY2019, and FP2019, respectively. However, based on our accounting policies, completed work which are unbilled or uncertified by our customers and retention receivables (i.e. the amounts certified by our customers but withheld to secure the due performance of the contracts for a period of generally 12 months after completion of the relevant contracts) were recognised as contract assets. The subsequent billing and settlement of these contract assets mainly depends on (i) the timing of certification of our work by our customers, which may vary in view of the different customers' certification process and approval procedures for payment certificates; as well as (ii) the credit period granted by us which was generally within 30 days after our payment application or certification of our payment application. For details, refer to paragraph headed "Analysis of various items in the consolidated statements of financial position — Contract assets and contract liabilities" of this section. As at 31 March 2018, 31 March 2019 and 30 September 2019, our contract assets amounted to approximately HK$41.6 million, HK$70.1 million and HK$91.2 million, respectively. In order to reflect the liquidity pressure of our operation, after taking into account our contract asset of approximately HK$41.6 million, HK$70.1 million and HK$91.2 million as at 31 March 2018, 31 March 2019 and 30 September 2019, respectively when calculating trade receivable turnover days, our adjusted trade receivable turnover days would then become approximately 150.2 days, 140.5 days, and 172.2 days for FY2018, FY2019, and FP2019, indicating a potential cash flow mismatch for our Group in relation to our payments to our suppliers and subcontractors with the cash collection from our customers. In line with the significant increase in our contract assets along with our business growth during the Track Record Period, our net cash generated from operating activities was approximately HK$41.2 million, HK$1.5 million and HK$12.9 million for FY2018, FY2019, and FP2019, respectively. In order to finance the increasing upfront cost and working capitals needs along with our growing projects in pipeline, our Directors had established an effective yet prudent liquidity management strategy to cater with the growing liquidity pressure, as depicted under the paragraphs headed "Business — Liquidity management strategy" of this prospectus.

Net cash generated used in investing activities

For FY2018, our net cash used in investing activities was approximately HK$4.1 million, which was mainly attributable to (i) the purchase of property and equipment in aggregate of approximately HK$6.5 million; and (ii) the proceeds from disposal of property and equipment in aggregate of approximately HK$2.3 million.

For FY2019, our net cash used in investing activities was approximately HK$2.1 million, which was mainly attributable to (i) the addition of property and equipment in aggregate of approximately HK$2.1 million; (ii) the increase of advances to a director of approximately HK$5.2 million; (iii) the receipt of repayment from a director of approximately HK$1.2 million; (iv) the proceeds from disposal of property and equipment in aggregate of approximately HK$4.4 million; (v) the increase of pledged bank deposit of approximately HK$0.8 million; and (vi) the receipt of interest of approximately HK$0.2 million.

For FP2018, our net cash generated from investing activities was approximately HK$2.6 million, which was mainly attributable to (i) the addition of property and equipment in aggregate of approximately HK$1.2 million; (ii) the increase of advances to a director of approximately HK$0.3 million; (iii) the proceeds from disposal of property and equipment in aggregate of approximately HK$4.0 million; and (iv) the receipt of interest of approximately HK$0.1 million.

For FP2019, our net cash used in investing activities was approximately HK$0.3 million, which was mainly attributable to (i) the addition of property and equipment in aggregate of approximately HK$0.3 million; and (ii) the receipt of interest of approximately HK$0.03 million.

Net cash used in financing activities

For FY2018, our net cash used in financing activities was approximately HK$17.4 million, which was mainly attributable to (i) the payment of lease liabilities of approximately HK$2.9 million; (ii) the increase of advances from a director of approximately HK$2.5 million; and (iii) the repayment to a director of approximately HK$16.7 million.

For FY2019, our net cash used in financing activities was approximately HK$58.0 million, which was mainly attributable to (i) the payment of lease liabilities of approximately HK$2.9 million; (ii) the repayment to a director of approximately HK$10.3 million; and (iii) payment of dividend of approximately HK$43.7 million to Mr. Lam which was mainly used as the cash consideration for the 50% issued share capital of Profit Partner. Please refer to the section headed "History, Development and Reorganisation" for more details.

For FP2018, our net cash used in financing activities was approximately HK$12.2 million, which was mainly attributable to (i) the payment of lease liabilities of approximately HK$1.8 million; and (ii) the repayment to a director of approximately HK$10.3 million.

For FP2019, our net cash used in financing activities was approximately HK$2.9 million, which was mainly attributable to (i) the payment of lease liabilities of approximately HK$1.0 million; and (ii) the payment of issue costs of approximately HK$1.8 million.

NET CURRENT ASSETS

The following table sets forth the current assets and current liabilities as of the dates indicated:

	As at 31 March		As at 30 September	As at 31 January
	2018	2019	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)
Current assets				
Inventories	12,635	12,446	8,609	4,553
Trade and other receivables	22,396	18,592	21,633	27,757
Contract assets	41,603	70,116	91,177	100,211
Pledged bank deposit	—	800	806	806
Bank balances and cash	89,876	31,271	41,011	48,905
	166,510	133,225	163,236	182,232
Current liabilities				
Trade and other payables	27,188	15,460	25,697	35,782
Contract liabilities	6,209	10,763	11,453	10,139
Amount due to a director	10,255	—	—	—
Lease liabilities	1,412	1,903	1,286	676
Taxation payables	7,621	8,287	12,491	13,789
	52,685	36,413	50,927	60,386
Net current assets	113,825	96,812	112,309	121,846

Our net current assets decreased by approximately HK$17.0 million from approximately HK$113.8 million as at 31 March 2018 to approximately HK$96.8 million as at 31 March 2019, which was mainly attributable to the net effect of (i) the net profit for FY2019 of approximately HK$29.0 million; and (ii) payment of dividend of approximately HK$47.6 million to Mr. Lam.

Our net current assets increased by approximately HK$15.5 million from approximately HK$96.8 million as at 31 March 2019 to approximately HK$112.3 million as at 30 September 2019, which was mainly attributed to the net profit for FP2019 of approximately HK$14.1 million.

Our net current assets increased by approximately HK$3.9 million from approximately HK$112.3 million as at 30 September 2019 to approximately HK$121.8 million as at 31 January 2020, which was mainly attributed to the net profit recorded during the period from 1 October 2019 to 31 January 2020.

ANALYSIS OF VARIOUS ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property and equipment

During the Track Record Period, our property and equipment mainly consisted of leasehold improvements, furniture and office equipment, machinery and equipment and motor vehicles. Our property and equipment amounted to approximately HK$7.0 million, HK$5.9 million, and HK$5.4 million as at 31 March 2018, 31 March 2019, and 30 September 2019, respectively. The decrease in our property and equipment was mainly due to the depreciation for FY2019 and FP2019.

Right-of-use assets

During the Track Record Period, the right-of-use assets mainly represented our Group's offices, printing machines and motor vehicles which are subject to lease terms ranged from two to five years. Our right-of-use asset amounted to approximately HK$4.3 million, HK$2.4 million, and HK$1.7 million for 31 March 2018, 31 March 2019, and 30 September 2019, which was mainly due to the amortization for FY2019 and FP2019.

Inventories

During the Track Record Period, our inventories mainly included building protection products and other building protection materials which were sourced from our suppliers and stored at our warehouse and third party warehousing facilities. Our inventories amounted to approximately HK$12.6 million, HK$12.4 million, and HK$8.6 million as at 31 March 2018, 31 March 2019, and 30 September 2019, respectively. The decrease in our inventories during FP2019 was mainly attributable to (i) the timely delivery of our inventories to our customer as at 30 September 2019; and (ii) the improvement of our inventory management and forecast which led to the decrease in our slow-moving and obsolete inventories aged over 180 days.

The following table sets forth our inventory aging analysis during the Track Record Period:

	As at 31 March		As at 30 September
	2018	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	244	1,248	3,029
Between 31 and 90 days	2,943	5,401	1,978
Between 91 and 180 days	4,126	2,833	2,056
Between 181 and 365 days	4,376	2,289	665
Over 365 days	946	675	881
	12,635	12,446	8,609

Our management regularly monitors the inventory level in our warehouses, tracks inventory movement and sales progress, and adjusts the level of inventories accordingly. Our allowance for slow-moving and obsolete inventories is made against when the net realisable value of aforesaid inventories falls below their respective costs. Where the actual outcome in the future is different from the original estimate, such difference will impact the carrying value of inventories and the allowance charge / write-back in the period in which such estimate has been changed.

The following table sets forth our average turnover days of inventories during the Track Record Period:

	FY2018	FY2019	FP2019
Inventory turnover days (*Note*)	65.7	59.6	48.5

Note: The inventory turnover days for a year/period is the average inventory balance divided by cost of materials for that year/period and multiplied by 365 days/183 days for respective years/period.

The inventory turnover days decreased from 65.7 days for FY2018 to 59.6 days for FY2019, and further decreased to 48.5 days for FP2019. The improvement was mainly attributable to our efforts in improving inventory management during the Track Record Period.

As of 31 January 2020, approximately 90.0% of our inventories as of 30 September 2019 has been subsequently utilised.

Trade and other receivables

Trade receivables

During the Track Record Period, our trade receivables mainly consisted of receivables from our Group's customers for our provision of building protection works and supply of building protection products.

The following table sets forth the breakdown of our trade receivables by type of service as of the dates indicated:

	As at 31 March		As at 30 September
	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables by type of service:			
Provision of building protection works	11,232	7,718	5,906
Supply of building protection products	9,759	7,423	10,868
	20,991	15,141	16,774
Less: Allowance for impairment	—	(212)	(179)
	20,991	14,929	16,595

Our trade receivables from provision of building protection works amounted to approximately HK$11.2 million, HK$7.7 million and HK$5.9 million as at 31 March 2018, 31 March 2019 and 30 September 2019, respectively. Our trade receivables from supply of building protection products amounted to approximately HK$9.8 million, HK$7.4 million and HK$10.9 million as at 31 March 2018, 31 March 2019 and 30 September 2019, respectively. The overall decrease in our trade receivables during FY2019 was mainly attributable to our management efforts to improve the collection of trade receivables for FY2019 which was in line with the overall improvement in our trade receivable turnover days.

The overall increase in our trade receivables during FP2019 was mainly attributable to the net effect of (i) the decrease of trade receivables from our provision of building protection works; and (ii) the increase of trade receivables from our supply of building protection products due to the significant sale to one of our five largest customers in September 2019 which were yet to settle.

Our Group's trading terms with customers are mainly on credit. The credit period for the customers of provision of building protection works generally ranges from 14 to 30 days, while that for the customers of supply of building protection products generally ranges from 15 to 30 days. Our Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by our senior management. Our Group does not hold any collateral or other credit enhancements over its trade receivables balance. All trade receivables are non-interest-bearing.

The following table sets forth our aging analysis of trade receivables net of allowance for impairment based on dates of work certified or dates of invoices:

	As at 31 March		**As at 30 September**
	2018	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	12,891	7,354	10,731
Between 31 and 90 days	4,275	2,626	2,043
Between 91 and 180 days	796	279	974
Between 181 and 365 days	1,487	1,376	170
Over 1 year	1,542	3,294	2,677
	20,991	14,929	16,595

The following table sets forth our aging analysis of trade receivables net of allowance based on due dates during the Track Record Period:

	As at 31 March		As at 30 September
	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*
Not yet past due	10,526	6,430	8,334
0 - 30 days	5,273	3,087	4,404
31 - 90 days	1,481	446	83
91 - 180 days	701	154	875
181 - 365 days	1,468	1,498	242
Over 365 days	1,542	3,314	2,657
	20,991	14,929	16,595

Since the adoption of HKFRS 9 on 1 April 2018, our Group has applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9 as disclosed in note 21 of the Accountant's Report set out in Appendix I to this prospectus, which permits the use of the lifetime expected loss provision for trade receivables and contract assets. In order to minimise credit risk, our Group makes periodic collective assessment on the recoverability of trade receivables and contract assets and develops and maintains our Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the management uses other publicly available financial information and our Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

In determining the ECL for trade receivables and contract assets, the management of the Group has taken into account the historical default experience and the future prospect of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, as well as any cash flows that are expected from the realisation of the collateral, in estimating the probability of default of each of the trade receivables and contract assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

The following table provides information about the exposure to credit risk and ECL for trade receivables and contract assets which are assessed collectively based on internal credit grading as at 30 September 2019.

Internal credit rating	Average loss rate	Gross carrying amount	Impairment losses
		HK$'000	*HK$'000*
Strong	0.10%	65,569	67
Good	0.50%	27,075	135
Satisfactory	2.15%	12,631	272
Watch list	6.28%	3,171	200
		108,446	674

Our management assessed the ECL on trade receivables and contract assets collectively using a provision matrix based on appropriate groupings on shared credit risk characteristics of customers. Included in our trade receivables, approximately HK$2.7 million as at 30 September 2019 was due over 1 year mainly from two main contractors who engaged us for the provision of building protection works, which we have completed in March and April 2017, respectively. Our Group was informed by the said main contractors that they were still finalising the final accounts with the employers of their respective projects, which was not unusual to take more than 1 year for the progress of review and negotiation on an item-by-item basis before the final accounts were finalised. To the best knowledge of our Directors, extended time was required before the final accounts could be finalised mainly due to long duration of the internal procedure and the negotiation on an item-by-item basis between the said main contractors and their respective employers, in which we were not involved. The outstanding payment will be settled once the final accounts are finalised. As confirmed by our Directors, we did not encounter any disputes with the main contractors with regard to the payment request.

Given that (i) the said main contractors are recurring customers of our Group; (ii) the said main contractors did not have any failure to issue the final accounts for our other projects during the Track Record Period; (iii) the said main contractors are listed companies on the Main Board of the Stock Exchange and have continuously engaged us for other projects; (iv) one of the said main contractors indicated to us that they have been receiving payments for some other works done for this project, while they have been continuing the negotiation of the final accounts with the employer of this project. Some items are pending to be finalised, including some minor items that we were engaged under a variation order for improvement work, and (v) another of the said main contractor indicated to us that more time was required by their respective employer, which is a government body, for the documentation of data and information before finalising the final account, our Directors consider the abovementioned trade receivables to be recoverable. Owing to the limitation to communicate with the employers of the said two main contractors in their respective projects and based on our communication with both of the main contractors, we are (a) unable to estimate the accurate date of issuing the final accounts by the two recurring main contractors; and (b) not informed of the specific reasons behind the incidents.

Our Directors are in the progress of demanding the two aforementioned recurring main contractors for settlement with follow-up actions including active communications with their responsible personnel for processing payments.

Out of our trade receivables overdue over 1 year of approximately HK$2.7 million as at 30 September 2019, approximately HK$0.2 million, or 7.4% of our trade receivables, was subsequently settled as at the Latest Practicable Date.

Based on our assessment, the loss allowances for trade receivables amounted to nil and approximately HK$78,000 for FY2018 and FY2019, respectively. The impairment loss reversed for trade receivables amounted to approximately HK$33,000 for FP2019.

In determining the recoverability of trade receivables, we maintain sound control over our outstanding trade receivables from time to time and our senior management review overdue balances regularly during the Track Record Period. Based on the amounts we have been able to recover historically and our management's assessment of the credit quality of our customers, we believe that our management has made sufficient provisions for impairment of trade receivables during the Track Record Period.

Out of our trade receivables of approximately HK$16.6 million as at 30 September 2019, approximately HK$13.7 million, or approximately 82.5% of our trade receivables, was subsequently settled as at 31 January 2020.

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

	FY2018	FY2019	FP2019
Trade receivables turnover days (*Note*)	54.5	34.2	28.2

Note: The trade receivables turnover days for a year/period is the average trade receivables net of allowance for impairment as of the relevant days divided by revenue for that year/period and multiplied by 365 days/183 days for respective years/period.

The following table sets forth our average turnover days of trade receivables by type of service during the Track Record Period:

	FY2018	FY2019	FP2019
Trade receivables turnover days (*Note*):			
Provision of building protection works	62.1	32.3	19.5
Supply of building protection products	47.1	36.6	42.0

Note: The turnover days of trade receivables by type of services for a year/period is the average trade receivables net of allowance for impairment as of the relevant days divided by type of revenue for that year/period and multiplied by 365 days/183 days for respective years/period.

Our overall trade receivables turnover days were 54.5 days, to 34.2 days, and 28.2 days for FY2018, FY2019, and FP2019, respectively.

Our turnover days of trade receivables derived from provision of building protection works and supply of building protection products were 62.1 days and 47.1 days for FY2018, 32.3 days and 36.6 days for FY2019, and 19.5 days and 42.0 days for FP2019, respectively. The overall improvement was mainly attributable to our management efforts to improve the collection of trade receivables during the Track Record Period.

Our turnover days of trade receivables and contract assets decreased from 150.2 days for FY2018 to 140.5 days for FY2019, which was mainly attributable to the overall improvement of trade receivable turnover days as depicted in the above paragraph.

Our turnover days of trade receivables and contract assets increased from 140.5 days for FY2019 to 172.2 days for FP2019, which was mainly attributable to the increase of substantial building protection works provided but yet to be certified by our customers during FP2019.

Other receivables, deposits and prepayments

During the Track Record Period, our other receivables, deposits and prepayments mainly consist of rental deposits, prepaid listing expenses and deferred issue costs. The other receivables, deposits and prepayments amounted to approximately HK$1.6 million, HK$3.9 million and HK$5.0 million as at 31 March 2018, 31 March 2019 and 30 September 2019, respectively. As at 31 March 2019, the increase was mainly attributable to the increase in prepaid listing expenses of approximately HK$1.3 million and deferred issue costs of approximately HK$1.4 million.

As at 30 September 2019, the increase was mainly attributable to the increase in deferred issue costs of approximately HK$1.5 million.

Contract assets and contract liabilities

During the Track Record Period, our contract assets, which are generated from the building protection works, arise when (i) our Group completed the relevant services under such contracts but not yet certified by the customers; or (ii) the customers withhold certain certified amounts payable to our Group as retention money to secure the due performance of the contracts. Any amount previously recognized as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customer.

During the Track Record Period, our contract liabilities mainly represented the advance payments from customers for unsatisfied performance obligations and are recognised as revenue when our Group performs our obligations under the contracts which are expected to be satisfied within one year.

The changes in our contract assets and liabilities are due to (i) changes in the progress of building protection works when our Group has satisfied the performance obligations under the contracts, or (ii) reclassification to trade receivables when our Group has unconditional right to the consideration.

The following table set forth our contract assets and contract liabilities as at 31 March 2018, 31 March 2019, and 30 September 2019:

	As at 31 March		As at 30 September
	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*
Analysed for reporting purposes, on a net basis for each respective contract:			
Contract assets	41,603	70,116	91,177
Contract liabilities	(6,209)	(10,763)	(11,453)
	35,394	59,353	79,724

The following table sets forth our contract assets, on a net basis, as at the dates indicated:

	As at 31 March		As at 30 September
	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*
Services completed but not yet certified by customers	31,133	56,448	75,484
Retention receivables	10,470	13,668	15,693
Contract assets	41,603	70,116	91,177

Retention receivables represent the money retained by our customers to secure the due performance of the contracts. The customers normally withhold 10% of the certified amount payable to our Group as retention money (accumulated up to maximum 5% of contract sum), 50% of which is normally recoverable upon completion of respective project and the remaining 50% is recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 year to 2 years from the date of completion of respective projects. The amount is unsecured and interest-free.

The following table sets forth the contract assets of our on-going projects with an original contract sum exceeding HK$5.0 million, on a net basis, during the Track Record Period:

Particulars and location	Type of development	Type of service provided	As at 31 March 2018	As at 31 March 2019	As at 30 September 2019	Note
			HK$'000	*HK$'000*	*HK$'000*	
Property development at Tsuen Wan	Residential building	Waterproofing works	1,159	2,370	2,409	*(2)*
Museum development project at West Kowloon Cultural District	Community facility	Waterproofing works	914	1,806	1,757	*(2)*
Hotel development at Sai Kung, Hong Kong	Commercial building	Waterproofing works	2,932	2,544	3,226	*(4)*
Proposed composite development at Ma Tau Kok, Kowloon	Residential. building	Waterproofing works	328	321	321	
Residential development at Kai Tak, Kowloon	Residential. building	Waterproofing works	2,559	1,946	1,933	
Construction of medical centre at Kai Tak, Kowloon	Community facility	Waterproofing works	3,466	3,579	3,575	
Development of a hotel at a waterpark in Hong Kong	Commercial building	Waterproofing works	984	683	—	*(5)*
Office development at Wong Chuk Hang, Hong Kong	Commercial building	Waterproofing works	1,727	861	862	*(1)*
Residential development at Shatin, New Territories .	Residential building	Waterproofing works	35	231	336	
Construction of sports centre, community hall and football pitches at Tai Po, New Territories .	Community facility	Waterproofing works	582	3,696	4,305	*(2)*
Development of a medical centre at Shau Kei Wan, Hong Kong	Community facility	Waterproofing works	914	1,533	2,270	
Proposed science park expansion at Pak Shek Kok, New Territories . .	Commercial building	Waterproofing works	495	374	1,123	*(4)*
Residential redevelopment at Mid-levels, Hong Kong	Residential building	Waterproofing works	1,342	4,786	4,808	*(2)*
Proposed hotel development at Tung Chung, New Territories .	Commercial building	Waterproofing works	696	6,270	7,785	*(2)*
Proposed residential redevelopment at the Peak, Hong Kong.	Residential building	Waterproofing works	572	1,924	2,736	*(2)*

Particulars and location	Type of development	Type of service provided	As at 31 March 2018	As at 31 March 2019	As at 30 September 2019	Note
			HK$'000	*HK$'000*	*HK$'000*	
Proposed public rental housing development at Diamond Hill, Kowloon.	Residential building	Waterproofing works	—	—	542	
Proposed construction of residential development at Tseung Kwan O, New Territories	Residential building	Waterproofing works	55	364	1,714	*(4)*
Commercial development at Tung Chung, New Territories	Commercial building	Waterproofing works	4,713	3,843	3,842	
Public housing development at Tung Chung, New Territories .	Residential building	Waterproofing works	371	334	—	*(5)*
Development of science park at Tseung Kwan O, New Territories	Commercial building	Waterproofing works	—	2,053	4,618	*(2)*
Public housing development at Fanling, New Territories	Residential building	Waterproofing works	—	89	223	
Proposed construction of cultural centre at Kowloon Bay, Kowloon.	Community facility	Waterproofing works	—	146	2,455	*(4)*
Proposed development of data center at Kwai Chung, New Territories .	Commercial building	Waterproofing works	—	699	3,389	*(4)*
Proposed residential development at Shouson Hill, Hong Kong	Residential building	Waterproofing works	—	2,673	6,983	*(2)*
Proposed development of hospital of Aberdeen, Hong Kong	Community facility	Waterproofing works	1,225	1,225	—	*(3)*
Proposed commercial development at Taikoo, Hong Kong	Commercial building	Waterproofing works	—	—	2,719	*(4)*
Public housing development at Tuen Mun, New Territories . .	Residential building	Waterproofing works	—	—	13	
Public housing development at Sham Shui Po, Kowloon	Residential building	Waterproofing works	—	—	—	
Proposed redevelopment of a commercial building at Kowloon Bay, Kowloon	Commercial building	Waterproofing works	—	—	—	

Note:

(1) The significant decrease of our contract assets between 31 March 2018 and 31 March 2019 was due to the building protection works we provided in FY2018 being certified by the main contractor in FY2019.

(2) The significant increase of our contract assets between 31 March 2018 and 31 March 2019 was due to the substantial building protection works done in FY2019 yet to be certified by the main contractor in the said period.

(3) Our contract assets remained stable as of 31 March 2018 and 31 March 2019 since the main contractor was finalising the final accounts during the said period. As at the Latest Practicable Date, the final accounts were finalised, and the relevant contract assets have all been billed.

(4) The significant increase of our contract assets between 31 March 2019 and 30 September 2019 was due to the substantial building protection works done in FP2019 yet to be certified by the main contractor in the said period.

(5) The significant decrease of our contract assets during FP2019 was due to the written-off of the contract assets of a debtor. Our Directors considered that the debtor is under severe financial difficulty where the debtor (i) has been delisted from the Stock Exchange; and (ii) was unable to issue its financial statements, and there is no realistic recovery of the contract assets thereof. Therefore, our Group recorded an impairment loss on the above contract assets.

Our contract assets for services completed but yet to be certified by our customers amounted to approximately HK$31.1 million, HK$56.4 million, and HK$75.5 million as at 31 March 2018, 31 March 2019, and 30 September 2019, respectively. In line with the growth in our revenue, our Group provided substantial building protection works for a number of projects in FY2019 with our building protection works provided but yet to be certified and paid by our customers, which included: (a) six residential building projects in Tsuen Wan, Tuen Mun, Fanling, and Hong Kong Island; (b) a sport complex project in Tai Po; and (c) three commercial building projects in Tung Chung and Tseung Kwan O. In FP2019, our Group provided substantial building protection works for a number of projects with our building protection works provided but yet to be certified and paid by our customers, including (i) a commercial building project at Taikoo; (ii) a sport complex project in Tai Po; and (iii) two commercial building projects in Tung Chung and Tseung Kwan O.

During the Track Record Period, no revenue generated from building protection works has been reversed subsequent to customer certifications.

The following table sets forth the aging analysis of our contract assets (except retention receivables), on a net basis, as at the dates indicated:

	As at 31 March		As at 30 September
	2018	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	10,750	19,430	16,521
Between 31 and 90 days	5,196	7,925	12,177
Between 91 and 180 days	4,001	12,056	12,503
Between 181 and 365 days	5,576	11,815	20,652
Over 365 days	5,610	5,222	13,631
Total	31,133	56,448	75,484

Our Group's contract assets which were aged over 180 days increased from approximately HK$11.2 million as at 31 March 2018 to approximately HK$17.0 million as at 31 March 2019, which was mainly attributable to the fact that the interim payment applications of the following building protection projects were still under review by the main contractors as at 31 March 2019, including (i) the residential redevelopment project at Tsuen Wan; (ii) a sport complex project in Tai Po; (iii) a hotel project in Sai Kung; and (iv) a commercial project in Tseung Kwan O.

Our Group's contract assets which were aged over 180 days increased from approximately HK$17.0 million as at 31 March 2019 to approximately HK$34.3 million as at 30 September 2019, which was mainly attributable to the fact that the final accounts or the interim payment applications of the following building protection projects were still under review by the main contractors as at 30 September 2019, including (i) the residential development projects in Tsuen Wan and Kai Tak; (ii) the residential redevelopment project at Mid-levels; (iii) the commercial development project in Tung Chung; and (iv) the hotel project in Tung Chung.

Our Directors are of the view that the timing of certification of the completed work by its customers varies from different projects and different customers based on their own certification process and approval procedures. To the best knowledge, information, and belief of our Directors, it would take longer time for our customers to certify our building protection works when (i) our Group has provided substantial amount of building protection works upon the submission of interim payment application; or (ii) before our customers issue the final accounts for our building protection works upon the practical completion of the projects (i.e. upon the time when the entire project is completed and the building is reasonable fit for occupation).

The following table sets forth our retention receivables (net of loss allowance), which will be settled, based on the expiry of the defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, at the end of each reporting period:

	As at 31 March		**As at 30 September**
	2018	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	3,909	3,466	6,655
After one year	6,561	10,202	9,038
	10,470	13,668	15,693

Our retention receivables amounted to approximately HK$10.5 million (with no loss allowance), HK$13.7 million (net of loss allowance of approximately HK$174,000), and HK$15.7 million (net of loss allowance of approximately HK$126,000) as at 31 March 2018, 31 March 2019 and 30 September 2019, respectively. We had also recorded an increase in our retention receivable accordingly. The significant increase in our contract assets indicated significant amount of unbilled revenue receivable as our upfront cost and working capitals incurred, which was in line with the growth in our overall revenue from the provision of building protection works. For the impact of our growing contract asset, please refer to paragraph headed "Financial Information — Liquidity and capital resources — Net cash generated from operation activities" of this prospectus.

There were no impairment losses recognised on any contract assets for the year ended 31 March 2018.

The following table sets forth the subsequent billing and settlement of our contract assets for services completed but not yet certified by customers up to 31 January 2020:

	As at 30 September 2019	**Subsequent billing up to 31 January 2020**		**Subsequent settlement of billed services up to 31 January 2020**	
	HK$'000	*HK$'000*	*%*	*HK$'000*	*%*
Services completed but not yet certified by customers.	75,484	23,633	31.3	23,064	97.6

Out of our contract assets (except retention receivables) of approximately HK$75.5 million as at 30 September 2019, approximately HK$23.6 million, or 31.3%, were subsequently billed as at 31 January 2020. Out of our billed contract assets (except retention receivables) of approximately HK$23.6 million thereof, approximately HK$23.1 million, or approximately 97.6%, were subsequently settled as at 31 January 2020. The low subsequent billing of our contract assets (except retention receivables) was mainly attributable to the fact that the final accounts or interim applications were still under review by the main contractors and our building protection works were yet to be certified in certain projects, including (a) the construction of a medical centre at Kai Tak, Kowloon; (b) the residential redevelopment project at Mid-levels; (c) the commercial development project in Tung Chung; (d) the development of a medical centre at Shau Kei Wan; and (e) a sport complex project in Tai Po. Nevertheless, to the best knowledge and information of our Directors based on the communications with the relevant main contractors, they are not aware of any matters arising from the part of our Group that would hinder the certification by the relevant main contractors of our work done reported in the final account or interim applications of these projects.

Out of our retention receivables of approximately HK$15.7 million as at 30 September 2019, approximately HK$0.9 million, or 6.0%,were subsequently settled as at 31 January 2020.

Our contract liabilities amounted to approximately HK$6.2 million and HK$10.8 million as at 31 March 2018 and 31 March 2019, respectively. The increase was mainly attributable to an advance payment of HK$3.7 million from a waterproofing work project during FY2019.

Our contract liabilities increased from approximately HK$10.8 million as at 31 March 2019 to approximately HK$11.5 million as at 30 September 2019. The increase was mainly attributable to increase in the deposit received from a commercial building project in Pak Shek Kok.

The amount of contract assets represents the amount of uncertified and unbilled completed building protection works from us. The total amount of contract assets and trade receivables reflects the capital pressure we are facing from time to time.

The following table sets forth our average turnover days of the adjusted trade receivable (including trade receivables and contract assets) during the Track Record Period:

	FY2018	**FY2019**	**FP2019**
Adjusted trade receivable turnover days *(Note)*	150.2	140.5	172.2

Note: The adjusted trade receivable turnover days for a year/period is the average sum of trade receivables and contract assets (net of allowance for impairment) as of the relevant days divided by revenue for that year/period and multiplied by 365 days/183 days for respective years/period.

In order to better reflect the liquidity pressure in our operation, after taking into account our contract asset in the calculation of trade receivable turnover days, our adjusted trade receivable turnover days would then become 150.2 days, 140.5 days and 172.2 days for FY2018, FY2019 and FP2019, respectively, indicating a potential cash flow mismatch for our Group in relation to our payments to our suppliers and subcontractors and cash collection from our customers.

The following table sets forth our average turnover days of adjusted trade receivables by type of service during the Track Record Period:

	FY2018	**FY2019**	**FP2019**
Adjusted trade receivable turnover days *(Note 1)*			
Provision of building protection works *(Note 2)*	255.1	224.0	253.6
Supply of building protection products	47.1	36.6	42.0

Note 1: The adjusted trade receivable turnover days for a year/period is the average trade receivables and contract assets (net of allowance for impairment) as of the relevant days divided by revenue for that year/period and multiplied by 365 days/183 days for respective years/period.

Note 2: All contract assets are generated from provision of building protection works during the Track Record Period.

During the Track Record Period, our Group had recorded a relatively long adjusted trade receivable turnover days for the provision of building protection works which was approximately 255.1 days, 224.0 days, and 253.6 days for FY2018, FY2019, and FP2019, respectively.

As compared to our trade receivable turnover days explained above, our long adjusted trade receivable turnover days of provision of building protection works was mainly driven by the increasing amount of our contract assets. Our Directors believed that such long adjusted trade receivable days for the provision of building protection works was due to the nature of construction business where a lengthy processing time in client certification is often required upon receiving our interim and final payment application from time to time. According to the Frost and Sullivan Report, the procedures of client certification vary between different main contractors, and the length of time the certification would take is generally subject to a number of factors including size, type, level of complexities of a project, and the reporting line among main contractors and developers, etc. During the Track Record Period, our Group provided an increasing amount of building protection works for different projects, resulting in an increase of contract assets, which were yet to be certified by our customers as at each year/period-end date as explained above. Such prolonged processing time had eventually resulted in a potential cash flow mismatch for our Group in relation to our payments to our suppliers and subcontractors and cash collection from our customers. For detailed analysis of our net cash used in operating activities, please refer to the paragraph headed "Financial Information — Liquidity and capital resources — Net cash generated from operating activities" in this prospectus.

Amount due to a director

During the Track Record Period, our amount due to a director represented the amount due to Mr. Lam of approximately HK$10.3 million, nil, and nil as at 31 March 2018, 31 March 2019 and 30 September 2019, respectively. The amounts were non-trade in nature, unsecured, interest-free and fully repaid in FY2019.

Trade and other payable

Trade payables

During the Track Record Period, our trade payables mainly represented amounts payable to our subcontractors for subcontracting costs and to our suppliers for the purchase of building protection products. Our trade payables are unsecured and non-interest-bearing.

The following table sets forth the breakdown of our trade payables by type of service as of the dates indicated:

	As at 31 March		As at 30 September
	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*
Trade payables by type of service:			
Provision of building protection works	6,605	6,265	6,139
Supply of building protection products	8,450	1,675	10,942
	15,055	7,940	17,081

Our trade payables amounted to approximately HK$15.1 million, HK$7.9 million and HK$17.1 million as at 31 March 2018, 31 March 2019 and 30 September 2019, respectively. The decrease in our trade payable as at 31 March 2019 was mainly attributable to our timely settlement with major suppliers of building protection products up to reporting date.

The increase in our trade payable as at 30 September 2019 was mainly attributable to a significant amount of purchase orders made to one of our five largest suppliers near the reporting period end date of FP2019 which was yet to be settled.

The following table sets forth our aging analysis of the trade payables based on the invoice date as of the dates indicated:

	As at 31 March		As at 30 September
	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	7,335	4,375	12,210
Between 31 and 90 days	4,943	463	1,992
Over 90 days	2,777	3,102	2,879
	15,055	7,940	17,081

Out of our trade payables of approximately HK$17.1 million as at 30 September 2019, approximately HK$12.8 million, or approximately 74.9%, was subsequently settled as at 31 January 2020.

The following table sets forth our average turnover days of trade payables during the Track Record Period:

	FY2018	FY2019	FP2019
Trade payables turnover days (*Note*)	52.6	37.3	38.5

Note: The trade payables turnover days for a year/period is the average trade payables as of the relevant days divided by cost of sales and services for that year/period and multiplied by 365 days/183 days for respective years/period.

Our trade payables turnover days decreased from 52.6 days for FY2018 to 37.3 days for FY2019. The decrease in our trade payables turnover days was mainly due to the timely settlement with our major suppliers of building protection products up to the reporting date. For FY2019 and FP2019, our trade payable turnover days slightly increased to 38.5 days for FP2019 as a result of the aforementioned purchases yet to be settled.

Other payables and accruals

Retention payable

	As at 31 March		As at 30 September
	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*
Retention payables	2,618	2,996	3,746

Our retention payables represented the progress payments we withheld from our subcontractors with respect to their building protection works performed. Retention payable is recognized immediately after we deduct a portion of progress payment from the subcontractors from the progress payment. We generally withhold 5% of each payment to our subcontractors as retention money. 50% of retention payables will be released to our subcontractors after the issue of the certificate of final accounts and the remaining balance will be released upon the expiration of defects liability period. Our retention payables amounted to approximately HK$2.6 million, HK$3.0 million, and HK$3.7 million as at 31 March 2018, 31 March 2019, and 30 September 2019, respectively. The increase was in line with growth in our business.

Out of our retention payables of approximately HK$3.7 million as at 30 September 2019, approximately HK$0.2 million, or approximately 5.1% of our retention payables, was subsequently settled as at 31 January 2020.

Other payables and accruals

The following table sets forth the breakdown of other payables and accruals as of the dates indicated:

	As at 31 March		**As at 30 September**
	2018	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Accrued expenses	3,283	1,141	1,265
Accrued staff costs	6,232	1,268	2,540
Accrued listing expenses and issue costs	—	2,115	1,065
	9,515	4,524	4,870

During the Track Record Period, our other payables and accruals mainly consist of (i) accrued staff costs; (ii) accrued expenses; and (iii) accrued listing expenses and issue costs.

Our other payables and accruals amounted to approximately HK$9.5 million, HK$4.5 million and HK$4.9 million as at 31 March 2018, 31 March 2019 and 30 September 2019, respectively. The decrease in our other payables and accruals as at 31 March 2019 was mainly attributable to net effect of: (i) the recognition of listing expense yet to settle; and (ii) the settlement of accrued staff costs during FY2019.

The increase in our other payable and accruals as at 30 September 2019 was mainly attributable to the net effect of: (i) increase in accrued staff costs for our senior management; and (ii) the settlement of accrued listing expenses and issue costs.

Lease liabilities

Our Group leased properties for its offices, director's quarter, warehouse, motor vehicles and printing machines. The lease terms range from 2 to 5 years. Interest rates underlying these leases are fixed at contract date ranging from 0.5% to 4.9% per annum. These leases have no terms of renewal clauses. Purchase options are included in certain lease agreements entered by our Group in respect of motor vehicles. No arrangements have been entered into for contingent rental payments on these leases.

The following table sets forth the details of future minimum lease payments of lease liabilities and their present values for the years/period ended / as at 31 March 2018, 31 March 2019, and 30 September 2019:

	As at 31 March		As at 30 September
	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*
Analysed as:			
Non-current	1,238	504	398
Current	1,412	1,903	1,286
	2,650	2,407	1,684
Minimum lease payments due:			
Within one year	1,582	1,945	1,312
More than one year but not later than two years	969	303	251
More than two years but not later than five years	306	204	153
	2,857	2,452	1,716
Less: Future finance charges	(207)	(45)	(32)
Present value of lease liabilities	2,650	2,407	1,684
Maturity analysis:			
Within one year	1,412	1,903	1,286
More than one year but not later than two years	935	301	246
More than two years but not later than five years	303	203	152
	2,650	2,407	1,684

SELECTED KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at the year/period end date/for the respective year/period indicated:

	Note	As at / For the year ended 31 March		As at/For six months ended 30 September
		2018	2019	2019
Current ratio	1	3.2 times	3.7 times	3.2 times
Quick ratio	2	2.9 times	3.3 times	3.0 times
Gearing ratio	3	2.2%	2.3%	1.4%
Debt to equity ratio	4	N/A	N/A	N/A
Interest coverage	5	96.7 times	215.3 times	590.5 times
Return on total assets	6	12.3%	20.5%	8.3%
Return on equity	7	17.8%	27.9%	11.9%
Net profit margin	8	14.3%	15.1%	13.7%

Notes:

1. Current ratio is calculated based on total current assets divided by total current liabilities as of the end of the respective year/period.
2. Quick ratio is calculated based on total current assets less inventories (if any) in current assets, divided by total current liabilities as of the end of the respective year/period.
3. Gearing ratio is calculated based on the total debt (lease liabilities) divided by the total equity as at the respective year/period end and multiplied by 100%.
4. Debt to equity ratio is calculated by the net debt (lease liabilities) net of cash and cash equivalents divided by the total equity as at the respective year/period end and multiplied by 100%.
5. Interest coverage is calculated by the profit before interest and income tax divided by the interest (or preferable share dividend) for the respective year/period.
6. Return on total asset is calculated by the profit for the year/period divided by the total assets as at the respective year/period end and multiplied by 100%.
7. Return on equity is calculated by the profit for the year/period divided by the total equity as at the respective year/period end and multiplied by 100%.
8. Net profit margin is calculated by the profit for the year/period divided by the revenue for the respective year/period and multiplied by 100%.

Please refer to the year to year comparison of result in paragraph "Revenue", "Gross profit and gross profit margin" and "Profit for the year and net profit margin" under the subsection headed "Discussion and analysis of financial performance of our Group" in this section for a discussion on factors affecting revenue growth, gross profit growth, and net profit growth during respective years.

Current ratio

Our current ratio improved from approximately 3.2 times as at 31 March 2018 to 3.7 times as at 31 March 2019. Such increase was mainly attributable to the percentage drop in our current liabilities level as at 31 March 2019 which outweighed the percentage drop in our current asset level as detailed under paragraph headed "Net current assets" in this section.

Our current ratio decreased to approximately 3.2 times as at 30 September 2019. Such drop was mainly attributable to the reason that the percentage increase in our trade and other payables and taxation payables outweighed the percentage increase in our current asset level as detailed under paragraph headed "Net current assets" in this section.

Quick ratio

Our quick ratio increased from approximately 2.9 times as at 31 March 2018 to 3.3 times as at 31 March 2019 which was in line with the increase in current ratio as explained above.

Our quick ratio decreased to approximately 3.0 times as at 30 September 2019, which was in line with the decrease in current ratio as explained above.

Gearing ratio

Our gearing ratio remained relatively stable at approximately 2.2% as at 31 March 2018 and approximately 2.3% as at 31 March 2019.

Our gearing ratio decreased to approximately 1.4% as at 30 September 2019, which was mainly attributable to (i) the decrease of lease liabilities due to the settlement of them; and (ii) increase of the total equity of our Group due to the increase of net profit of our Group during FP2019.

Debt to equity ratio

As at 31 March 2018, 31 March 2019 and 30 September 2019, our bank balances and cash level exceeded our total debt. Therefore, no debt to equity ratio is formulated for our Group.

Interest coverage

Our interest coverage increased from approximately 96.7 times for FY2018 to 215.3 times for FY2019. Such increase was mainly attributable to the decrease in our interest expense and the increase in our profit before tax and interest during FY2019.

Our interest coverage further increased to approximately 590.5 times for FP2019. The increase was mainly attributable to the decrease in our interest expense since our Group has fully settled the lease liabilities of the cars during FP2019.

Return on total assets

Our return on total assets increased from approximately 12.3% as at 31 March 2018 to 20.5% as at 31 March 2019. Such increase was mainly attributable to the increase in our profit after tax and the drop in our total assets as a result of the issuance of dividend to Mr. Lam in FY2019, resulting in an overall improvement in our return on equity during FY2019.

Our return on total assets amounted to approximately 8.3% for FP2019. The substantial decrease was mainly attributable to (i) the increase in total assets as at 30 September 2019 by approximately 20.1% as compared to 31 March 2019; and (ii) the fact that only the profit for six months period were taken into account in our calculation of return on asset for FP2019 as compared to full year effect for FY2019.

Return on equity

Our return on equity increased from approximately 17.8% as at 31 March 2018 to 27.9% as at 31 March 2019. Such increase was mainly attributable to the aforementioned increase in our profit after tax by 32.4% and the decrease in our total equity in FY2019 by 15.5%.

Our return on equity amounted to approximately 11.9% for FP2019. The substantial decrease was mainly attributable to (i) the increase in total equity as at 30 September 2019 by approximately 13.5% as compared to 31 March 2019; and (ii) the fact that only the results of operation for six months period were taken into account in our calculation of return on equity for FP2019 as compared to full year effect for FY2019.

PERFORMANCE GUARANTEE

Our Group provided a guarantee in respect of the performance bond in favour of the customer of construction contracts. Details of the guarantee as at the respective reporting dates as follows:

	As at 31 March		As at 30 September	As at 31 January
	2018	2019	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Value of a performance bond issued in favour of the customer	—	755	755	755

As at 31 March 2019, 30 September 2019 and 31 January 2020, a performance bond of approximately HK$0.8 million, HK$0.8 million and HK$0.8 million, respectively, was given by a bank in favour of our Group's customer as security for the due performance and observance of our Group's obligations under the contract of building protection works project entered into between our Group and this customer. If our Group fails to provide satisfactory performance to our customer to whom the performance guarantee has been given, such customer may demand the bank to pay to them the sum or sum stipulated in such demand. Our Group will become liable to compensate such bank accordingly. The performance guarantee will be released upon completion of the contract works. The performance guarantee was granted under a letter of guarantee of our Group.

A personal guarantee was given by Mr. Lam in respect of the banking facility granted to our Group amounted to approximately HK$4.0 million, HK$4.0 million and HK$4.0 million, of which approximately HK$0.8 million, HK$0.8 million and HK$0.8 million (representing the above performance bond) was utilised as at 31 March 2019, 30 September 2019 and 31 January 2020, respectively. The unutilised banking facility amounted to approximately HK$3.2 million, HK$3.2 million and HK$3.2 million as at 31 March 2019, 30 September 2019, and 31 January 2020, respectively.

The abovementioned personal guarantee existed at the date of this prospectus will be fully released, discharged or replaced by corporate guarantee or other securities provided by our Group upon the Listing.

INDEBTEDNESS

The following table sets forth our Group's indebtedness as at the respective dates indicated:

	As at 31 January 2020
	HK$'000 *(unaudited)*
Lease liabilities:	
Secured and unguaranteed	669
Unsecured and unguaranteed	320
	989

Our Group leases various assets as our offices, director's quarters, warehouse, printing machines and motor vehicles and these lease liabilities are measured at the present value of the lease payments that are not yet paid. The lease terms range from two to five years. These leases have no terms of renewal clauses. Purchase options are included in certain lease agreements entered by our Group in respect of motor vehicles. No arrangements have been entered into for contingent rental payments on these leased assets. As at 31 January 2020, our lease liabilities amounted to approximately HK$1.0 million, of which approximately HK$0.7 million were secured by rental deposits.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, our Group did not have, at the close of business on 31 January 2020, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

CAPITAL COMMITMENTS

As at 31 March 2018, 31 March 2019 and 30 September 2019, we had no capital commitment.

OFF-BALANCE SHEET ARRANGEMENTS

Our Group had not entered into any material off-balance sheet transactions or arrangements as at the Latest Practicable Date.

DISTRIBUTABLE RESERVES

As at the Latest Practicable Date, our Company had no distributable reserve available for distribution to our Shareholders.

DIVIDENDS

On 31 December 2018, a special dividend of approximately HK$47.6 million were declared and such dividend was (i) settled by cash of approximately HK$43.7 million; and (ii) offset against the amount due from Mr. Lam of approximately HK$3.9 million which did not result in any cash outflow. Save as the above, no dividend has been paid or declared by other companies comprising the Group during the Track Record Period and up to the Latest Practicable Date. There is no assurance as to the amount of dividend payment, if any, or the timing of any dividend payment. The Group currently does not have any predetermined dividend distribution ratio.

We do not have a fixed dividend payout ratio and do not intend to determine any expected dividend payout ratio since our priority is to use our earnings for business development and expansion in the interest of our Shareholders as a whole.

We may declare and pay dividends by way of cash or by other means that we consider appropriate in the future. Distribution of dividends shall be formulated by our Board at its discretion and will be subject to shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital expenditure requirements and other factors that our Directors may consider relevant. In any event, any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Cayman Companies Law. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years.

To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There is, however, no assurance that we will be able to distribute dividends of such amount or any amount each year or in any year. In addition, declaration and/or payment of dividends may be limited by legal restrictions and/or by financing agreements that we may enter into in the future. Dividends paid in prior years shall not be indicative of future dividend payment. As at the Latest Practicable Date, we do not have plan to distribute any of our distributable and accumulated undistributed profits for six months ended 30 September 2019.

PROPERTY INTERESTS

During the Track Record Period and up to the Latest Practicable Date, we did not own any properties.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to Appendix II to this prospectus for further details.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rate, credit and liquidity. Please refer to Note 34 to the Historical Financial Information of the Accountants' Report set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

SUFFICIENCY OF WORKING CAPITAL

Our Directors confirm that, after due and careful enquiry and taking into consideration of the presently available financial resources to our Group, including internal resources and the expected net proceeds of the Listing (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range), our Group has sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group entered into certain related party transactions, details of which are set out in the note 30 to the Historical Financial Information of the section headed "Accountants' Report" in Appendix I to this prospectus. Our Directors confirmed that these related party transactions were conducted on normal commercial terms and they would not distort our track record results or make our historical results not reflective of our future performance.

MATERIAL ADVERSE CHANGE

Our Directors confirmed that, saved as disclosed in the paragraph headed "Summary — Recent development and material adverse change", up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospects of our Group since 30 September 2019, being the date to which the latest audited financial statements of our Group were made up, and there had been no event since 30 September 2019 which would materially affect the information shown in the section headed "Accountants' Report" in Appendix I to this prospectus.

REASONS FOR THE LISTING

Our Directors consider that the net proceeds from the Share Offer would facilitate the implementation of our business strategies and our future plans. In this connection, in formulating our business strategies and future plan, we would take into account the forecasted business opportunities in the building protection work market and the building protection product market in both Hong Kong and Macau; the number and scale of our pipeline projects and potential projects in hand. For further details, please refer to the paragraph headed "Business Strategies and Future Plans" in this section. Apart from facilitating the implementation of our business strategies and future plan, our Directors are of the view that the Listing can also bring the following benefits to our Group.

1. Satisfy our genuine funding need

Our current available cash resources and working capital level are only sufficient to maintain our existing business operation for the projects in progress but not adequate for business expansion

We required an average monthly operating cost of approximately HK$10.6 million, HK$12.6 million and HK$12.6 million which mainly consisted of our cost of sales and services, selling and distribution costs, administrative expenses for FY2018, FY2019 and FP2019, respectively. In order to maintain our daily operation, we adopt a prudent cash management approach in maintaining our bank balances and cash at a level to satisfy around three to four months of our average monthly operating cash outflow requirements in case of any unforeseeable event. We expect that our monthly operating cost will increase in proportion to the growth of our business and the increase in the number of secured and unsecured pipeline projects and potential projects, particularly when these projects are to commence concurrently or at similar time. For details on the classification of our secured pipeline projects, unsecured pipeline projects and potential projects, please refer to the paragraphs headed "Business strategies and future plans — Factors affecting our business strategies — Our secured pipeline projects, unsecured pipeline projects and potential projects" in this section below.

Notwithstanding the above, as at 31 March 2018 and 2019 and 30 September 2019, our cash and cash equivalent amounted to approximately HK$89.9 million, HK$31.3 million and HK$41.0 million, respectively only. Furthermore, as at 31 March 2018 and 2019 and 30 September 2019, we had current liabilities of approximately HK$52.7 million, HK$36.4 million and HK$50.9 million, which mainly consisted of trade and other payables and contract liabilities. Taking into account our low financial leveraged business structure, and in line with our liquidity management strategy as detailed under the paragraph headed "Business — Liquidity management strategy" of this prospectus, our Directors considered it is financially prudent to maintain sufficient immediately available cash and bank balances that are at least the same as or in excess of our current liabilities at any point in time. As such, taking into account the amount of cash and cash equivalent as at 30 September 2019, our Directors consider that our current cash and cash equivalent may not be sufficient to provide sufficient funding for our business expansion or provide any buffer for us to cater for any material and unexpected adversities such as possible economic downturn, material adverse change in the building protection work market or severe disasters.

Along the implementation of our ongoing expansion plan, it is expected that the operation costs and minimum working capital balance will increase. Besides, we have to maintain enough working capital balance of approximately HK$37.5 million for payment of the upfront cost and working capital for our backlog projects (i.e. collectively the outstanding projects that have commenced works and the secured pipeline projects that have yet commenced works or are still at the initial stage without generating any substantial revenue to us) as aforementioned, our Directors consider that our current cash and bank balances are only sufficient for maintaining our current business operation and thus are not sufficient to support our business expansion plan.

Our cash flows from our operating activities including cash generated from the subsequent billing and settlement of and trade receivables may not be sufficient to finance our expansion plan

For FY2018 and FY2019, our Group experienced a significant drop in our cash flow generated from operating activities from approximately HK$41.2 million to HK$1.5 million, which indicated a potential mismatch from the timing of payment to suppliers and subcontractors with the receipt from customers. While our cash flow generated from operating activities reached approximately HK$12.9 million for FP2019, our Directors believe that we might still face liquidity risk from time to time as a result of the mismatch of our operating cashflow which would happen when we cannot settle our upfront cost, working capital required in the form of trade payables by converting our trade receivables and contract assets into cash.

Our contract assets amounted to approximately HK$41.6 million, HK$70.1 million and HK$91.2 million as at 31 March 2018 and 2019 and 30 September 2019, respectively. The amount of contract assets, in summary, represents the amount of uncertified and unbilled completed works and the amount of retention receivables. These contract assets, together with the amount of our trade receivables, cannot be immediately available for use in our daily operation and thus, it can, to some extent, reflect the capital pressure we are facing from time to time. It is notable that our contract assets of approximately HK$91.2 million as at 30 September 2019 may not be fully and immediately available to ease our working capital pressure or for our expansion plan. In particular, approximately HK$15.7 million of our contract assets as at 30 September 2019 was retention receivables, which represented those amounts certified but withheld by our customers to secure the due performance of the contracts for a period of generally 12 months after completion of the relevant contracts. The subsequent billing and settlement of our contract assets mainly depends on the timing of certification of our work by our customers, which vary from different customers' certification process and approval procedures for payment certificates, as well as the credit period granted by us, which is generally within 30 days after our payment application or after certification of our payment application. Hence, our Directors consider that our contract assets cannot be fully and immediately available to us to ease our working capital pressure or for the implementation of our business strategies.

Though we were generally able to generate positive net cash flows from our operating activities during the Track Record Period, our Directors take the view that we cannot continue to be heavily relying on our cash flows from our operating activities including cash to be generated from the subsequent billing and settlement of contract assets to finance our expansion plan, especially in view of the number and the scale of the secured pipeline projects, the unsecured pipeline projects and the potential projects in hand which our Directors consider that we have reasonable chance of success in securing as we may not be able to generate positive operating cash flows from period to period. As discussed under the paragraph headed "Financial Information — Liquidity and capital resources —

Net cash generated from operating activities" of this prospectus, in order to further elaborate the liquidity pressure from our operation, after taking into account our contract assets in the calculation of trade receivable days, our adjusted trade receivable turnover days would then become 150.2 days, 140.5 days and 172.2 days for FY2018, FY2019 and FP2019, respectively, indicating a potential cash flow mismatch for our Group in relation to our payments to our suppliers and subcontractors and cash collection from our customers. For detailed analysis of our net cash used in operating activities, please refer to the paragraph headed "Financial Information — Liquidity and capital resources — Net cash generated from operating activities" in this prospectus.

On the other hand, though the number of our trade receivables turnover days from our provision of building protection works and the supply of building protection products had decreased in FY2019 as compared to that of FY2018, there is no assurance that our customers will pay us according to the credit terms as agreed. Furthermore, our Directors take the view that our liquidity pressure will be further intensified taking into account that (i) the number of sizeable projects we take up will increase along with our expansion plan and thus, our customers may need additional time to certify a larger scope of works whereby we may be exposed to more substantial cash flow mismatch; and (ii) in order to ensure that the terms under our subcontracts comply with the proposed SOPL once the legislation comes into effect, we shall pay our subcontractors in accordance with the payment terms under our subcontracts irrespective of whether we have received payments from our customers or not.

Therefore, if we rely solely on our future operating cash flows including those generated from the subsequent billing and settlement of contract assets, to finance our business expansion plans, our business expansion plans will be susceptible to the timing as to when sufficient cash can be generated. This will inevitably prolong the implementation of our expansion plans. Hence, we will be placed in a relatively passive position in respect of the timing of implementing our business expansion plans and thus, may not be able to fully capture the forthcoming business opportunities driven by the forecasted growth in the industry.

We need to maintain sufficient working capital level for our projects

According to the Frost & Sullivan Report, building protection work projects generally require substantial working capital for payment of upfront cost such as the costs for purchase of building protection products and materials; and payment of subcontracting charges in advance. Hence, building protection providers who do not have adequate initial capital may face consequences of failure in bidding for projects or delay in project execution. Our Directors consider that customers generally would assess whether a building protection work provider's financial resources are sufficient to undertake new projects and manage other projects on hand during the quotation assessment process, which includes whether it has sufficient financial resources to obtain performance bond as required and to bear upfront costs mentioned above. We would generally give priority to submit our quotation for potential building protection works projects which (i) would generate a relatively higher gross profit margin; (ii) would enhance our portfolio of the types of building protection projects; (iii) are sizeable; and/or (iv) the relevant main contractor of which would use the building protection products distributed by us. During the Track Record Period and up to the Latest Practicable Date, due to our limited available capital resources and manpower at the time, we had declined to provide preliminary quotations for over 600 enquiries from potential customers related to potential projects which, from our Directors' point of view, did not fulfil some of the aforesaid criteria. As confirmed by our Directors, some of these declined enquiries or invitations for quotation covered landmark locations in Hong Kong and the ultimate employers of which are international company or statutory bodies. Based on our Directors' experience throughout our operating history, before awarding a project to a potential building protection work provider, customers generally would inquire the financial position of the building protection work providers, in particular new building protection work providers whom they have not previously engaged. Inquiries into the financial position of a potential building protection work provider is generally made through obtaining the financial statements and job references of the potential contractor. Based on our Directors' experience, customers generally take into consideration the financial position and working capital level of a potential building protection work provider before awarding a project to it.

Debt financing does not provide enough funding at reasonable costs

As a private company, we currently have limited option to obtain debt financing other than bank borrowing. As at 30 September 2019, we had aggregate banking facilities of approximately HK$4.0 million, HK$3.2 million of which was unutilised, and we had outstanding bank borrowing of approximately HK$0.8 million (representing a performance bond of approximately HK$0.8 million) which was secured by the personal guarantee of Mr. Lam, our Controlling Shareholder and chairman and executive Director. Nevertheless, our Directors consider that debt financing is not an attractive option as compared with equity financing for the following reasons:

(i) Unlike debt financing, equity financing carries no repayment obligation to our Group while providing extra working capital that can be used to grow our Group's business. Hence, there would be no additional financial burden on the Company, allowing us to have more capital available to invest in growing our business;

(ii) Despite the cost of equity funding by way of the Share Offer after taking into account the significant listing expenses might not be lower than debt financing, our Directors considered that equity financing will broaden our Group's capital base, rather than a short term uplift, and provide a platform for our Company's fund raising in the long run and on a recurring basis, which is not limited to the amount of net proceeds to be raised in the Share Offer, to finance our future business expansion and long-term development;

(iii) debt financing would require collateral, in the form of cash deposit, property pledge and/or personal guarantee from controlling shareholders, in order to secure the borrowing. As our Group does not own any properties available for pledging, our Directors consider that we are not able to borrow bank loans which would be sufficient to support our expansion plans. It would not be in the best interest of our Group to rely on debt financing that may involve personal guarantee or collateral provided by our Controlling Shareholders or Directors as we wish to minimise connected transactions and financial assistance from our Controlling Shareholders and Directors, which would hinder our financial independence; and

(iv) interest expenses will be incurred when our Group pursues debt financing exercise which will affect our financial performance. The impact will be particularly obvious if we rely on short term bank borrowing or bank overdraft to finance our operating activities in light of our prolonged cash collection cycle as discussed above. Despite the current low interest rate environment, there is no assurance that the low interest rate environment will be prolonged in the future.

2. Strengthening our Group's brand awareness, credibility and competitiveness

The increased level of information transparency after the Listing will give our existing and prospective customers and suppliers the public access to our Group's corporate and financial information, which could enhance their confidence on our Group. Our Directors believe that a listing status will also enhance our brand awareness and credibility among our suppliers and customers. Our Directors are of the view that our Group may be able to negotiate for more favourable terms with our suppliers, such as longer credit terms and higher credit limit. Further, it would also enhance the confidence of our suppliers towards our financial condition and further strengthen our ability to broaden our product portfolio and in turn enlarge our market share in the industry. Customers would tend to give preference to contractors who have a public listing status with good reputation, transparent financial disclosures and regulatory supervision. The status of being a listed company on GEM of the Stock Exchange in Hong Kong will also raise our Group's reputation and enhance our competitiveness amongst our competitors, which will help implement our business strategies and expand our customer base and market share in the industry. With such status, our Group can be differentiated from other competitors during the bidding process for contracts and we can appeal to more sizeable customers with large-scale operations, for instance the respective holding companies of most of our major customers are listed companies or sizeable main contractors.

3. Enhance our public profile

Our Directors believe that we can enhance our public profile and recognition by listing on the Stock Exchange as the Stock Exchange can attract different geographically based investors and provide access to these investors including institutional investors to invest in our Company. Our Directors also believe that seeking the Listing on the Stock Exchange will enable our Company to promote our presence in the international market, which is considered as an important factor for the potential future growth and our long-term development, given our Company continually explores and assesses various opportunities in the building protection works and products markets in Hong Kong.

Our Directors believe that seeking the Listing on the Stock Exchange will enable our Company to promote our presence in the international market and enhance our Company's profile in Hong Kong, which will benefit our Company by exposing it to a wider range of private and institutional investors.

4. The Share Offer can create liquidity for our Shares and broaden our Shareholder base

In the long run, the Listing will allow us to have a channel for fund raising to support and finance our long-term expansion plans, which includes bidding for more capital intensive and largescale projects for enhancing our position in the building protection works market in Hong Kong, expanding our manpower and strengthening the technical knowledge and skills of our existing staff members.

Following the trading of Shares on the Stock Exchange, investors will have access to equity markets for trading purposes. As the Shares have not been traded on the Stock Exchange before the Listing, an active trading market for the Shares may not be able to be developed in Hong Kong in the first instance. Once there is liquidity of our Shares through the Listing, our shareholder base will be broadened, whereby our Company can diversify our capital-raising activities rather than solely relying on the revenue generated from our business operation and debt financing.

BUSINESS OBJECTIVES

In order to achieve sustainable growth in our business and increase long-term shareholder value, we will continue to actively seek business opportunities in the building protection work market in both private and public sectors in Hong Kong and enhance our market share in the building protection product market in both Hong Kong and Macau. Our strategies to achieve our business goals include the following:

BUSINESS STRATEGIES AND FUTURE PLANS

Factors affecting our Business Strategies

In formulating our business strategies and future plans, our Directors would take into account factors including (i) the industry outlook in the building protect work market, particularly the waterproofing work market, in Hong Kong; and the building protection product market in both Hong Kong and Macau; and (ii) the number and the scale of our secured pipeline projects, unsecured pipeline projects and the potential projects that we have reasonable chance of success in bidding. We will then proceed to assess our funding needs for implementing our business strategies and ascertain the benefits of the Listing.

Industry outlook

According to the Frost & Sullivan Report, the market size of building protection work market in Hong Kong, in terms of revenue, is projected to increase from approximately HK$3,644.9 million in 2019 to approximately HK$4,323.0 million in 2023, representing a CAGR of approximately 4.4% between 2019 and 2023. Our building protection works focused on provision of waterproofing works, which attributed to approximately 84.6% and 88.1% of our revenue generated from our provision of building protection works for FY2018 and FY2019, respectively. According to the Frost & Sullivan Report, the market size of waterproofing work market in Hong Kong is projected to increase from approximately HK$2,624.3 million in 2019 to approximately HK$2,965.6 million in 2023 in terms of revenue, at a CAGR of approximately 3.1% from 2019 to 2023. The increasing demand for properties with better quality, the commencement of the new reclamation project for approximately 49,500 housing units and the growth in the new building section will in totality drive the growth of the waterproofing work market in Hong Kong.

On the other hand, the building protection product market in Hong Kong is closely related to the corresponding growth in the construction industry in Hong Kong. Taking into account the Hong Kong government's proposed project to construct a 1,000-hectare artificial island in Kau Yi Chau which will have a total cost of US$79.5 billion to curb Hong Kong's housing shortage, these projects would require waterproofing construction works; and will in turn stimulate the demand for the waterproofing products. The revenue of waterproofing products in Hong Kong is forecasted to reach approximately HK$1,568.2 million in 2023, representing a CAGR of approximately 2.9% from 2019 to 2023, respectively.

According to Frost & Sullivan Report, the market size of waterproofing products in Macau is expected to grow at a CAGR of approximately 1.4% during the future period from 2019 to 2023, reaching approximately HK$389.9 million in 2023.

Our Directors believe that we have to formulate a comprehensive business expansion plan to capture the business opportunities arisen from the expected growth in the industries.

Our secured pipeline projects, unsecured pipeline projects and potential projects

As at the Latest Practicable Date, we have:

(i) **24 secured pipeline projects**, i.e. the projects, being part of our backlog projects, that have been awarded to us but the relevant building protection works are yet to commence or the projects that are still at the initial stage without generating any substantial revenue to us during the Track Record Period but are expected to generate revenue by the second quarter of the financial year ending 31 March 2021 based on the timeline of these projects. In particular, we were awarded a contract for part of the Kai Tak Project in November 2019, which shall be further discussed below;

(ii) **10 unsecured pipeline projects**, i.e. the projects that, from our Directors' experience in the industry, are more likely to be granted to us. For the purpose of compiling the list of unsecured pipeline projects, only those projects (a) each with a formal quotation submitted by us of above HK$3.0 million; and/or (b) considered by our Directors as having reasonable chance of securing, are included due to their more prominent impact on the upfront costs to be borne by us (For further discussion on the upfront costs and their implications on our business strategies, please refer to the paragraph headed "Our business strategies — 3. Strengthen our financial position to pay for the upfront cost of our projects" in this section below). The basis of our expectation to obtain these unsecured pipeline projects includes the circumstances that (i) the relevant main contractors or their consultants that taken into account of our preliminary quotation for incorporation in their tenders had successfully bidden the projects and indicated to us that they will or have already issued a RFQ for our formal quotation (the "**Formal RFQ**") for part of or the entire project; or (ii) the specifications of our building protection products recommended by us were selected and included in the RFQ received by us; or (iii) we were also engaged by the same main contractor to perform building protection works for the other parts of the same project site under another contract. Based on the cost estimations when we prepared the formal quotations, our Directors consider that, subject to any unexpected circumstances, the gross profit margin of these unsecured pipeline projects shall be comparable with that of our projects of similar nature during the Track Record Period; and

(iii) **20 potential projects**, i.e. the projects where the potential customers have consulted our Group, on a non-committed basis, about the scope of our building protection works and/or sought our preliminary quotation in preparation of their tender documents and the result of their tenders is yet to be known as at the Latest Practicable Date. For the purpose of compiling the list of potential projects, only those projects (a) each with a preliminary quotation submitted by us of above HK$3.0 million; and/or (b) considered by our Directors as having reasonable chance of securing, are included due to their more prominent impact on the upfront costs to be borne by us (For further discussion on the upfront costs and their implications on our business strategies, please refer to the paragraph headed "Our business strategies — 3. Strengthen our financial position to pay for the upfront cost of our projects" in this section below). Our Directors expect that, as compared to other industry players, we have a better chance to obtain these potential projects, based on the facts that (i) some potential main contractors of these potential projects had been keeping contact with us for our further input on the selection of suitable building protection products for the project, and/or had kept us posted of the status of their tender preparation and submission; (ii) the specifications of our building protection products quoted can meet the requirements of the projects; and/or (iii) we were also engaged by the same main contractor to perform building protection works for the other parts of the same project site under another contract. From the experience of our Directors, if these potential customers ultimately bid the projects, likely they would issue a Formal RFQ to us for the corresponding building protection works. For instance, after our submission of a preliminary quotation for the Kai Tak Project (to be detailed below), we were invited to submit our formal quotation for a contract covering part of the Kai Tak Project which was subsequently accepted by the main contractor in November 2019. For reasons to be further elaborated below, we therefore consider that we had a higher chance to secure the remaining parts of the Kai Tak Project, which formed part of our potential projects as at the Latest Practicable Date.

Differentiation between unsecured pipeline projects and potential projects

For clarity, potential projects are differentiated from unsecured pipeline projects generally by the stage of bidding of a project that our Group has been invited to participate, as evidenced by the type of quotations, i.e. preliminary quotation or formal quotation, that we are requested to submit. A project is generally categorized as unsecured pipeline projects after our Group (i) has submitted a preliminary quotation to the potential customers for reference on a non-committed basis; and (ii) is subsequently invited to submit a formal quotation in response to a Formal RFQ, whereby our formal quotation submitted would generally be carefully examined by the potential customers, but not yet approved, at this stage. On the other hand, a project is generally categorised as potential projects after our Group has submitted a preliminary quotation as aforementioned, but before we are invited to submit any formal quotation.

Secured/potential project – Kai Tak Project

Of the above-mentioned 24 secured pipeline projects and 20 potential projects, we have included our quotations submitted for a relatively large scale project in relation to the sports park in Kai Tak, Kowloon (collectively, the "**Kai Tak Project**"), and our scope of work mainly includes waterproofing works to different locations, such as the walls of the basements, footing, escalator and lift pit of the main stadium, indoor sports centre and public sports ground to be developed at the project site in Kai Tak. To the best knowledge, information and belief of our Directors, based on our discussion with the main contractor which had successfully bid the Kai Tak Project, the total estimated contract sum of the waterproofing works in this project was approximately HK$203.4 million in aggregate, which would be divided into several contracts for implementation by phases. As confirmed by our Directors, after submission of our preliminary quotation to the said main contractor, we have been engaged in various rounds of negotiations with the main contractor in respect of the carrying out of the waterproofing works and the types and brands of waterproofing products to be applied and the timeframe for completing the works for the entire project. In September 2019, the main contractor requested a formal quotation and subsequently awarded us for a contract covering a part of the waterproofing works in the Kai Tak Project with contract sum of approximately HK$16.0 million, which forms part of our secured pipeline projects. At this stage, the remaining part of the waterproofing works under the entire Kai Tak Project with the outstanding contract sum of approximately HK$187.4 million to which we have submitted preliminary quotation is still unassigned and continued to form part of our potential projects.

After frequent communications with the main contractor, we note that the remaining waterproofing works of the Kai Tak Project would commence at the later stage, and our Directors believe that the main contractor will issue the requests for quotations to us in the future. Our Directors considered that we had a better chance to obtain the outstanding waterproofing works in the Kai Tak Project for the following reasons:

(i) Since submitting our preliminary quotation, the main contractor had kept on making enquiries to us regarding details of building protection products for use in the project, our products recommendations for fulfilling the employer's specifications and the time frame for completing the works for the entire Kai Tak Project. Based on our Directors' experience in the industry, our Directors noted that such frequent contacts and the subsequent award of contract for part of the Kai Tak Project are indications of the main contractor's likelihood to engage us to provide the rest of the waterproofing works for the Kai Tak Project;

(ii) As advised by Frost & Sullivan, whose view aligns with our Directors' view and experience, building protection works in a project may be divided into several contracts, in particular for large scale projects where the building protection works would need to be implemented by phases over a long period of time. The main contractor of this kind of project is more inclined to engage the same building protection works provider all through for a type of building protection works in the project. In light of the above, as we have already successfully secured a contract for part of the Kai Tak Project, our Directors considered that we have a better chance to undertake the rest of the waterproofing works in the Kai Tak Project;

(iii) We had long standing business relationship with the main contractor of the Kai Tak Project for over 12 years, and had undertaken over 50 contracts of building protection works of various sizes and types of development with the said main contractor during the Track Record Period and up to the Latest Practicable Date. As confirmed by our Directors, the main contractor was satisfied with the quality of our works and had no material dispute or complaint against us during the Track Record Period; and

(iv) We had relevant experience in undertaking building protection works for community facilities in notable projects during the Track Record Period such as the M+ Pavilion project and the projects related to sports centre, community hall and football pitches at Tai Po, New Territories, each with an original contract sum of over HK$10 million.

Our Directors believe that the main contractor would consider our long business relationship with our Group, the quality of our building protection works, and our previous job references, which would in totality be in our favour in securing the Kai Tak Project.

Our Directors consider that we have the capacity and expertise to undertake the Kai Tak Project for the following reasons:

(i) It is the understanding of our Directors from the main contractor of the Kai Tak Project that the Kai Tak Project, which will be split into a few contracts by phase, would last for about three to four years. The contract for part of waterproofing works in the Kai Tak Project for which we had secured is estimated to last for approximately 29 months. In view of the long duration of Kai Tak Project, our Directors take the view that we would have enough capacity and expertise to complete the various contracts under the Kai Tak Project as we do not need to shift all our resources to the Kai Tak Project within a short period of time. During the Track Record Period and up to the Latest Practicable Date, we had taken up 287 building protection works projects in Hong Kong, of which 56, 28, five and one building protection works projects had been completed for FY2018, FY2019, FP2019 and the period after the Track Record Period and up to the Latest Practicable Date, respectively and the total original contract sum of these completed projects amounted to approximately HK$143.8 million. This track record can demonstrate our capacity to undertake a large number of building protection works projects;

(ii) We have accumulated enough relevant experience in undertaking large-scale building protection works projects in the public sector. For instance, we completed sizeable building protection works projects for landmark buildings in Hong Kong such as the Public Rental Housing Development project at Diamond Hill, Kwun Tong Swimming Pool and Recreation Ground project, and M+ Pavilion project; and

(iii) We plan to apply part of the net proceeds of the Share Offer to (a) acquire additional machinery and equipment, which are mainly spraying machines, for carrying out building protection works; and (b) expand our workforce by recruiting additional two project managers, one project accountant, one project clerk, one quantity surveyor manager, two quantity surveyors and two foremen. Upon expansion of our machinery fleet and workforce, our Directors take the view that we would have sufficient capacity and expertise to undertake the Kai Tak Project.

However, our Directors are of the view that the award of the Kai Tak Project, same as other unsecured pipeline projects and potential projects, are ultimately subject to the main contractor's decision. As such, we might not be able to secure any or all the contract sums of these projects. Even if we successfully secure these projects, as building protection works form only part of a larger construction project, we may encounter project delay beyond our expectation if there is any adjustment to the project schedule determined by the main contractor; or set back in the working progress of the other parties at the construction site before we can carry out our work. For further details, please refer to the paragraphs headed "Risk Factors — Risks relating to our business" in this prospectus.

Our secured pipeline projects

These secured pipeline projects have already been awarded to us as at the Latest Practicable Date with an aggregate contract sum of approximately HK$109.9 million and the total estimated upfront cost for all these secured projects is estimated to be HK$18.7 million. Details of these projects are set out in the following table:

Particulars and locations	Type of service provided	Status as at the Latest Practicable Date	Contract commencement date	Expected completion date *(Note 1)*	Total contract sum	Total estimated upfront costs *(Note 2)*
					HK$'000	*HK$'000*
Proposed commercial development at Tseung Kwan O, New Territories . .	Flooring works	Project commenced	May 2019	March 2021	498.8	86.3
Proposed data centre project in Kwai Chung, New Territories	Flooring works	Project commenced	July 2019	December 2022	926.3	87.7
Construction of public rental housing at Tuen Mun, New Territories	Waterproofing works	Project commenced	August 2019	September 2021	5,454.0	740.1
Public rental housing development at North West Kowloon Reclamation . . .	Waterproofing works	Project commenced	September 2019	December 2021	5,399.8	680.4
Fitting Out Works of House Two at Barker Road, Hong Kong	Flooring works	Project commenced	August 2019	March 2021	168.4	33.5
Proposed Residential Development at Kwun Tong, Kowloon	Waterproofing works	Project commenced	July 2019	September 2021	1,647.1	215.2
Residential redevelopment at a school campus at Ho Man Tin, Kowloon	Flooring works	Project commenced	September 2019	March 2022	281.0	36.1
Residential and commercial development in Kennedy Town, Hong Kong	Waterproofing works	Project commenced	September 2019	September 2021	2,527.9	356.7
Development of a commercial building at Kowloon Bay, Kowloon	Waterproofing works	Project commenced	September 2019	December 2023	7,077.7	624.3
Construction of an activities centre in Wan Chai, Hong Kong	Waterproofing works	Project commenced	September 2019	March 2022	1,374.3	156.4
Data center at Cheung Sha Wan, Kowloon	Waterproofing works	Project commenced	September 2019	March 2022	1,092.3	124.3
Design, construction, and operation of the basement tanking of a sports park in Kai Tak, Kowloon	Waterproofing works	Project commenced	November 2019	March 2022	15,980.0	1,944.0

Particulars and locations	Type of service provided	Status as at the Latest Practicable Date	Contract commencement date	Expected completion date *(Note 1)*	Total contract sum	Total estimated upfront costs *(Note 2)*
					HK$'000	*HK$'000*
Proposed commercial development at Kai Tak, Kowloon	Waterproofing works	Project commenced	October 2019	September 2022	18,268.3	1,790.3
Proposed Residential Development at Tuen Mun, New Territories	Joint sealant works	Project commenced	November 2019	June 2021	505.7	106.3
Proposed Construction of Public Rental Housing Development at Queen's Hill, New Territories.	Joint sealant works	Project commenced	December 2019	June 2021	933.3	206.6
Proposed construction of a theater complex at West Kowloon Cultural District, Kowloon	Waterproofing works	Project commenced	December 2019	October 2020	26,158.6	8,389.8
Project of a commercial building at Quarry Bay, Hong Kong	Waterproofing works	Project commenced	February 2020	September 2021	13,065.6	1,440.5
Project of a facility at Tsing Yi, New territories	Joint sealant works	Project commenced	January 2020	December 2020	494.4	173.3
Project of a residential development at Prince Edward, Kowloon	Joint sealant works	Project commenced	February 2020	September 2020	25.3	13.3
Project of a public housing development at Queen's Hill, New territories	Waterproofing works	Project commenced	February 2020	September 2021	1,039.6	183.4
Proposed Commercial Development at Central, Hong Kong	Flooring works	Project commenced	March 2020	March 2022	4,881.5	776.7
Proposed House Development at Tuen Mun, New Territories	Waterproofing works	Project commenced	March 2020	September 2021	1,100	204.3
Proposed Site Formation and Foundation Works at Queen's Road East, Hong Kong	Waterproofing works	Project commenced	March 2020	December 2020	645.8	227.8
Proposed Commercial Building on, Sha Tin, New Territories	Joint sealant works	Project commenced	March 2020	January 2021	390.1	149.2
				Total	109,935.8	18,746.5

Notes:

1. The expected completion date is based on our Directors' best estimation, and is subject to change depending on the status of the project and the terms of the final contract.

2. The estimated upfront cost of each project represented the cash outflow expected to be drawn from our business in the early stage of the project before we would receive an equal sum of payment from the relevant customer upon a prolonged period of work certification and approval. Such cash outflow will not be fully recovered until at the later stage of the project's life span when the accumulated progress payments received from our customer of the project can substantially cover the aggregated cost we have incurred. The estimated upfront cost for each project is calculated with reference to our Directors' best estimation and based on the following formula:

$$\text{Estimated costs of sales and services of the respective project}^{a} \times \frac{\text{The average length of time for upfront cash outflow arising from the provision of building protection works to be recovered by the cash inflow from the corresponding works rendered}^{b}}{\text{Estimated duration of the respective project}^{c}}$$

a. The estimated costs of sales and services of a project are arrived with reference to the (i) original contract sum of the project; and (ii) the gross profit margin of the type of the relevant building protection works (i.e. waterproofing works, flooring works or joint sealant works) in FY2019.

b. The average length of time for the upfront cash outflow arising from the provision of building protection works to be recovered by the cash inflow from the corresponding works rendered is estimated with reference to the difference in historical adjusted trade receivable turnover days and trade payable turnover days, which indicated the cash flow mismatch between the payments for trade payables and receipts of payments from trade receivables and contract assets, as detailed under section headed "Business — Liquidity Management Strategy" of this prospectus.

c. The estimated duration of each project is arrived with the best estimation of our management.

Based on the estimation of our management, the portion of upfront costs required varies from project to project and is generally higher for project with shorter duration as more portion of purchase and subcontracting cost are likely be made in the early stage. In the event the estimated duration of a project is shorter than the average duration of recovery of cash outflow by the cash inflow denoted in b above, the total estimated costs of the relevant project will be taken as the upfront costs of the project. In practice, the total estimated upfront costs for our secured pipeline projects are subject to changes from time to time, depending on the progress of the projects and the increase in the number of secured projects and variations in the scope of our works therein.

The entire allocated net proceeds of HK$9.0 million will be applied for payment of the upfront cost of all our secured projects as at the Latest Practicable Date, which amounted to approximately HK$18.7 million. The outstanding upfront costs of approximately HK$9.7 million of our secured projects not covered by the allocated net proceeds and the upfront costs of our unsecured pipeline projects and/or potential projects (once they have been secured) would have to be satisfied with our internal resources. The actual amount to be allocated to each project for payment of its upfront costs is subject to changes, depending on the number of these projects can be secured, our financial condition at the relevant time, and the actual contract sum of the project etc.

Our unsecured pipeline projects

The table below sets forth the unsecured pipeline projects, each with a formal quotation submitted by us of above HK$3.0 million and is considered by our Directors with reasonable chance which are tentatively scheduled to commence during the financial year ending 31 March 2021 *(Note 1)*:-

Particulars and locations	**Type of service provided**	**Status as at the Latest Practicable Date**	**Expected contract commencement date** *(Note 2)*	**Expected completion date** *(Note 3)*	**Contract sum**	**Estimated upfront costs** *(Note 4)*
					HK$'000	*HK$'000*
Construction of sports center, community hall and football pitches at Tai Po, New Territories *(Notes 5a and 5b)*	Flooring works	Formal quotation submitted	June 2020	September 2022	9,760.5	1,386.7
Proposed residential and commercial development at Kwun Tong, Kowloon *(Note 5a)*	Waterproofing works	Formal quotation submitted	June 2020	December 2021	10,125.6	1,880.2
Proposed Construction of Subsidized Sale Flats Development at Wan Chai, Hong Kong *(Notes 5a and 5b)*	Waterproofing works	Formal quotation submitted	April 2020	April 2022	13,098.5	1,848.5
Proposed construction of a hospital in Southern District, Hong Kong	Waterproofing works	Formal quotation submitted	June 2020	September 2022	7,586.2	955.9
Residential Development at Tuen Mun, New Territories	Waterproofing works	Formal quotation submitted	June 2020	September 2022	7,908.5	996.5
Proposed construction of facilities in a university in Sham Shui Po, Kowloon	Waterproofing works	Formal quotation submitted	June 2020	June 2022	3,771.3	532.2
Proposed redevelopment of a school at Mid-levels, Hong Kong	Waterproofing works	Formal quotation submitted	June 2020	June 2022	3,576.1	504.7
Proposed construction of Public Rental Housing at Queen's Hill, New Territories *(Note 5a)*	Joint sealant works	Formal quotation submitted	June 2020	December 2022	8,750.8	1,187.3
Joint sealant works in various construction sites of a main contractor	Joint sealant works	Formal quotation submitted	April 2020	April 2022	11,644.9	1,959.1
Proposed Subsidized Sale Flats Project at Sha Tin, New Territories	Joint sealant works	Formal quotation submitted	September 2020	March 2024	8,048.1	787.2
			Total		84,270.5	12,038.3

Notes:

1. The list of unsecured pipeline projects is subject to change with the passage of time. An unsecured pipeline project would be promoted to secured pipeline project if our formal quotation is accepted, or removed from the list if our bid for the project is unsuccessful. Potential projects would also be promoted to become unsecured pipeline projects once we are invited by the relevant main contractors to submit formal quotations for such projects. For definitions of unsecured pipeline projects and potential projects and their differences, please refer to the subparagraphs headed "Our secured pipeline projects, unsecured pipeline projects and potential projects" in this section above for further details.
2. The expected contract commencement date is based on our Directors' best estimation, and is subject to change depending on the status of the project and the terms of the final contract.
3. The expected completion date is based on our Directors' best estimation, and is subject to change depending on the status of the project and the terms of the final contract.
4. The calculation of the estimated upfront cost of each project follows the same as that for our secured pipeline projects, please refer to Note 2 under the list of secured pipeline projects under the sub-paragraph headed "Our secured pipeline projects" in this section above.
5. We consider we have relatively higher chance of securing these highlighted projects due to the following reasons:
   a. *The familiarity of our Group with the potential customer and existence of previous work relationship*: We maintain a good relationship with the main contractors of these projects. At the same time, we were also already engaged by the same main contractor to perform building protection works under another previous contract for other parts of the same project site. As advised by Frost & Sullivan, main contractor is more inclined to engage the same building protection works providers all through for a type of building protection works in a project;
   b. *The adoption of the products recommended and supplied by us*: the specifications of our building protection products recommended by us were selected and included in the RFQ received by us.

Potential projects

The table below sets forth the potential projects, each with a preliminary quotation submitted by us of above HK$3.0 million and considered by our Directors with reasonable chance of securing, which are tentatively scheduled to commence by around the end of the year ending 31 March 2021 *(Note 1)*:

Particulars and locations	**Type of service provided**	**Status as at the Latest Practicable Date**	**Expected contract commencement date** *(Note 2)*	**Expected completion date** *(Note 3)*	**Contract sum**	**Estimated upfront costs** *(Note 4)*
					HK$'000	*HK$'000*
Design, construction and operation of a sports park in Kai Tak, Kowloon *(Note 4)*	Waterproofing Works	Preliminary quotation submitted	September 2020	April 2023	187,374.5	20,658.0
Residential development at Kai Tak, Kowloon	Waterproofing Works	Preliminary quotation submitted	December 2020	October 2023	22,560.4	2,274.1
Construction of Station Square at Kai Tak, Kowloon	Waterproofing works	Preliminary quotation submitted	June 2020	October 2023	7,666.5	659.7
Construction of industrial building at Tuen Mun, New Territories	Waterproofing works	Preliminary quotation submitted	June 2020	January 2024	9,873.0	791.6
Construction of commercial building at Central, Hong Kong	Waterproofing works	Preliminary quotation submitted	June 2020	October 2022	13,059.0	1,588.7

Particulars and locations	Type of service provided	Status as at the Latest Practicable Date	Expected contract commencement date *(Note 2)*	Expected completion date *(Note 3)*	Contract sum	Estimated upfront costs *(Note 4)*
					HK$'000	*HK$'000*
Government office building at Tseung Kwan O, New Territories	Waterproofing works	Preliminary quotation submitted	June 2020	October 2021	33,751.5	7,004.4
Infrastructure works at Kai Tak, Kowloon	Waterproofing works	Preliminary quotation submitted	June 2020	July 2022	4,484.3	608.5
Construction of a government office building in Tseung Kwan O, New Territories	Flooring works	Preliminary quotation submitted	September 2020	June 2023	34,705.0	4,060.5
Residential development at Diamond Hill, Kowloon.	Waterproofing works	Preliminary quotation submitted	September 2020	June 2022	6,277.7	1,006.7
Construction of a logistics centre at the airport in Hong Kong	Flooring works	Preliminary quotation submitted	June 2020	September 2023	21,768.8	2,164.9
Construction of a logistics centre at the airport in Hong Kong	Waterproofing works	Preliminary quotation submitted	June 2020	September 2023	25,074.7	2,211.6
Construction of a government office building in Tseung Kwan O, New Territories	Joint sealant works	Preliminary quotation submitted	September 2020	June 2023	10,897.4	1,348.1
Construction of a logistics centre at the airport in Hong Kong	Flooring works	Preliminary quotation submitted	June 2020	September 2023	40,635.0	4,041.2
Proposed work for a facility of a university in Sham Shui Po, Kowloon	Waterproofing works	Preliminary quotation submitted	June 2020	December 2021	11,082.3	2,057.8
Proposed on-site of reprovisioning of the water treatment works in Sha Tin	Waterproofing works	Preliminary quotation submitted	June 2020	June 2022	6,919.5	976.5
Proposed residential development in Kwun Tong, Kowloon	Waterproofing works	Preliminary quotation submitted	June 2020	December 2022	10,683.8	1,215.9
Proposed Composite Development at Kennedy Town, Hong Kong . .	Waterproofing works	Preliminary quotation submitted	June 2020	December 2023	5,752.7	472.0
Construction of a government building at Chai Wan, Hong Kong	Waterproofing works	Preliminary quotation submitted	June 2020	December 2023	12,900.1	1,058.4
Construction of a government building at Chai Wan, Hong Kong	Flooring works	Preliminary quotation submitted	June 2020	June 2024	6,208.3	504.0
Residential Development at Stanley, Hong Kong	Waterproofing works	Preliminary quotation submitted	June 2020	December 2023	7,668.8	629.2
			Total		479,343.3	55,331.8

Notes:

1. The list of potential projects is subject to change with the passage of time. A potential project would be (i) promoted to (a) unsecured pipeline project if we are invited to further submit a formal quotation for the project; or (b) secured pipeline project if our preliminary quotation is accepted and we are awarded the relevant project; or (ii) removed from the list if our preliminary quotation for the project is not accepted by our potential customers. New potential projects also be added to the list when we submit the preliminary quotations for the relevant projects.
2. The expected commencement date is based on our Directors' best estimation, and is subject to change depending on the status of the project and the terms of the final contract.
3. The expected completion date is based on our Directors' best estimation, and is subject to change depending on the status of the project and the terms of the final contract.
4. The calculation of the estimated upfront cost of each project follows the same as that for our secured pipeline projects, please refer to Note 2 under the list of secured pipeline projects under the sub-paragraph headed "Our secured pipeline projects" in this section above.
5. For further details of the project, please refer to the paragraph headed "Our secured pipeline projects, unsecured pipeline projects and potential projects" in this section above.

Our business strategies

In order to capture the business opportunities arising from the forecasted growth in both the building protection work market and the building protection product market in Hong Kong and Macau; and to take up more sizeable building protection work projects, we intend to implement the following strategies with the proceeds from the Share Offer:-

1. Acquire additional machinery and equipment for carrying out building protection works to cope with our business expansion

— approximately 9.8% of the net proceeds, or approximately HK$2.8 million, will be used for acquiring additional machinery and equipment for carrying out our secured pipeline projects, unsecured pipeline projects and potential projects to cope with our business expansion. The expected total amount for acquiring such additional machinery and equipment is approximately HK$4.2 million. After deducting the amount of approximately HK$2.8 million from the proceeds of the Share Offer, the remaining sum of approximately HK$1.4 million will be funded by our internal resources.

We provide our subcontractors with the necessary machines and equipment for their carrying out of building protection works. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, our subcontractors carried out part of our building protection works either manually or with the aid of our machinery, and they did not own or lease any machinery or equipment from third party lessor for carrying out our building protection works. As at the Latest Practicable Date, we had five major machines and equipment for carrying out building protection works. These machines and equipment are mainly placed at the construction site of individual customers all through the subcontracting period in order to facilitate our subcontractors to carry out the building protection works. Owing to the bulk size of the machines and the distances between each project site, it is not cost effective for us to move the machines from one project site to another frequently if they have to be used often in a project. Hence, having sufficient efficient machinery and equipment is essential for us to maintain our work quality, safety and efficiency.

Our Directors take the view that having our own machinery and equipment enhances our competitive strength over other building protection work providers to the extent that (i) it allows us to have more flexibility in allocating our resources in undertaking building protection work projects of varying scale and duration and cover different scale and scope of building protection works; and (ii) there is a higher chance that our quotations would be accepted by our potential customers as we can ensure stable and sufficient machinery to carry out the works effectively and efficiently. Furthermore, our subcontractors to whom we provide our machinery and equipment can render building protection works with consistent quality and efficiency with the aid of our machinery and equipment, as compared to those subcontractors applying the building protection products manually.

Our Directors believe that our needs to acquire additional machinery and equipment are justified by: (i) the increasing demand for machinery and equipment for our projects on hand; (ii) our need to replace aged machinery and equipment while our available machine and equipment are almost fully utilised; and (iii) the requirement of certain products to be applied by spraying machines only instead of by hand.

(i) Increasing demand of machinery and equipment from our projects on hand

As at 31 March 2018, 31 March 2019 and 30 September 2019, we had 104 projects, 135 projects and 168 projects in backlog with an outstanding contract value of approximately HK$154.0 million, HK$172.1 million and HK$172.0 million, respectively. As at the Latest Practicable Date, we had 197 projects in backlog with an outstanding contract value of approximately HK$208.7 million. Hence, there is an increasing number of backlog projects, which include the secured pipeline projects that we are awarded, with corresponding increase in the aggregated outstanding contract value undertaken by us. Accordingly, in light of the aforesaid and the unsecured pipeline projects and potential projects that we have reasonable chance to be awarded, our Directors expect that our demand for machinery and equipment would continue to increase going forward. For instance, taking into account the complexity and scope of the Kai Tak Project, our Directors expect that following the commencement of the currently secured contract under the Kai Tak Project, it would substantially occupy two sets of our existing machinery and equipment for carrying out the works in the construction site, and thus already limiting the flexibility of our available machinery and equipment to be deployed to our other secured projects. Also, in the event when we secure the remaining parts of the Kai Tak Project or our other unsecured and potential projects, our Directors foresee that would demand our deployment of more machinery and equipment to render quality works to our customers in a timely and efficient manner. For further details, please refer to the sub-paragraphs headed "Our secured pipeline projects, unsecured pipeline projects and potential projects" in this section above for further detail. It is therefore imperative for us to strengthen our fleet of machinery and equipment in order to enable us to complete these projects.

(ii) Our need to replace aged machinery and equipment while our available machinery and equipment are almost fully utilised

Further, as set out in the paragraph headed "Business — Our machinery" in this prospectus, our existing machinery were already close to full utilisation during FY2018, FY2019 and FP2019. Pursuant to our accounting policies, depreciation of our machines and equipment is provided using straight-line method over a period of 5 years. Our existing machines and equipment had, on average, been used for approximately 4.5 years as of the Latest Practicable Date, with two having passed their useful life and expected to be replaced subject to their condition. Part of the new machines to be acquired would enable us to replace the aged machines if needed, which on one hand could ensure on-going consistent quality of the building protection works, and on the other hand, avoid any undue delay caused by the aged machines and equipment.

(iii) The requirements of certain products to be applied by spraying machines only instead of by hand

Furthermore, to the best knowledge of our Directors, there are certain third-party branded products used in our building protection works projects which can only be applied with spraying machines. On the other hand, these spraying machines can generally be used to apply a wide range of brands of building protection products instead of limited to a certain brand, and thus can be used in other projects when they are idle. As confirmed by our Directors, we would likely be able to charge a higher contract sum for projects where machines are deployed as they enable higher quality and efficient performance of building protection works than by hand.

During the Track Record Period, due to our liquidity pressure and limited working capital, our available cash resources were only sufficient for maintaining our then existing business operation. As a result, despite of the aforementioned advantages of using machinery and equipment in our building protection works, we only incurred approximately HK$0.5 million, HK$0.1 million and HK$0.01 million for acquisition of new machinery and equipment in FY2018, FY2019 and FP2019, respectively whereby most of our subcontractors had to carry out the relevant building protection works manually in a relatively less efficient manner. Our Directors had considered the possibility of leasing machines and equipment from third parties but subsequently concluded that the leasing model is not feasible or practicable to us. According to Frost & Sullivan report, leasing of machinery and equipment from third-party lessors was rare in the building protection work market in Hong Kong. The machinery and equipment for building protection works, which are predominately spraying machines, are relatively costly and generally have niche applications in relatively larger scale building protection works projects. Generally, only sizeable building protection works providers would have their own machinery to improve their work efficiency and standardise their work quality, and smaller size building protection works providers generally undertake the building protection works manually. It is unlikely that building protection works providers could rent building protection work machinery from third party lessor in the market due to the lack of lessors in the market in Hong Kong.

Instead, our Directors are of the view that the current net proceeds of the Share Offer would therefore allow us access to additional funds for expansion of our fleet of machinery and equipment. Based on the preliminary quotations obtained by us, we estimate that the capital expenditure for the acquisition of seven units of new spraying machines will be approximately HK$4.2 million, which will be financed partly from the net proceeds of the Share Offer and partly with our internal resources. Details of the new machines and equipment for building protection works are as follows:

Machines or equipment intended to be acquired	**Number of unit**	**Functions of the machines or equipment**	**Estimated cost of the machines or equipment** *(Note)*
			HK$'000
Chassis Machine	3	For high pressure spraying of building protection products	2,390
Mini Machine TP Version .	3	For high pressure spraying of building protection products	1,760
EPRO "Ecoline-S" Drum Pump Spraying Machine.	1	For spraying certain EPRO branded waterproofing products	66

Note:

(1) The estimated cost is based on the quotations we obtained from the machine and equipment supplier.

In view of the above, our Directors believe that there is genuine need for expansion of our machinery and equipment fleet, which would (i) enable us to undertake more building protection works projects with our machines and equipment without being restrained by the availability of their capacity during the Track Record Period; and (ii) cement our reputation in the industry and confidence of our existing and prospective customers on us from the quality and efficiency of our work and our operation size, which would enhance our competitiveness so as to gain more and sizeable building protection works projects, and thus facilitate our on-going business growth.

As such, despite the capital investment on the new machines and equipment, the maintenance costs to be incurred and the depreciation charge for these machines and equipment, it will not cause any material adverse impact on our financial performance as these additional and replacement machines and equipment would increase our efficiency, enable us to take up more building protection work projects, which will, from our Directors' point of view, offset the additional costs incurred or arisen from the purchase of additional machinery and equipment.

2. Expand our workforce

— approximately 29.1% of the net proceeds, or approximately HK$8.4 million, will be used for expanding our workforce. The expected total amount for pursuing this business strategy is approximately HK$11.1 million. After deducting the amount of approximately HK$8.4 million from the proceeds of the Share Offer, the remaining sum of approximately HK$2.7 million will be funded by our internal resources.

Our Directors believe that our capability to render quality building protection works to our customers is premised on our strong project teams that are staffed with professional personnel who possess relevant skills and experience to plan and closely monitor the progress of our projects and the works of our subcontractors. Our project team members shall also possess relevant knowledge on the nature and applicability of the building protection products. To maintain the competitiveness of our Group and further enhance the quality of our works, our Directors intend to expand our project teams to cope with our business expansion.

As at the Latest Practicable Date, we have 11 project management staff members comprising four project managers, three quantity surveyors and four foremen. One of the project managers was Mr. Lam, our executive Director and chairman of the Board, who assumed the role to ease the workload of our Group's project managers. Considering that we had 197 projects in backlog (which include our secured pipeline projects), the table below sets out the average number of projects handled by each of our project management staff member during the Track Record Period and up to the Latest Practicable Date:

Average number of projects to be handled by each staff:	**FY2018**	**FY2019**	**FP2019**	**As at the Latest Practicable Date**
- Project manager	26	34	42	49
- Quantity surveyor	35	45	56	66
- Foreman	26	34	42	49

Further, the table below sets forth the average amount of revenue generated from our provision of building protection works borne by each of our project management staff member during the Track Record Period and up to the Latest Practicable Date:

Average amount of revenue borne by each of our project management staff member	**FY2018**	**FY2019**	**FP2019**	**During FP2019 and up to the Latest Practicable Date**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
- Project manager	19,079	26,593	15,754	29,617
- Quantity surveyor	25,439	35,457	21,005	39,489
- Foreman	19,079	26,593	15,754	29,617

As illustrated in the table above, there has been an increasing trend in the number of projects handled and the average amount of revenue borne by each staff in the project team from FY2018 to FY2019. Such trend continued in FP2019 when the number of projects handled by each staff increased and average amount of revenue borne by each staff was greater than half of the revenue borne by each staff in FY2019. According to the Frost & Sullivan Report, the workload of our project management staff had already exceeded the industry average of 10 to 20 projects at the same time per person for building protection works providers of similar size as us. In light of the aforesaid and taking into account the number and scale of our secured projects and unsecured pipeline projects and potential projects as at the Latest Practicable Date, our Directors take the view that our existing project teams, who had already been fully occupied due to their heavy workload, would not have enough spare capacity to undertake more projects in the near future. For instance, while we had not yet experienced any material delay in progress of our projects during the Track Record Period and up to the Latest Practicable Date, due to the limited capital resources and manpower available to our Group to take up new projects, we had declined to submit preliminary tenders or follow up enquiries from potential customers for over 600 potential projects during the Track Record Period, which hindered our pace of business expansion. For details, please refer to the paragraph headed "Reasons for the Listing — 1. Satisfy our genuine funding need — We need to maintain sufficient working capital level for our projects" in this section above.

Furthermore, to the best estimation of our Directors, a majority of our projects in progress (including the secured pipeline projects) as at the Latest Practicable Date would approach completion only by the third quarter of the year 2020. On the other hand, the majority of the unsecured pipeline projects and some of the potential projects, if we can secure, were expected to commence by the second quarter of the year 2020 and would last for approximately 16 to 48 months. As a result, there is a likelihood that the term of some unsecured pipeline projects and potential projects, if become secured, would overlap with the remaining term of our backlog projects prior to their completion. As such, our Directors envisage that our project team's workload will become heavier by that time; for instance, the timetable of the new projects may overlap with our project team staff's other existing projects, or the complexity of the new project may mandate more time and effort and put more strain on our project team staff even after considering the possibility of loosening capacity upon completion of an existing project. Though we can control the time we spend on a project, we cannot absolutely determine when it is to commence or to complete the project as we have to follow the schedule of the main contractor or employer of the project. Thus, our room to maneuver our work force to cope with the expected time of completion of our existing projects and to commence other projects upon completion of the existing projects is constrained by the above factors. In light of the above, if we do not expand our project team work force, (i) our project team might not be able to provide adequate and timely instructions to our subcontractors, to closely supervise the implementation of work safety measures on site, and to monitor the quality of works performed by the subcontractors; and (ii) we would risk incurring liabilities from failure to adhere to the timetable of our existing and prospective projects due to insufficient manpower.

In view of the number and scale of our secured pipeline projects, unsecured pipeline projects and potential projects, particularly the provision of waterproofing works to the Kai Tak Project which will last for longer duration and involve more expertise, our Directors expect that these projects will take up a relatively large number of staff and deploy our manpower for prolonged periods due to the potentially substantial amount of project management works involved.

In light of the above, our Directors consider that a substantial amount of manpower will be required and to this end, we intend to recruit the following additional employees:

Position	Function	Qualification	Number of employees to be recruited	Approximate annual remuneration per employee
				HK$'000
Project manager . . .	Management of project implementation	Holder of bachelor degree in civil engineering or equivalent with relevant experience in building protection works	2	715
Project accountant . .	Prepare financial reporting of the projects undertaken us	Holder of bachelor degree in accounting or equivalent with relevant experience in project accounting	1	338
Project clerk	Assist our project accountant and quantity surveyor to perform their daily functions	With relevant experience in building protection works	1	182
Quantity surveyor manager	Oversee the inspection of work progress on site and preparation of payment application	Holder of bachelor degree in quantity surveying or equivalent with relevant experience in managing role	1	644
Quantity surveyor . .	Assist the quantity surveyor manager to inspect the work progress on site and prepare payment applications	Holder of bachelor degree in quantity surveying or equivalent with relevant experience	2	325
Foreman	Supervise workers on site and procurement of materials	With relevant experience in supervision of sites and workers	2	364

Apart from the above reasons, our Directors have also considered that there is a genuine business need to expand our workforce given that:

(i) our Group's existing manpower are already fully occupied and members of our project team can be reallocated to other ongoing projects only after they have completed their ongoing projects on hand. However, in view of the timeline of some of the unsecured pipeline projects, and the size of our secured pipeline projects, our existing manpower will not be sufficient to cater for these projects;

(ii) in granting a contract to us, our customer will assess, among other things, the availability of our manpower resources. Hence, to increase our Group's chance in winning a contract by quotation, it is necessary for our Group to enhance our competitiveness by expanding our workforce;

(iii) according to the Frost & Sullivan Report, the building protection work market in Hong Kong is expected to grow at a CAGR of approximately 4.4% from 2019 to 2023. However, during the Track Record Period, our business growth had been limited by our available capital resources and manpower, which as a result we had to decline pursuing for over 600 potential projects, including projects at landmark locations or for renowned clients that could potentially expand our project portfolio. With the additional capital to expand our project management team, we would have the necessary capacity to take up more building protection works projects, thus accelerating our pace of business expansion; and

(iv) the new project managers to be recruited would be able to relieve Mr. Lam from his involvement in the daily management of the projects, thus allowing him to instead focus on the business expansion planning of our Group.

Commercial rationale for expanding our Group's workforce

Our Directors consider that our intended allocation of net proceeds from the Share Offer for expanding our Group's workforce to cover up to approximately 36 months' basic remuneration of the additional staff is both commercially viable and prudent after considering the estimated timing of additional income and cash inflows to be generated as a result of the expansion of our workforce and the inherent uncertainties associated thereof. Though (i) our Group should secure sufficient cash inflow to cover the basic remuneration of the additional staff in the long run; and (ii) the additional workforce would benefit our Group by generating sufficient additional income and cash inflows to cover the increased staff costs, there are other factors that may affect the length of time needed to achieve this end. These factors are set out below.

The factors that will affect the timing when our Group's additional project team members can generate sufficient cash inflow to cover our Group's increased staff costs

Whether our Group's additional project team members, who are mainly professional staff including project managers, quantity surveyor manager, quantity surveyors, and foreman with professional qualifications/experience, can generate sufficient cash inflow to cover our increased staff costs is affected by various factors including (i) the number of projects that our Group can secure; (ii) the time required for the selection process before a project is awarded to our Group; (iii) the time required to generate net cash inflows from the commencement of a project, typically more than three months, including the time required for execution of works, application for payments, progress certification, and credit period before payment is made, which can vary from project to project; (iv) the time required for completing our projects; (v) the number of competitors in the market who are competing with our Group for the same project which in turn affects our chance of securing the project; (vi) the financial condition and commercial success of our major customers which in turn affects our ability to recover significant amounts of trade receivables, our cash flow and financial position; (vii) the liquidity risk our Group faces in relation to working capital requirements associated with undertaking contract works causing a cash flow gap during the course of undertaking our projects; (viii) the possibility that the time and costs incurred in completing our projects may exceed our estimation which may result in the delay in completion of works and/or cost overruns; (ix) the underperformance or unavailability of our subcontractors resulting in unexpected delay in our scheduled completion time or even our ability to complete our projects; (x) the financial condition of our customers; and (xi) the economy and building protection work market atmosphere in Hong Kong. Given these range of factors affecting the time taken before our Group can generate sufficient income to cover our increased staff costs, our Directors consider that it is necessary to allocate sufficient proceeds to maintain our additional workforce to cater for such uncertainties.

Our Group needs additional workforce if our secured pipeline projects, unsecured pipeline projects and potential projects are to be carried out simultaneously or at similar time

Apart from our secured pipeline projects, unsecured pipeline projects and potential projects set out above, our Group will continue to seek for more new projects in the next 36 months, which would require additional workforce. On the other hand, while the size and composition of a project team is different among different projects, depending on the scale of the relevant project, if a few projects start at the same or similar time, our Group's existing workforce will not be sufficient to carry out the works in other projects simultaneously. Our Directors consider that taking into account the general project duration and other factors mentioned above, the allocation of financial resources with a combination of net proceeds and our internal resources for expanding our Group's workforce to cover up to approximately 36 months' basic remuneration of the additional staff provides the reasonable buffer for our Group to better allocate our workforce when the above-mentioned projects and other new projects are to commence or be carried out simultaneously or at similar time.

3. Strengthen our financial position to pay for the upfront cost of our projects

— approximately 31.0% of the net proceeds, or approximately HK$9.0 million, will be used for strengthening our financial position to pay for a portion of the upfront cost of our secured pipeline projects. As at the Latest Practicable Date, the total upfront cost of our secured pipeline projects amounts to approximately HK$18.7 million. After deducting the amount of proceeds of the Share Offer allocated to this business strategy, the outstanding HK$9.7 million of upfront costs of our current secured pipeline projects will be satisfied by our internal resources.

To commence a new project and in the course of carrying out the project, we generally have to incur substantial upfront costs in the early stage and working capital during the course of implementation of the project before such costs can be recovered from our customers after more than approximately three months. For detailed analysis of our net cash used in operating activities, please refer to the paragraph headed "Financial Information — Liquidity and capital resources — Net cash generated from operating activities" in this prospectus. Furthermore, the progress payments from our customers will not always be paid to us on time and in full and we may experience a mismatch of our cash flow when there is any timing difference between making payments to our suppliers and our subcontractors and receiving payments from our customers. With reference to our operation history during the Track Record Period, we estimated that the total upfront cost of our secured pipeline projects, unsecured pipeline projects and potential projects, which generally includes the cost for procurement of building protection products and materials, subcontracting charges and staff cost, etc., would in aggregate amount to approximately HK$86.1 million if they were all secured by our Group. During the Track Record Period, we paid upfront cost for all the projects but we generally did not receive any prepayment from our customers for the majority of our projects. As such, our Directors do not expect that we would receive any prepayment for the majority of the secured pipeline projects or unsecured pipeline projects or potential projects in the future.

On the other hand, though we were generally able to generate positive net cash flows from our operating activities during the Track Record Period, our Directors take the view that we cannot solely rely on our future cash flows from our operating activities to pay the upfront costs for our secured pipeline projects and unsecured pipeline projects due to the following reasons:

(i) the upfront cost will increase correspondingly and significantly if we are to take up more sizeable projects in the future. Based on (a) the historical cost of sales and service during the Track Record Period; and (b) the time difference between historical trade receivables turnover days and trade payable turnover days, our Directors expect that we are required to maintain a minimum upfront cost on working capitals of approximately HK$37.5 million for payment of our backlog projects, before we would receive an equal sum of payment of receivable settled by our customers. If we successfully bid and be awarded with more unsecured and potential projects, our financial pressure for payment of the upfront costs would be further intensified;

(ii) we are rather passive as to (a) which projects we can secure after we have provided our quotations to our customers and (b) when exactly we will be required to make available cash for payment of the upfront cost for these projects as the time required to complete a selection process by individual customers based on our quotations and the subsequent award of the contract to us would vary, depending on the practice of individual customers and the project size. Hence, our Directors take the view that it is financially prudent for our Group to maintain sufficient immediately available cash and bank balance in case we have to pay a substantial amount of upfront costs within a short period of time if all or some of the unsecured pipeline projects and/or potential projects are to commence concurrently or at similar time.

(iii) as at 30 September 2019, our contract assets, on a net basis, amounted to approximately HK$91.2 million, of which approximately HK$15.7 million was retention receivables. As at the Latest Practicable Date, our contract assets increased to approximately HK$113.8 million. Given the billing of contract assets and settlement of trade receivables depends on the timing of certification of our work by our customers and the credit period granted to them, if there is any delay in certification of our works or in payment of our work by our customers in any projects, our cash inflow would be adversely affected. In the event that this happens, we would have difficulty to pay the upfront cost of other projects if these projects are to commence at the same time. Hence, the increasing amount of our contract assets, which represented the amount of our uncertified and unbilled completed work and the amount of retention receivable, coupled with our account receivables, can together reflect our capital pressure as they may not be fully and immediately available to us to pay for the upfront cost;

(iv) during the Track Record Period, our net cash generated from our operating activities decreased significantly from approximately HK$41.2 million for FY2018 to HK$1.5 million for FY2019. While our net cash generated from our operating activities was approximately HK$12.9 million for FP2019, by taking into account the cash flow mismatch of our Group as signified by the generally longer adjusted trade receivable turnover days than the trade payable turnover days during the Track Record Period, we would still have genuine working capital pressure if we are called upon to pay a substantial amount of upfront cost when a number of projects are to commence concurrently or at similar time; and

(v) if the proposed SOPL comes into effect, we shall pay our subcontractors in accordance to the payment terms under our subcontracts regardless of the timing of payment by our customers.

In light of the above, to ensure that we have sufficient cash to pay the upfront cost, we will review the allocation of the net proceeds for payment of upfront costs for our projects regularly, taking into account the respective number of secured pipeline projects, unsecured pipeline projects and the potential projects that we have reasonable chance to be awarded. Nonetheless, in addition to these projects, our Directors estimate that our business will continue to expand steadily according to our business strategies whereby the upfront cost will also increase correspondingly.

As set out in the subparagraphs headed "Our secured pipeline projects, unsecured pipeline projects and potential projects" in this section above, the estimated total upfront costs of our secured pipeline projects, unsecured pipeline projects and potential projects would in aggregate amount to approximately HK$86.1 million with breakdown as follows:

Types of projects	**Estimated total upfront costs**
	HK$ '000
Secured pipeline projects	18,746.5
Unsecured pipeline projects	12,038.3
Potential projects	55,331.8
Total	86,116.6

The allocated net proceeds of HK$9.0 million will be fully applied to our secured pipeline projects, which require a total upfront cost of approximately HK$18.7 million as at the Latest Practicable Date. As a result, the outstanding HK$9.7 million of upfront costs of our secured pipeline projects not covered by the allocated net proceeds and the total upfront costs of approximately HK$67.4 million of our unsecured pipeline projects and potential projects, if they are all secured, will have to be satisfied by our internal resources.

4. Expand our building protection product mix and continue to develop our own-brand "DP ChemTech" and "DP" products

— approximately 30.1% of the net proceeds, or approximately HK$8.7 million, will be used for expanding our building protection product mix and developing our own-brand "DP ChemTech" and "DP" products. The expected total amount for pursuing this business strategy is approximately HK$10.8 million. After deducting the amount of approximately HK$8.7 million from the proceeds of the Share Offer, the remaining sum of approximately HK$2.1 million will be funded by our internal resources.

To leverage our established track record and reputation in the building protection works market in Hong Kong and to further enhance our market position as a major supplier of building protection products in Hong Kong and Macau, we plan to further expand the product offering of our building protection products by (i) solidifying our relationship with existing suppliers of building protection products; (ii) identifying and introducing new brands and new products from our existing suppliers and new suppliers of building protection products; and (iii) developing our own-brand "DP ChemTech" and "DP" products. In evaluating prospective new brand owners, we will consider, among other factors, quality and product properties, prevailing consumer preference, forecast market trend and competition in the market.

We believe that through our horizontal expansion of product offerings, we can provide customers with a more comprehensive one-stop building protection total solution. As one of our competitive strengths is our capability to recommend different mix and brands of building protection products to our customers to meet their varying specifications, we need to expand the variety of product and brand offerings from our existing suppliers and new suppliers in order to maintain our competitiveness and enlarge our product coverage.

During the Track Record Period and up to the Latest Practicable Date, we obtained distribution right of nine brands covering more than 400 building protection products. We plan to obtain distribution rights of more brands from more internationally renowned brand owners or manufacturers. To this end, we plan to enter into distribution agreements with more internationally renowned brand owners or manufacturers, which allows us to enrich our product portfolio and to maintain our competitiveness in the market.

As at the Latest Practicable Date, we have identified a few brands of building protection products from our existing suppliers and new suppliers for potential distribution right but no formal negotiation had yet to have commenced with the relevant brand owners nor had we entered into any letter of intent or agreement with them for such distribution rights due to our lack of funding as most of the suppliers or brand owners new to us would require us to fulfil the minimum purchase requirements before they agree to grant the distribution right of their building protection products to us. Notwithstanding that, based on our Directors' industry knowledge and experience, there are plenty of brands of building protection products developed and sold in overseas countries which are yet to be launched in Hong Kong. Hence, in the event that any of the distribution right of any of such brands which we have identified will not be granted to us, we can easily secure other alternative branded products.

As concerns our own-brand building protection products, they are mainly targeted to the low to mid end market of building protection products in Hong Kong and Macau. In particular, our Directors consider that the building protection products supplied under our own "DP ChemTech" and "DP" brands are more customised to cater for our customers' needs, and include specialized applications which were not specifically covered by our other third party brands products. For instance, one of our own-brand building protection products has high crack bridging capability, being able to bridge cracks as wide as 21mm on the surface that it is applied on, which our Directors consider no other comparable products in the industry can achieve. Furthermore, by taking advantage of their market positioning, our own-brand building protection products would enable us to increase our overall market shares and expand our revenue stream by penetrating to the low to mid end market and catering for customers who prefer lower priced yet quality building protection products, in addition to the mid to high end market which are already covered by the third party branded products supplied by us. As a result, despite our own branded products are priced with a relatively lower gross profit margin in view of their market positioning and relatively shorter development history, our Directors expect there would be demand for our own-brand building protection products, and its volume of sales will increase along with the increase of its brand awareness. We could then leverage the expanded customer base upon further development of our own-brand building protection products for the business development of our Group in the long run. Meanwhile, our Directors also believe that the development of our own-brand building protection products would not pose significant competition against the other third-party brand building protection products distributed by us due to their differences in pricing and their specific market positioning. To expand and consolidate the market position of our own-brand "DP ChemTech" and "DP" products, it is important that we are able to (i) anticipate and respond to customer requirements and market trend; (ii) supply reliable, compatible and quality building protection products to customers; and (iii) market and promote the "DP ChemTech" and "DP" brands to increase their popularity and brand awareness. To this end, we intend to apply more resources on developing our own "DP ChemTech" and "DP" brands.

Before a building protection product is allowed to be used in a building protection works project in public sector, the product is generally required to undergo laboratory tests to ensure that it is in conformity with government requirements and standards. For some private sector projects, the employers or architects may also require the building protection products to undergo laboratory tests before the products can be used in these projects. Hence, to enhance our customers' confidence on the quality and functions of our own-brand "DP ChemTech" and "DP" products when we roll out the products, it is necessary for us to engage international testing and certification companies to carry out laboratory testing on our own-brand "DP ChemTech" and "DP" products. Our Directors believe that we would be able to capture more business opportunities for public sector projects if all our own-brand building protection products are in conformity with government requirements and standards for building protection products. During the Track Record Period, we incurred approximately HK$0.1 million for engaging international testing and certification companies to carry out laboratory tests on our own-brand "DP ChemTech" and "DP" products.

We incurred relatively insignificant amount in the laboratory testing and promotion of our own-brand building protection products during the Track Record Period. As confirmed by our Directors, this was due to the following reasons:

(i) we lacked sufficient funding to conduct laboratory testing and promote our own products as the high working capital level required by our building protection works projects had intensified our liquidity pressure during the Track Record Period. As such, our Directors consider that our then available cash resources and working capital should be better deployed for sustaining our business operation and for satisfying the immediate and continuing capital need of the projects in progress, which will generate immediate return to our Group. As such, we gave priority to fund the working capital of both our building protection works projects and the business in the distribution of building protection products instead of conducting laboratory testing or promoting our own-brand building protection products; and

(ii) based on our Directors' experience, laboratory testing of our own-brand building protection products would take around 10 months on average to complete. Afterwards, it would take further time and resources for promotion and launching the product in the market before it would generate revenue to our Group. It is therefore a long term investment to which our Group had only limited available capital resources for development during the Track Record Period.

Notwithstanding the above, our Directors acknowledged that expenditure on the laboratory testing and promotion of our own-brand building protection products would lead to long term benefits, such as (i) improvements in their recognition in the market and competitiveness; and (ii) enhancement of our customers' confidence on such products.

To enhance the market recognition of our own-brand "DP ChemTech" and "DP" products, we intend to spend a total of approximately HK$8.3 million with a combination of the net proceeds of the Share Offer and our internal resources to (i) engage international testing and certification companies to carry out laboratory testing on 18 types of our own- brand building protection products and issue laboratory test reports on these products, which are estimated to cost approximately HK$8.0 million in aggregate with reference to the quotations we received from independent international testing and certification companies which we had engaged previously; and (ii) conduct promotion on such building protection products, which are estimated to cost approximately HK$0.3 million in aggregate. The following table set forth the breakdown of the expenditure to be incurred for conducting laboratory testing of each type of our own-brand building protection products in pursuit of this business strategy:

Type of our own-brand building protection products	Amount of expenditure to be incurred on laboratory testing
	HK$'000
Waterproofing products	5,834.0
Tiling products	268.3
Flooring and other products	1,864.3
Total	7,966.6

In light of the above and in anticipation of our business growth, we intend to expand our sales and product team by recruiting one additional sales executive and one additional sales manager who possess appropriate industry knowledge, expertise and experience as the building protection products distributed and supplied by us are rather technical. In this connection, we intend to spend approximately HK$2.5 million from the net proceeds of the Share Offer, for the recruitment of new sales representatives, details of which are as follows:

Position	**Function**	**Experience**	**Number of employees to be recruited**	**Approximate annual remuneration per employee**
				HK$'000
Senior sales representative . . .	Proactively seeking business opportunities by exploring more internationally renowned brands or potential brands of building protection products and help rolling out the brands in both Hong Kong and Macau markets	Having at least five years' working experience in building protection product market in Hong Kong and possessed appropriate industry knowledge in the nature and application of building protection products	1	546
Sales representative .	Assisting the senior sales representative in seeking business opportunities by exploring more internationally renowned brands or potential brands of building protection products and help rolling out the brands in both Hong Kong and Macau markets	Having at least two years' working experience in building protection product market in Hong Kong and possessed appropriate industry knowledge in the nature and application of building protection products	1	248

USE OF PROCEEDS

Based on the Offer Price of HK$0.26 per Share (being the mid-point of the indicative Offer Price range of HK$0.24 to HK$0.28 per Share), the net proceeds of the Share Offer, after deduction of underwriting fees and other expenses payable by our Company in relation to the Share Offer, are estimated to be approximately HK$29.0 million (assuming that the Offer Size Adjustment Option is not exercised at all). Our Company currently intends to use the net proceeds from the Share Offer in the following manner:

For the period from the Listing Date to 31 March 2023, our net proceeds from the Share Offer will be used as follows:

	From the Listing Date to 30 September 2020	From 1 October 2020 to 31 March 2021	From 1 April 2021 to 30 September 2021	From 1 October 2021 to 31 March 2022	From 1 April 2022 to 30 September 2022	From 1 October 2022 to 31 March 2023	Total	Approx.% of net proceeds
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*%*
Acquire additional machinery and equipment for building protection works	1,449	1,383	—	—	—	—	2,832	9.8
Expand our workforce	1,101	1,459	1,332	1,532	1,399	1,609	8,432	29.1
Strengthen our financial position for payment of upfront cost	8,993	—	—	—	—	—	8,993	31.0
Expand our building protection product mix and continue to develop our own-brand "DP ChemTech" and "DP" products	173	342	4,852	2,784	447	145	8,743	30.1
	11,716	3,184	6,184	4,316	1,846	1,754	29,000	100.0

If the Offer Price is finally determined not at the mid-point within the indicative Offer Price range, the net proceeds from the Share Offer will be increased or decreased by approximately HK$4.1 million if the Offer Price is determined at the highest or lowest of the indicative Offer Price range, respectively. If we make a Downward Offer Price Adjustment to set the final Offer Price at HK$0.22 per Offer Share, the estimated net proceeds we will receive from the Share Offer will be further reduced by an additional amount of approximately HK$4.1 million. In such events, the net proceeds will be used in the same proportion as disclosed above.

If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received from the offer of the additional Shares allotted and issued will be allocated in accordance with the above allocations on a pro rata basis. For details of the Offer Size Adjustment Option, please refer to the section headed "Structure and Conditions of the Share Offer" in this prospectus.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes and to the extent permitted by applicable laws and regulations, if we are unable to effect any part of our future plans as intended, it is the present intention of our Directors that such net proceeds be placed in short-term interest bearing deposit accounts held with authorised financial institutions in Hong Kong. In the event that we would require additional financing apart from the net proceeds from the issue of the Offer Shares for our future plans, the shortfall will be financed by our internal resources and bank financing, when necessary.

IMPLEMENTATION PLANS

In pursuance of the above business objectives, the implementation plans of our Group are set forth below from Listing Date to 31 March 2023 and for each of the six-month periods until 31 March 2023. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to the paragraph headed "Bases and assumptions" in this section below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed "Risk Factors" of this prospectus. Therefore, there is no assurance that our Group's business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

(a) From the Listing Date to 30 September 2020

Business strategies	Implementation activities	Source of funding	
		From listing proceeds	From internal resources
		HK$'000	*HK$'000*
Acquire additional machinery and equipment for building protection works	To acquire the following machines:		
	- EPRO "Ecoline-S" Drum Pump Spraying Machine	66	—
	- Chassis Machine	797	—
	- Mini Machine TP Version	586	—
Expand our work force	Recruitment of new staff:		
	- 1 quantity surveyor	150	—
	- 1 quantity surveyor manager	297	—
	- 1 project manager	330	—
	- 1 project accountant	156	—
	- 1 foreman	168	—

Business strategies	Implementation activities	Source of funding	
		From listing proceeds	From internal resources
		HK$'000	*HK$'000*
Strengthen our financial position for payment of upfront cost	Capital for financing our upfront cost	8,993	3,262
Expand our building protection product mix and develop our own-brand "DP ChemTech" and "DP" products	To perform the following activities:		
	- To recruit 1 sales representative	115	—
	- To recruit 1 senior sales representative	—	252
	- To perform lab tests and promotion for four products	58	80
		11,716	3,594

(b) From 1 October 2020 to 31 March 2021

Business strategies	Implementation activities	Source of funding	
		From listing proceeds	From internal resources
		HK$'000	*HK$'000*
Acquire additional machinery and equipment for building protection works	To acquire the following machines:		
	- Chassis Machine	797	—
	- Mini Machine TP Version	586	—
Expand our work force	Recruitment of new staff:		
	- 1 project manager	—	380
	- 1 foreman	193	—
	To pay salary for the new staff recruited in previous period	1,266	—
Expand our building protection product mix and develop our own-brand "DP ChemTech" and "DP" products	To perform the following activities:		
	- To perform lab tests and promotion for four products	210	80
	- To pay salary for the newly recruited staff	132	290
		3,184	750

(c) From 1 April 2021 to 30 September 2021

Business strategies	**Implementation activities**	**Source of funding**	
		From listing proceeds	**From internal resources**
		HK$'000	*HK$'000*
Acquire additional machinery and equipment for building protection works	To acquire the following machine:		
	- Mini Machine TP Version	—	587
Expand our work force	To pay salary for the new staff recruited in previous periods	1,332	347
Expand our building protection product mix and develop our own-brand "DP ChemTech" and "DP" products	To perform the following activities:		
	- To perform lab tests and promotion for four products	4,732	80
	- To pay salary for the newly recruited staff	120	265
		6,184	1,279

(d) From 1 October 2021 to 31 March 2022

Business strategies	Implementation activities	Source of funding	
		From listing proceeds	From internal resources
		HK$'000	*HK$'000*
Expand our work force	Recruitment of new staff:		
	- 1 quantity surveyor	—	173
	- 1 project clerk	—	97
	To pay salary for the new staff recruited in previous periods	1,532	398
Expand our building protection product mix and develop our own-brand "DP ChemTech" and "DP" products	To perform the following activities:		
	- To perform lab tests and promotion for four products	2,646	80
	- To pay salary for the newly recruited staff	138	304
		4,316	1,052

(e) From 1 April 2022 to 30 September 2022

Business strategies	Implementation activities	Source of funding	
		From listing proceeds	From internal resources
		HK$'000	*HK$'000*
Acquire additional machinery and equipment for building protection works	To acquire the following machines:		
	- Chassis Machine	—	797
Expand our work force	To pay salary for the new staff recruited in previous period	1,399	610
Expand our building protection product mix and develop our own-brand "DP ChemTech" and "DP" products	To perform the following activities:		
	- To perform lab tests and promotion for two products	320	40
	- To pay salary for the newly recruited staff	127	278
		1,846	1,725

(f) From 1 October 2022 to 31 March 2023

Business strategies	Implementation activities	Source of funding	
		From listing proceeds	From internal resources
		HK$'000	*HK$'000*
Expand our work force	To pay salary for the new staff recruited in previous periods	1,609	701
Expand our building protection product mix and develop our own-brand "DP ChemTech" and "DP" products	To pay salary for the newly recruited staff	145	320
		1,754	1,021

BASES AND ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 March 2023.

(a) There will be no material changes in the existing political, legal, fiscal, social or economic conditions in Hong Kong, Macau or in any other places in which any member of our Group carries on its business or will carry on its business.

(b) Our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate.

(c) There will be no material change in the funding requirement for each of our Group's future plans described in this prospectus from the amount as estimated by our Directors.

(d) There will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates.

(e) There will be no change in the effectiveness of the licenses, permits and qualifications obtained by our Group.

(f) There will be no material changes in the bases or rates of taxation applicable to the activities of our Group.

(g) Our Group will be able to retain our customers and suppliers.

(h) Our Group will be able to retain key staff in the management and the main operational departments.

(i) There will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group.

(j) Our Group will not be materially affected by the risk factors as set out under the section headed "Risk Factors" in this prospectus.

PUBLIC OFFER UNDERWRITERS

Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Public Offer Underwriters

Alpha Financial Group Limited

Lego Securities Limited

Joint Bookrunner, Joint Lead Manager and Public Offer Underwriter

Enhance Securities Limited

Joint Lead Managers and Public Offer Underwriters

AFG Securities Limited

All EverGreen Securities Limited

Brilliant Norton Securities Company Limited

China-Hong Kong Link Securities Company Limited

CIS Securities Asset Management Limited

Grand Partners Securities Limited

Lee Go Securities Limited

Orient Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription of 25,000,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriters have agreed on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, but without limitation, the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

(i) there has been a material breach of any of the representations, warranties, undertakings or provisions of either the Public Offer Underwriting Agreement or the Placing Agreement by any of our Company, our executive Directors and our Controlling Shareholders, or

(ii) any statement (save and except those statement of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Public Offer Underwriters contained in the post hearing information pack, this prospectus, the Application Forms or the formal notice of our Company or any announcements in the agreed form issued by our Company in connection with the Public Offer (including any supplement or amendment thereto)) was, has or may become untrue, incorrect or misleading in any material respect, or any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms or the formal notice of our Company are not, in all material respects, fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

(iii) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, our executive Directors and our Controlling Shareholders pursuant to the indemnities given by them under the Public Offer Underwriting Agreement or the Placing Agreement, as applicable; or

(iv) any breach of any of the obligations of any of our Company, our executive Directors and our Controlling Shareholders under the Public Offer Underwriting Agreement or the Placing Agreement, as applicable; or

(v) any of the reporting accountants of our Company, or any of the legal counsels or consultants of our Company has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(vi) approval in principle from the Stock Exchange granting the listing of, and permission to deal in, the Offer Shares, including any additional Shares issued pursuant to the exercise of the Offer Size Adjustment Option, the Shares in issue and any Shares which may be issued upon the Capitalisation Issue and upon the exercise of any options which may be granted under the Share Option Scheme, is refused or not granted, on or before the listing approval date, or if granted, the approval is subsequently withdrawn, qualified or withheld; or

(vii) our Company withdraws any of this prospectus, the Application Forms or the listing application in respect of the Share Offer; or

(viii) save as disclosed in this prospectus, any material potential litigation, legal proceeding, legal reaction, claim or disputes being threatened or instigated against any member of the Group or any Director, or any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political or regulatory body of any action against any executive Director in his or her capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action; or

(ix) any of the representations, warranties and undertakings given pursuant to the Public Offer Underwriting Agreement given by our Company or executive Directors or our Controlling Shareholders under the Public Offer Underwriting Agreement or the Placing Agreement, as applicable, is (or would when repeated be) untrue, incorrect or misleading in any respect; or

(x) any person (other than any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of this prospectus, the Application Forms and the formal notice of our Company or to the issue of any of this prospectus, the Application Forms and the formal notice of our Company; or

(xi) there will have developed, occurred, happened or come into effect any change or development involving a prospective change or development, or any event or series of events, matters or circumstances likely to result in or representing a change or development, or prospective change or development, concerning or relating to:

(a) any local, national, regional or international financial, political, economic, legal, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and interbank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollars or the Macau Pataca against any foreign currencies) in or affecting Hong Kong, Macau, the PRC, the United States, the United Kingdom, Japan, the European Union (or any member thereof), BVI or the Cayman Islands or any other jurisdiction the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) consider relevant (each a "**Relevant Jurisdiction**"); or

(b) any new law or regulation or any change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any other Relevant Jurisdiction; or

(c) any deterioration of the condition of the financial markets in any Relevant Jurisdiction or generally in the international equity securities or other financial markets; or

(d) (A) any event or series of events in the nature of force majeure (including, without limitation, acts of government, economic sanctions, strikes or lockouts (whether or not covered by insurance), riots, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, outbreak of infectious disease or epidemics, including, but not limited to, Severe Acute Respiratory Syndrome and H1N1 or swine or avian influenza or COVID-19 or such related/mutated forms of accident or interruption or delay in transportation), or (B) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other declaration of a national or international state of emergency or calamity or crisis, in the case of either (A) or (B), in or affecting any Relevant Jurisdiction; or

(e) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the Tokyo Stock Exchange, the London Stock Exchange or any PRC stock markets or (B) a general moratorium on commercial banking activities in any Relevant Jurisdiction, declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, in the case of either (A) or (B), in or affecting any Relevant Jurisdiction; or

(f) any taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction adversely affecting an investment in the Shares; or

(g) any litigation or claim being threatened or instigated against any member of the Group or any Director, any of the chairman or chief executive officer of our Company vacating his office, any executive Director being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory body of any action against any executive Director in his or her capacity as such or an announcement by any governmental, political, regulatory body that it intends to take any such action; or

(h) any contravention by any member of the Group of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law, any of the GEM Listing Rules or any applicable law or regulation; or

(i) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares (including the additional Shares that may be allotted and issued by our Company upon the exercise of the Offer Size Adjustment Option) pursuant to the terms of the Share Offer; or

(j) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Share Offer with the GEM Listing Rules or any other applicable law or regulation; or

(k) the issue or requirement to issue by our Company of a supplementary prospectus, Application Forms, pursuant to the Companies Ordinance or the GEM Listing Rules in circumstances where the matter to be disclosed is, in the opinion of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters), materially adverse to the marketing for or implementation of the Share Offer; or

(l) any change or prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(m) any demand by creditors for repayment of indebtedness or a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(n) any change in respect of the business, assets, liabilities, conditions, business affairs, prospects, profits, losses or the financial or trading position or performance or management of our Company or any member of the Group; or

(o) any matter that has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute an omission therefrom;

and which, with respect to any of sub-paragraphs (a) through (o) above, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters):

(A) is, will be or may have any material adverse effect or any development involving a prospective material adverse effect, in or affecting the business, general affairs, management, prospects, assets and liabilities, financial position (including, but not limited to, revenue and net profits), shareholders' equity or results of operations of the Group Companies, taken as a whole whether or not arising in the ordinary course of business or be materially adverse to any present or prospective shareholder of our Company in its capacity as such; or

(B) has, will have or may have a material adverse effect on the success of the Share Offer or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or make it impracticable, inadvisable or inexpedient for any material part of the Public Offer Underwriting Agreement, the Placing Agreement, the Public Offer or the Share Offer to be performed or implemented as envisaged; or

(C) makes or may make it impracticable, inadvisable or inexpedient to proceed with or to market the Public Offer and/or the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the formal notice of our Company; or

(D) would have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof,

then the Joint Global Coordinators, in their sole and absolute discretion, may, for themselves and on behalf of the Public Offer Underwriters, upon giving notice to our Company, our executive Directors and our Controlling Shareholders made pursuant to the Public Offer Underwriting Agreement on or prior to 8:00 a.m. on the Listing Date (with a copy of such notice to the other Public Offer Underwriters), terminate the Public Offer Underwriting Agreement with immediate effect.

UNDERTAKINGS GIVEN TO THE STOCK EXCHANGE PURSUANT TO THE GEM LISTING RULES

Undertaking by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that, save as pursuant to the Share Offer (including the grant and exercise of the options under the Share Option Scheme), no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that except pursuant to the Share Offer, he/it will not and will procure that the relevant registered holder(s) will not: (a) in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and (b) in the period of 12 months commencing on the date on which the period referred to in the paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in the paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder or a group of Controlling Shareholder of our Company. Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that, he/it will: (i) in the event that he/it pledges or charges any direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the 12-month period from the Listing Date, inform us immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and (ii) having pledged or charged any interest in the Shares under (a) above, inform the Company immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

Undertaking by our Company

Except pursuant to the Capitalisation Issue, the Share Option Scheme and the Share Offer, during the period commencing on the date of this prospectus and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), our Company has undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters and the Sole Sponsor not to, and to procure each other member of our Group not to, without the prior written consent of the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed) and the Sole Sponsor and unless in compliance with the requirements of the GEM Listing Rules:

(i) offer, allot, issue or sell, or agree to allot, issue or sell, hedge, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates), either directly or indirectly, conditionally or unconditionally, any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any securities convertible into or exchangeable for such Shares (or any interest in any Shares or any voting or other right attaching to any Shares); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or such securities; or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

(iv) offer or agree to do any of the foregoing transactions and publicly disclose any intention to effect such transaction, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period).

In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the six-month period commencing from the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), it will take all reasonable steps to ensure that such action will not create a disorderly or false market in any of the Shares or other securities of our Company.

Undertaking by our Controlling Shareholders

Each of our Controlling Shareholders has also undertaken to each of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters and the Sole Sponsor that, (i) save as pursuant to the Share Offer; or (ii) permitted under the GEM Listing Rules, without the prior written consent of the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed) and the Sole Sponsor:

(i) he/it will not, at any time during the period commencing on the date of the prospectus and ending on the expiry of the 12 months after the Listing Date (the "**First 12-Month Period**"), (A) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable), or (B) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (C) enter into any transaction with the same economic effect as any transaction specified in (A) or (B) above, or (D) offer to or agree to or announce any intention to effect any transaction specified in (A), (B) or (C) above, in each case, whether any of the transactions specified in (A), (B) or (C) above is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(ii) he/it will not, during the 12-month period commencing from the expiry of the First 12-Month Period (the "**Second 12-Month Period**"), enter into any of the transactions specified in (i)(A), (B) or (C) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/it will cease to be a "controlling shareholder" (as defined in the GEM Listing Rules) of our Company; and

(iii) without prejudice to the undertakings as referred to in paragraphs (i) and (ii) above, during the period commencing on the date by reference to which disclosure of his/its direct or indirect shareholding in our Company is made in this prospectus and ending on the date on which the Second 12-Month Period expiries, he/it shall:

(a) when he/it pledges or charges or otherwise create any rights of encumbrances over any Shares or other securities of our Company beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers of such pledge or charge or creation of the rights of encumbrances together with the number of the securities so pledged or charged and all other information as may be reasonably requested by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and/or the Joint Lead Managers; and

(b) subsequent to the pledge or charge or creation of rights or encumbrances over the Shares (or interest therein) or other shares or interests as mentioned in subparagraph (i) above, when he/it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in sub-paragraph (i) above will be disposed of, immediately inform our Company of such indications, and inform the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers as soon as practicable thereafter (taking into account the requirements of applicable laws, rules and regulations) of such indications.

PLACING

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and Controlling Shareholders will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the 225,000,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed "Undertakings pursuant to the Public Offer Underwriting Agreement" in this section.

Our Company is expected to grant to the Joint Global Coordinators the Offer Size Adjustment Option exercisable by the Joint Global Coordinators (for themselves and on behalf of the Placing Underwriters) at any time before 6:00 p.m. on the business day before the date of announcement of the results of application and the basis of the Public Offer Shares or otherwise it will lapse, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Placing Shares, representing 15% of the Offer Shares, at the Offer Price per Offer Share under the Share Offer, solely to cover over allocations, if any, in the Placing.

COMMISSION AND EXPENSES

The Public Offer Underwriters will receive an underwriting commission of 18.0% of the aggregate Offer Price payable for the Public Offer Shares in accordance with the terms of the Public Offer Underwriting Agreement, out of which the Public Offer Underwriters may pay any sub-underwriting commission in connection with the Share Offer. Based on the Offer Price of HK$0.26 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commission and fees payable to the Underwriters, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK$11.7 million in total (assuming the Offer Size Adjustment Option is not exercised). We will also pay for all expenses in connection with any exercise of the Offer Size Adjustment Option.

SPONSOR'S AND PUBLIC OFFER UNDERWRITERS' INTEREST IN OUR COMPANY

The Sole Sponsor will receive a documentation fee. The Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Commission and Expenses" in this section.

We have appointed Alpha Financial Group Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date.

Save as disclosed above, none of the Sole Sponsor and the Public Offer Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group or has any interest in the Share Offer.

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 6A.07 of the GEM Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Share Offer.

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or around the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on or around Thursday, 16 April 2020, but in any event no later than Monday, 20 April 2020. **If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) by that date or such later date as may be agreed between us and the Joint Global Coordinator (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse.**

The Offer Price will not be more than HK$0.28 per Offer Share and is expected to be not less than HK$0.24 per Offer Share (subject to a Downward Offer Price Adjustment). The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced on or before the Price Determination Date. **Prospective investors should be aware that the Offer Price to be determined on or around the Price Determination Date may be, but not expected to be, lower than the indicative Offer Price range as stated in this prospectus (subject to a Downward Offer Price Adjustment).**

Announcement of Offer Price reduction under Downward Offer Price Adjustment

We have reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares without utilizing the Withdrawal Mechanism. The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in the prospectus.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of the Company, determine the final Offer Price to be no more than 10% below the bottom end of the indicative Offer Price range, at any time on or around the Price Determination Date, and in any event, no later than Monday, 20 April 2020.

In such situation, the Company will, as soon as practicable following the decision to set the final Offer Price below the bottom end of the indicative Offer Price range, publish on the website of the Stock Exchange (**www.hkexnews.hk**) and the Company's website (**www.sunray.com.hk**) an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on Wednesday, 22 April 2020. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed.

In the absence of an announcement that a Downward Offer Price Adjustment has been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless the Withdrawal Mechanism is utilised.

Announcement of final Offer Price

Irrespective of whether a Downward Offer Price Adjustment is made, the announcement of the final Offer Price, together with the indication of level of interests in the Placing and the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on or before Wednesday, 22 April 2020.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$0.28 per Offer Share and is expected to be not less than HK$0.24 per Offer Share, subject to a Downward Offer Price Adjustment. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK$0.28 per Offer Share plus 1% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK$2,828.22 per board lot of 10,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK$0.28 per Offer Share, appropriate refund payments (including the related brokerage fee, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

Further details are set out in the section headed "How to Apply for Public Offer Shares" in this prospectus.

REDUCTION OF THE NUMBER OF OFFER SHARES AND/OR THE INDICATIVE OFFER PRICE RANGE

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where they consider appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company, reduce the number of the Offer Shares and/or the indicative Offer Price range below as stated in this prospectus at any time prior to the Price Determination Date. In such a case, the Withdrawal Mechanism will be utilised, and our Company will, as soon as practicable following the decision to make such reduction, cause to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.sunray.com.hk** an announcement of such change on or before the Price Determination Date. Upon issue of such an announcement, the revised indicative Offer Price range and/or number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Such announcement will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change materially as a result of such reduction. In addition, as soon as practicable of such reduction of the number of Offer Shares and/or the indicative Offer Price range, we will:

(i) issue a supplemental prospectus updating investors of the reduction in the indicative offer price together with an update of all financial and other information in connection with such change;

(ii) extend the period under which the offer was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their existing subscriptions; and

(iii) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

Applicants who have submitted their applications for Public Offer Shares before such announcement is made may subsequently withdraw their applications in the event that such announcement is subsequently made. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the offer price range as stated in this prospectus.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until Price Determination Date.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, among others, the satisfaction of all of the following conditions:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer and the Capitalisation Issue and Shares which fall to be allotted and issued upon the exercise of the Offer Size Adjustment Option and upon the exercise of any options which may be granted under the Share Option Scheme (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

2. Underwriting Agreements

The obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)) and such obligations not being terminated in accordance with the terms of the Underwriting Agreements.

3. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date or such later date as may be agreed by our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters).

If any of the conditions is not fulfilled or waived on or before the times specified above, the Share Offer will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the section headed "How to Apply for Public Offer Shares — 14. Despatch/collection of share certificates and refund monies" in this prospectus.

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 250,000,000 Offer Shares (subject to the Offer Size Adjustment Option) will be made available under the Share Offer, of which 225,000,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option), representing 90% of the total number of Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the Placing. The remaining 25,000,000 Public Offer Shares (subject to reallocation), representing 10% of the total number of Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed "Underwriting" in this prospectus.

Investors may apply for Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

The Placing

Our Company is expected to offer initially 225,000,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

It is expected that the Placing Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and the Shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Offer Shares under the Public Offer.

Our Company, our Directors, the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

The Placing is expected to be subject to the conditions as stated in the paragraph headed "Conditions of the Share Offer" in this section.

The Public Offer

Our Company is initially offering 25,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the Offer Price being agreed on or before the Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK$0.28 per Share plus 1% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investor. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Offer Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is liable to be rejected.

Multiple applications or suspected multiple applications and any application made for more than 100% of the Shares initially comprised in the Public Offer (i.e. 25,000,000 Public Offer Shares) are liable to be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

REALLOCATION OF THE OFFER SHARES BETWEEN PLACING AND PUBLIC OFFER

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

(a) In the event that the Placing Shares are fully subscribed or oversubscribed under the Placing:

(i) if the Public Offer Shares are undersubscribed, the Joint Global Coordinators (for themselves and on behalf of the Underwriters), at their absolute discretion, may reallocate all or any of the unsubscribed Public Offer Shares from the Public Offer to the Placing;

(ii) if the Public Offer Shares are fully subscribed or oversubscribed and the number of Shares validly applied for under the Public Offer represents less than 15 times the number of Shares initially available for subscription under the Public Offer, then up to 25,000,000 Shares may be reallocated to the Public Offer from the Placing at the discretion of the Joint Global Coordinators, so that the total number of Shares available for subscription under the Public Offer will be increased to 50,000,000 Shares, representing 20% of the total number of Offer Shares initially available for subscription under the Share Offer (before any exercise of the Offer Size Adjustment Option);

(iii) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 75,000,000 Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;

(iv) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 100,000,000 Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and

(v) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 125,000,000 Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

(b) In the event that the Placing Shares are undersubscribed under the Placing:

(i) if the Public Offer Shares are undersubscribed, the Share Offer shall not proceed unless fully underwritten by the Underwriters pursuant to the Underwriting Agreements; and

(ii) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, then up to 25,000,000 Shares may be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 50,000,000 Shares, representing 20% of the number of Offer Shares initially available for subscription under the Share Offer (before any exercise of the Offer Size Adjustment Option).

In all cases save for (a)(i) and (b)(i) above, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators (for themselves and on behalf of the Underwriters). In accordance with the requirements set out in Guidance Letter HKEx-GL91-18, if such reallocation is done other than pursuant to paragraph (a)(iii), (a)(iv) or (a)(v) above, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, at their discretion, reallocate the Offer Shares initially allocated for the Placing to the Public Offer to satisfy valid applications under the Public Offer, provided that the maximum total number of Offer Shares that may be allocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer i.e. 50,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Share Offer; and the final Offer Price shall be fixed at the low end of the indicated Offer Price range stated in this prospectus (i.e. HK$0.24 per Offer Share) or the downward adjusted final Offer Price if a Downward Offer Price Adjustment is made according to the HKEX Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

Details of any reallocation of the Offer Shares between the Public Offer and the Placing will be disclosed in the allotment results announcement of the Share Offer, which is expected to be published on Wednesday, 22 April 2020.

OFFER SIZE ADJUSTMENT OPTION

Our Company has granted the Offer Size Adjustment Option to the Placing Underwriters, exercisable by the Joint Global Coordinators (for themselves and on behalf of the Placing Underwriters) at any time before 6:00 p.m. on the business day immediately before the date of the announcement of the results of allocations and the basis of allocation of the Public Offer Shares, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Placing Shares, representing 15% of the number of the Offer Shares initially being offered under the Share Offer, on the same terms as those applicable to the Share Offer. The Offer Size Adjustment Option will not be used for price stabilisation purposes in the secondary market after listing of the Shares on the Stock Exchange and is not subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). Any such additional Shares may be issued to cover any excess demand in the Placing and in the event that the Offer Size Adjustment Option is exercised, the Joint Global Coordinators (for themselves and on behalf of the Placing Underwriters) may decide to whom and proportions in which the additional Shares will be allotted. If the Offer Size Adjustment Option is exercised in full, the additional 37,500,000 Shares and the total Offer Shares (inclusive of the shares of the Offer Size Adjustment Option) will represent approximately 3.6% and 27.7% of our Company's enlarged share capital immediately after completion of the Share Offer and the exercise of the Offer Size Adjustment Option. The additional net proceeds received from the exercise of the Offer Size Adjustment Option will be allocated pro rata in accordance to the allocations as disclosed in the section headed "Business Objective, Future Plans and Use of Proceeds".

Our Company will disclose in the announcement of the results of allocations and the basis of allocation of the Public Offer Shares whether, and to what extent, the Offer Size Adjustment Option has been exercised. In the event that the Offer Size Adjustment Option has not been exercised by the Joint Global Coordinators (for themselves and on behalf of the Placing Underwriters) our Company will confirm in such announcement that the Offer Size Adjustment Option has lapsed and cannot be exercised at any future date.

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk** or by the **IPO App**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Sponsor, the **HK eIPO White Form** Service Provider, the Joint Global Coordinators and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply for the Offer Shares online through the **HK eIPO White Form** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Sole Sponsor and the Joint Global Coordinators may accept or reject it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the GEM Listing Rules) of any of the above;
- a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; or
- have been allocated or have applied for any Placing Shares under the Placing or otherwise participated in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application form or apply only to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** or the **IPO App**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect this Prospectus and Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 31 March 2020 to 12:00 noon on Tuesday, 7 April 2020 from:

(i) any of the following offices of the Public Offer Underwriters:

Alpha Financial Group Limited
Room A, 17/F
Fortune House
61 Connaught Road Central, Central
Hong Kong

Lego Securities Limited
Room 301, 3/F
China Building
29 Queen's Road Central
Central
Hong Kong

Enhanced Securities Limited
37/F, Times Tower
393 Jaffe Road
Wanchai
Hong Kong

AFG Securities Limited
Room B, 17/F., Fortune House
61 Connaught Road Central
Central
Hong Kong

All EverGreen Securities Limited
Unit 7, 11th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Brilliant Norton Securities Company Limited
Suite 804, 8/F
Jubilee Centre
46 Gloucester Road
Wanchai
Hong Kong

China-Hong Kong Link Securities Company Limited
19/F, 80 Gloucester Road
Wanchai
Hong Kong

CIS Securities Asset Management Limited
21/F, Centre Point
181-185 Gloucester Road
Wanchai
Hong Kong

Grand Partners Securities Limited
9/F, Connaught Harbourfront House
35-36 Connaught Road West
Hong Kong

Lee Go Securities Limited
Unit 02 12/F
West Exchange Tower
322 Des Voeux Road Central
Hong Kong

Orient Securities Limited
Room 3101, 31/F,
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

(ii) any of the following branches of Bank of China (Hong Kong) Limited, the receiving bank for the Public Offer:

	Branch	Address
Hong Kong Island . . .	409 Hennessy Road Branch	409-415 Hennessy Road, Wanchai, Hong Kong
Kowloon	Tsim Sha Tsui Branch	24-28 Carnarvon Road, Tsim Sha Tsui, Kowloon
New Territories	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 31 March 2020 until 12:00 noon on Tuesday, 7 April 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker who may have such Application Form and the prospectus available.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — SUNRAY ENGINEERING GROUP PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

9:00 a.m. to 5:00 p.m., Tuesday, 31 March 2020
9:00 a.m. to 5:00 p.m., Wednesday, 1 April 2020
9:00 a.m. to 5:00 p.m., Thursday, 2 April 2020
9:00 a.m. to 5:00 p.m., Friday, 3 April 2020
9:00 a.m. to 5:00 p.m., Monday, 6 April 2020
9:00 a.m. to 12:00 noon, Tuesday, 7 April 2020

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 7 April 2020, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening of the application lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

(i) **undertake** to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) **agree** to comply with the Companies Law, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Memorandum and Articles of Association;

(iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) **confirm** that you are aware of the restrictions on the Share Offer in this prospectus;

(vi) **agree** that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) **undertake** and **confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;

(viii) **agree** to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) **agree** that your application will be governed by the laws of Hong Kong;

(xii) **represent**, **warrant** and **undertake** that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) **warrant** that the information you have provided is true and accurate;

(xiv) **agree** to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) **authorise** our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) **understand** that our Company, the Sole Sponsor and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for *YELLOW Application Form*

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed "2. Who can apply" in this section above may apply through the **HK eIPO White Form** service for the Offer Shares to be allocated and registered in their own names through the designated website at **www.hkeipo.hk** or the **IPO App**.

Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at **www.hkeipo.hk** or in the **IPO App**. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website or in the **IPO App**, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** Service Provider.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service in the **IPO App** or through the designated website at **www.hkeipo.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Tuesday, 31 March 2020 until 11:30 a.m. on Tuesday, 7 April 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 7 April 2020, the last day for applications, or such later time as described in the paragraph headed "10. Effect of bad weather on the opening of the application lists" below.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for the Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F., One & Two Exchange Square
8 Connaught Place
Central Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Joint Global Coordinators and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- **agree** that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- **agree** to accept the Public Offer Shares applied for or any lesser number allocated;

- **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;

- (if the **electronic application instructions** are given for your benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- **confirm** that you understand that our Company, the Sole Sponsor and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- **authorise** our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- **agree** that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- **agree** to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents;

- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;

- **agree** with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for themselves and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance and the Articles of Association; and

- **agree** that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:[1]

9:00 a.m. to 8:30 p.m., Tuesday, 31 March 2020
8:00 a.m. to 8:30 p.m., Wednesday, 1 April 2020
8:00 a.m. to 8:30 p.m., Thursday, 2 April 2020
8:00 a.m. to 8:30 p.m., Friday, 3 April 2020
8:00 a.m. to 8:30 p.m., Monday, 6 April 2020
8:00 a.m. to 12:00 noon, Tuesday, 7 April 2020

Note: The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 31 March 2020 until 12:00 noon on Tuesday, 7 April 2020 (24 hours daily, except on (Tuesday, 7 April 2020) the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 7 April 2020, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening and the application lists" in this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for the Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 7 April 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 10,000 Public Offer Shares. Each application or **electronic application instructions** in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage fee will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed "Structure and Conditions of the Share Offer" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- "extreme conditions" caused by super typhoons; or
- a black rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 7 April 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 7 April 2020 or if there is a tropical cyclone warning signal number 8 or above, "extreme conditions" caused by super typhoons or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" of this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the Offer Price, the indication of level of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 22 April 2020 on our Company's website at **www.sunray.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.sunray.com.hk** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, 22 April 2020;

- from the designated results of allocations websites at **www.tricor.com.hk/ipo/result** and **www.hkeipo.hk/iporesult** or the **IPO App** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, 22 April 2020 to 12:00 midnight on Tuesday, 28 April 2020;

- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 22 April 2020 to Monday, 27 April 2020 on a Business Day;

- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 22 April 2020 to Friday, 24 April 2020 at all the designated receiving bank branches on a business day.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or our agents exercise our/their discretion to reject your application:

Our Company, the Sole Sponsor, the **HK eIPO White Form** Service Provider, the Joint Global Coordinators and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Division of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

- within a longer period of up to six weeks if the Listing Division of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.hkeipo.hk** or in the **IPO App**;
- your payment is not made correctly or the cheque or banker 's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially available for subscription under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$0.28 per Offer Share (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer set out in the paragraph headed “Structure and Conditions of the Share Offer — The Share Offer — The Public Offer” in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker 's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 22 April 2020.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, 22 April 2020. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker s cashier order(s).

Share certificates will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on Thursday, 23 April 2020 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 Public Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 22 April 2020 or such other date as notified by our Company as the date of collection/despatch of share certificates, refund cheques and e-Auto Refund payment instructions. If you are an individual who are eligible for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which is eligible for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified on your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on Wednesday, 22 April 2020, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 22 April 2020 or such other date as notified by our Company as the date of collection/despatch of share certificates, refund cheques and e-Auto Refund payment instructions. If you are an individual who are eligible for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which is eligible for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified on your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) (where applicable) will be sent to the address on your Application Form on or before Wednesday, 22 April 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 22 April 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS Investor Participant)**

  For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- **If you apply as a CCASS Investor Participant**

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "11. Publication of results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 22 April 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through HK eIPO White Form service:

- If you apply for 1,000,000 Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 22 April 2020, or any other place or date notified by our Company as the place or date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

- If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Offer Shares through the **HK eIPO White Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, 22 April 2020 by ordinary post and at your own risk.

- If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 22 April 2020, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "11. Publication of results" above on Wednesday, 22 April 2020.

- You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 22 April 2020 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 22 April 2020. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 22 April 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out pages I-1 to I-77, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SUNRAY ENGINEERING GROUP LIMITED AND AMPLE CAPITAL LIMITED

Introduction

We report on the historical financial information of Sunray Engineering Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-77, which comprises the consolidated statements of financial position of the Group as at 31 March 2018, 31 March 2019 and 30 September 2019, the statements of financial position of the Company as at 31 March 2019 and 30 September 2019, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the two years ended 31 March 2019 and the six months ended 30 September 2019 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-77 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 March 2020 (the "Prospectus") in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2018, 31 March 2019 and 30 September 2019, of the Company's financial position as at 31 March 2019 and 30 September 2019 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 September 2018 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the lndependent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 16 to the Historical Financial Information which contains information about the dividends declared by the Company's subsidiaries during the Track Record Period and states that no dividends have been declared by the Company since its incorporation.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 March 2020

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards of Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollar ("HK$") and all values are rounded to the nearest thousand dollar (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 March		Six months ended 30 September	
		2018	2019	2018	2019
		HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	6	153,237	191,731	82,039	102,449
Cost of sales and services		(91,887)	(112,646)	(49,894)	(59,498)
Gross profit		61,350	79,085	32,145	42,951
Other income	8	358	265	161	110
Other gains and losses	9	827	381	128	(540)
Impairment losses, net of reversal	10	—	(274)	(151)	(1,554)
Selling and distribution costs		(6,820)	(8,059)	(3,714)	(2,857)
Administrative expenses		(28,260)	(29,943)	(13,820)	(13,523)
Finance costs	11	(284)	(169)	(121)	(31)
Listing expenses		—	(5,074)	—	(6,283)
Profit before taxation	12	27,171	36,212	14,628	18,273
Income tax expense	14	(5,256)	(7,202)	(2,906)	(4,199)
Profit and total comprehensive income for the year/period		21,915	29,010	11,722	14,074
Profit and total comprehensive income for the year/period attributable to:					
– Owners of the Company		15,564	20,793	7,442	14,074
– Non-controlling interests		6,351	8,217	4,280	—
		21,915	29,010	11,722	14,074
Earnings per share					
Basic (HK cents)	15	2.08	2.77	0.99	1.88

STATEMENTS OF FINANCIAL POSITION

	NOTES	THE GROUP			THE COMPANY	
		As at 31 March		As at 30 September	As at 31 March	As at 30 September
		2018	2019	2019	2019	2019
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets						
Property and equipment	17	6,999	5,937	5,392	—	—
Right-of-use assets	18	4,327	2,418	1,652	—	—
Investment in a subsidiary	35	—	—	—	—#	—#
Rental deposits	20	156	260	—	—	—
		11,482	8,615	7,044	—	—
Current assets						
Inventories	19	12,635	12,446	8,609	—	—
Trade and other receivables	20	22,396	18,592	21,633	2,630	3,362
Contract assets	22	41,603	70,116	91,177	—	—
Pledged bank deposit	23	—	800	806	—	—
Bank balances and cash	23	89,876	31,271	41,011	—	—
		166,510	133,225	163,236	2,630	3,362
Current liabilities						
Trade and other payables	24	27,188	15,460	25,697	2,115	1,065
Contract liabilities	22	6,209	10,763	11,453	—	—
Amount due to a director	25	10,255	—	—	—	—
Amounts due to subsidiaries	25	—	—	—	2,711	10,774
Lease liabilities	26	1,412	1,903	1,286	—	—
Taxation payables		7,621	8,287	12,491	—	—
		52,685	36,413	50,927	4,826	11,839
Net current assets (liabilities)		113,825	96,812	112,309	(2,196)	(8,477)
Total assets less current liabilities		125,307	105,427	119,353	(2,196)	(8,477)

		THE GROUP			THE COMPANY	
		As at 31 March		As at 30 September	As at 31 March	As at 30 September
	NOTES	2018	2019	2019	2019	2019
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities						
Lease liabilities	26	1,238	504	398	—	—
Deferred tax liabilities	27	829	802	760	—	—
		2,067	1,306	1,158	—	—
Net assets (liabilities)		123,240	104,121	118,195	(2,196)	(8,477)
Capital and reserves						
Share capital	28	49	—#	—#	—#	—#
Reserves		94,644	104,121	118,195	(2,196)	(8,477)
Equity attributable to owners of the Company		94,693	104,121	118,195	(2,196)	(8,477)
Non-controlling interests		28,547	—	—	—	—
Total equity (deficit)		123,240	104,121	118,195	(2,196)	(8,477)

Less than HK$1,000

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital	Legal reserve	Other reserve	Capital contribution	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000* *(Note i)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2017	49	24	—	—	79,056	79,129	22,196	101,325
Profit and total comprehensive income for the year	—	—	—	—	15,564	15,564	6,351	21,915
At 31 March 2018	49	24	—	—	94,620	94,693	28,547	123,240
Adoption of HKFRS 9 (Note ii)	—	—	—	—	(448)	(448)	(40)	(488)
Adjusted balance at 1 April 2018	49	24	—	—	94,172	94,245	28,507	122,752
Profit and total comprehensive income for the year	—	—	—	—	20,793	20,793	8,217	29,010
Dividend declared (note 16)	—	—	—	—	(47,641)	(47,641)	—	(47,641)
Adjustments arising from Group Reorganisation (note 2)	(49)	—	49	—	—	—	—	—
Acquisition of additional shareholdings of subsidiaries from non-controlling interests (Note iii)	—	—	—	36,724	—	36,724	(36,724)	—
At 31 March 2019	—	24	49	36,724	67,324	104,121	—	104,121
Profit and total comprehensive income for the period	—	—	—	—	14,074	14,074	—	14,074
At 30 September 2019	—	24	49	36,724	81,398	118,195	—	118,195
For the six months ended 30 September 2018 (unaudited)								
At 1 April 2018	49	24	—	—	94,172	94,245	28,507	122,752
Profit and other comprehensive income for the period	—	—	—	—	7,442	7,442	4,280	11,722
Acquisition of additional shareholdings of subsidiaries from non-controlling interest (Note iii)	—	—	—	492	—	492	(492)	—
At 30 September 2018	49	24	—	492	101,614	102,179	32,295	134,474

Notes:

(i) In accordance with the Article 377 of the Commercial Code of Macau Special Administrative Region, the subsidiaries registered in Macau are required to transfer part of their profits of each accounting period of not less than 25% to legal reserve, until the amount reaches an amount equal to half of the respective share capital.

(ii) Upon the adoption of HKFRS 9 "Financial Instruments" on 1 April 2018, the accumulated impact of HK$488,000 was recorded as an adjustment to the retained profits and non-controlling interests as at 1 April 2018, which results from recognition of impairment loss allowances.

(iii) This represented the acquisition of the non-controlling interests by the controlling shareholder of the Group and injecting the relevant interests to the Company as further disclosed in note 2(vi), (vii) and (xi).

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March		Six months ended 30 September	
	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Operating activities				
Profit before taxation	27,171	36,212	14,628	18,273
Adjustments for:				
Gain on disposal of property and equipment	(188)	(945)	(904)	—
Loss arising from early termination of lease contracts	2	91	—	—
Depreciation	3,986	4,143	2,213	1,934
Bank interest income	(71)	(229)	(135)	(29)
Impairment losses, net of reversal	—	274	151	1,554
Finance costs	284	169	121	31
Operating cash flows before movements in working capital	31,184	39,715	16,074	21,763
Decrease (increase) in trade and other receivables	5,611	3,488	(5,756)	(1,564)
Increase in contract assets	(2,502)	(29,063)	(3,516)	(22,648)
(Increase) decrease in inventories	(2,172)	189	(3,653)	3,837
Increase (decrease) in trade and other payables	12,689	(10,819)	(5,965)	10,876
Increase in contract liabilities	1,964	4,554	11,595	690
Cash generated from operations	46,774	8,064	8,779	12,954
Hong Kong Profits Tax paid	(5,576)	(6,410)	—	—
Macau Complementary Tax paid	—	(153)	(14)	(37)
Net cash from operating activities	41,198	1,501	8,765	12,917
Investing activities				
Proceeds from disposal of property and equipment	2,341	4,442	4,009	—
Repayments from a director	—	1,217	—	—
Interest received	71	229	135	29
Placement of a pledged bank deposit	—	(800)	—	(6)
Purchase of property and equipment	(6,466)	(2,078)	(1,236)	(315)
Advances to a director	—	(5,156)	(310)	—
Net cash (used in) from investing activities	(4,054)	(2,146)	2,598	(292)

	Year ended 31 March		Six months ended 30 September	
	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Financing activities				
Dividend paid	—	(43,702)	—	—
Repayments to a director	(16,682)	(10,255)	(10,250)	—
Payments of lease liabilities	(2,886)	(2,925)	(1,823)	(1,031)
Issue costs paid	—	(909)	—	(1,823)
Interest paid	(284)	(169)	(121)	(31)
Advances from a director	2,495	—	—	—
Net cash used in financing activities	(17,357)	(57,960)	(12,194)	(2,885)
Net increase (decrease) in cash and cash equivalents	19,787	(58,605)	(831)	9,740
Cash and cash equivalents at beginning of the year/period	70,089	89,876	89,876	31,271
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	89,876	31,271	89,045	41,011

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 12 February 2019. The address of the Company's registered office and the principal place of business are disclosed in the section headed "Corporate Information" to the Prospectus.

Its immediate and ultimate holding company is Ultra Success Industries Limited ("Ultra Success"), a limited liability company incorporated in the British Virgin Islands ("BVI"). The ultimate controlling shareholder of the Group is Mr. Lam Ka Wing ("Mr. Lam").

The Company acts as an investment holding company and its subsidiaries are principally engaged in provision of building protection works and supply of building protection products.

The Historical Financial Information is presented in HK$, which is also the functional currency of the Company.

2. Basis of Preparation and Presentation of Historical Financial Information

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs issued by the HKICPA.

Before the completion of a group reorganisation as more fully explained in the section headed "History, Development and Reorganisation" in the Prospectus (the "Group Reorganisation"), the companies comprising the Group were controlled by Mr. Lam. In preparation of the listing of the Company's shares on GEM of the Stock Exchange (the "Listing"), the companies comprising the Group underwent the Group Reorganisation as described below.

(i) On 5 September 2018, both Big Group Asia Limited ("Big Group") and Primary Winner Investment Limited ("Primary Winner") were incorporated in the BVI with limited liability, allotted and issued one share, credited as fully paid at par value of US$1 to an independent initial subscriber. On the same date, such subscriber's share was transferred to Profit Partner Investments Limited ("Profit Partner") and Mr. Lam, respectively, for cash at par. Profit Partner was 50% held by Mr. Lam and 50% held by Mr. Lo Chiu Bun ("Mr. Lo"). Profit Partner is controlled by Mr. Lam (see note 35).

(ii) On 11 September 2018, Mr. Lo transferred 1 share of DP ChemTech Limited ("DP ChemTech HK") representing 50% of the issued share capital of DP ChemTech HK to Profit Partner, at cash consideration of HK$1. As a result, DP ChemTech HK become a direct wholly-owned subsidiary of Profit Partner.

(iii) On 21 September 2018, both Success Worldwide Group Limited ("Success Worldwide") and Ultimate Power Enterprises Limited ("Ultimate Power") were incorporated in the BVI with limited liability, allotted and issued one share, credited as fully paid at par value of US$1 to an independent initial subscriber. On the same date, such subscriber's share was transferred to Mr. Lam and Primary Winner, respectively, for cash at par.

(iv) On 27 September 2018, Mr. Lam transferred 1 share of Sunray Engineering (HK) Company Limited ("Sunray HK") representing the entire issued share capital of Sunray HK, to Primary Winner, at cash consideration of HK$1. As a result, Sunray HK became a direct wholly-owned subsidiary of Primary Winner.

(v) On 27 September 2018, Mr. Lam transferred 2 shares of Karcenar Limited ("Karcenar HK") representing the entire issued share capital of Karcenar HK, to Primary Winner at cash consideration of HK$2. As such, Karcenar HK became a direct wholly-owned subsidiary of Primary Winner.

(vi) On 27 September 2018, Mr. Lam Ka Bun ("Paul") (who held the equity interest of Karcenar Sunray Engineering Company Limited ("Karcenar Macau") on behalf of Mr. Lam) transferred 12,500 shares of Karcenar Macau, representing 50% equity interests in Karcenar Macau to Primary Winner at cash consideration of Macau Pataca ("MOP") 12,500. On the same date, Mr. Lam acquired 12,500 shares in Karcenar Macau representing 50% equity interests in Karcenar Macau from Mr. Lau Chi Hong ("Mr. Lau") at a cash consideration of MOP12,500 and transferred to Primary Winner. As a result, Karcenar Macau became a wholly-owned subsidiary of Primary Winner.

(vii) On 27 September 2018, Mr. Lo Hang Bun (who held the equity interest of Fair Building Material Company Limited ("Fair Building") on behalf of Mr. Lo) transferred 12,500 shares and 300 shares of Fair Building, representing 50% and 1.2% of the registered capital of Fair Building, respectively, to Profit Partner and Big Group at cash consideration of MOP12,500 and MOP300 respectively.

On the same date, Paul (who held the equity interest of Fair Building in trust for Mr. Lam), under the instructions of Mr. Lam transferred 12,200 shares of Fair Building, representing 48.8% of the registered capital of Fair Building, to Big Group at cash consideration of MOP12,200.

As a result, Fair Building was 50% held by Profit Partner and 50% held by Big Group.

(viii) On 28 September 2018, Mr. Lam transferred 50 shares of Profit Partner, representing 50% of the issued share capital of Profit Partner to Success Worldwide, at cash consideration of US$1. As a result, Profit Partner was 50% held by Success Worldwide and 50% held by Mr. Lo.

(ix) On 28 September 2018, Mr. Lam transferred 1 share of Primary Winner, representing the entire issued share capital of Primary Winner, to Success Worldwide at cash consideration of US$1. As a result, Primary Winner became a direct wholly-owned subsidiary of Success Worldwide.

(x) On 30 October 2018, Ultra Success was incorporated in the BVI with limited liability, allotted and issued one share, credited as fully paid at par value of US$1 to an independent initial subscriber. On 27 November 2018, such subscriber's share was transferred to Mr. Lam for cash at par.

(xi) On 31 December 2018, Mr. Lo transferred 50 shares of Profit Partner, representing 50% of the issued share capital of Profit Partner, to Mr. Lam at cash consideration of HK$43,702,000. As a result, Profit Partner was 50% held by Success Worldwide and 50% held by Mr. Lam.

(xii) On 12 February 2019, the Company was incorporated in the Cayman Islands with limited liability, with authorised share capital of HK$390,000 divided into 39,000,000 shares of HK$0.01 each, of which 1 share was allotted, issued and credited, as fully paid to an independent initial subscriber. On the same date, such subscriber's share was transferred to Ultra Success for cash at par.

(xiii) On 21 February 2019, Primary Winner transferred 12,500 shares of Karcenar Macau, representing 50% equity interest in Karcenar Macau, to Ultimate Power at cash consideration of MOP12,500. As a result, Karcenar Macau was 50% held by Primary Winner and 50% held by Ultimate Power.

(xiv) On 20 March 2019, Mr. Lam transferred 50 shares of Profit Partner, representing 50% of the issued share capital of Profit Partner, to Success Worldwide at cash consideration of US$1. As a result, Profit Partner became a direct wholly-owned subsidiary of Success Worldwide.

(xv) On 29 March 2019, Mr. Lam transferred 1 share of Success Worldwide, representing the entire issued share capital of Success Worldwide, to the Company at cash consideration of US$1. As a result, Success Worldwide became a direct wholly-owned subsidiary of the Company.

Upon completion of the Group Reorganisation on 29 March 2019, the Company has become the holding company of the companies now comprising the Group.

The Historical Financial Information has been prepared under the principle of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The Group resulting from the above mentioned Group Reorganisation is regarded as a continuing entity and the Historical Financial Information of the Group has been prepared using carrying amounts of assets and liabilities of the companies now comprising the Group as if the Company had been the holding company of the companies now comprising the Group throughout the Track Record Period. The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Track Record Period include the results, changes in equity and cash flows of the entities now comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where there is a shorter period. The consolidated statement of financial position of the Group as at 31 March 2018 has been prepared to present the assets and liabilities of the entities now comprising the Group as if the current group structure had been in existence on that date, taking into account the respective dates of incorporation, where applicable.

3. Adoption of New and Revised HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and related interpretations issued by the HKICPA, which are effective for the accounting period beginning on 1 April 2019, including HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") and the related amendments and HKFRS 16 "Leases" ("HKFRS 16"), throughout the Track Record Period except that the Group adopted HKFRS 9 "Financial Instruments" ("HKFRS 9") on 1 April 2018 and adopted HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39") for the year ended 31 March 2018. The accounting policies for financial instruments under HKFRS 9 are set out in note 4 below.

HKFRS 9 Financial Instruments and the related amendments

During the year ended 31 March 2019, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses ("ECL") for financial assets and contract assets and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018.

Classification and measurement of financial assets

All financial assets classified as loans and receivables and financial liabilities measured at amortised cost under HKAS 39 continue to be measured at amortised cost under HKFRS 9.

Impairment of financial assets

As at 1 April 2018, the management of the Group reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and contract assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Amortised cost (previously classified as loans and receivables)	**Contract assets**	**Non-controlling interests**	**Retained profits**
	HK$'000	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*
Closing balance at 31 March 2018 — HKAS 39	111,440	41,603	28,547	98,539
Effect arising from initial application of HKFRS 9: Remeasurement				
- Impairment under ECL (note)	(134)	(354)	(40)	(448)
Opening balance at 1 April 2018	111,306	41,249	28,507	98,091

Note: Impairment under ECL

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. To measure the ECL, except for a credit-impaired debtor which was assessed individually, contract assets and trade receivables have been assessed collectively using a provision matrix based appropriate groupings on shared credit risk characteristics of customers. The contract assets which relate to unbilled work in progress and retention receivables have substantially the same risk characteristics as the trade receivables for the same customers. The Group has therefore concluded that the expected loss rates for the trade receivables are reasonable approximation of loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost, which mainly comprise of other receivables, pledged bank deposit and bank balances, are measured on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition. No loss allowance was provided for these balances at 1 April 2018 as the ECL is assessed to be immaterial.

The ECL for pledged bank deposit and bank balances is insignificant because such assets are placed in banks with good reputation and high credit ratings assigned by international credit-rating agencies. Therefore, the exposure of default is low and no loss allowance is recognised as the ECL is assessed to be immaterial.

As at 1 April 2018, additional credit loss allowances for trade receivables and contract assets of HK$488,000 in total have been recognised against retained profits and non-controlling interests of HK$448,000 and HK$40,000, respectively.

All loss allowances for trade receivables and contract assets as at 31 March 2018 reconcile to opening loss allowances as at 1 April 2018 are as follows:

	Trade receivables	Contract assets
	HK$'000	*HK$'000*
At 31 March 2018 - HKAS 39	—	—
Amounts remeasured through opening retained profits	134	354
At 1 April 2018	134	354

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after a date to be determined.

2 Effective for annual periods beginning on or after 1 January 2021.

3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The management of the Group anticipates that the application of the new and revised HKFRSs and interpretation will have no material impact on the financial statements of the Group in the foreseeable future.

4. Significant Accounting Policies

The Historical Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if the market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKFRS 16, and measurement that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets" ("HKAS 36").

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination. The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statement of financial position and is stated at cost less any identified impairment loss.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. Control is transferred over time and the revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer. The Group recognises revenue from two major sources, namely (i) provision of building protection works; and (ii) supply of building protection products.

Specifically, revenue is recognised in profit or loss as follows:

Provision of building protection works

Recognition

The Group provides the provision of building protection works based on contracts entered with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the Group is contractually required to perform services at the customers' specified sites that the Group creates or enhances an asset that the customers controls as the Group performs. Revenue from provision of building protection works is therefore recognised over time using input method, i.e. based on the proportion that costs incurred for work performed by the Group to date relative to the estimated total costs in measuring the percentage of completion for the revenue recognised during each of the reporting period. The Group would consider if there is any adjustment required to the input method for uninstalled materials, to ensure that the input method meets the objective of measuring progress towards complete satisfaction of a performance obligation. The management of Group considers that input method would faithfully depict the Group's performance towards complete satisfaction of these performance obligation under HKFRS 15 "Revenue from Contracts with Customers".

For contracts that contain variable consideration (i.e. variation order), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method would better predict the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the change in circumstances during the reporting period.

For warranty embedded to the construction contracts, the Group accounts for the warranty in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the contracting work complies with the agreed-upon specifications.

Contract assets or liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Groups' unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contract asset is recognised when (i) the Group completes the provision of building protection works under such services contracts but yet certified by architects, surveyors or other representatives appointed by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer when the Group's right to consideration becomes unconditional other than passage of time. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the input method then the Group recognises a contract liability for the difference.

Supply of building protection products

Revenue from the supply of building protection products are recognised at a point in time when the control of goods has transferred, being when the goods have been delivered to the customers' specified location. The goods delivered can only be returned to the Group in case of serious quality defects. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the Group's right to consideration becomes unconditional, as only the passage of time is required before payment of that consideration is due.

Property and equipment

Property and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment over their estimated useful lives using the straight line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal on retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on tangible assets and right-of-use assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible assets and right-of-use assets are estimated individually, or when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior reporting periods. A reversal of an impairment loss is recognised immediately in profit or loss.

Leasing

The Group as lessee

The Group leases various assets as its offices, director's quarters, warehouse, printing machines and motor vehicles. The leases are typically made for fixed periods of two to five years. Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee at the lease commencement date, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

- variable lease payments that depend on an index or rate;

- the amount expected to be payable by the lessee under residual value guarantees;

- the exercise price of purchase options, if the lessee is reasonably certain to exercise the option; and

- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented on a separate line in the consolidated statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- the lease payments changes due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property and equipment.

The right-of-use assets are presented separately from other assets in the consolidated statements of financial position.

The Group applies HKAS 36 to determine whether the right-of-use asset is impaired and accounts for any identified impairment loss as described in "Impairment on tangible assets and right-of use asset" section.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which they are incurred in the consolidated statements of profit or loss and other comprehensive income.

As a practical expedient, HKFRS 16 permits a lessee not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single component. The Group has not used this practical expedient.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date/settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention on the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (before the adoption of HKFRS 9 on 1 April 2018)

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bank balances and cash and rental deposits) are carried at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets and contract assets (before the adoption of HKFRS 9 on 1 April 2018)

Financial assets and contract assets are assessed for indicators of impairment at the end of each reporting period.

Financial assets and contract assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets and contract assets, the estimated future cash flows of the financial assets and contract assets have been affected.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables and contract assets, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the general credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost and contract assets, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of these financial assets and contract assets is reduced by the impairment loss directly for all financial assets and contract assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost and contract assets, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Classification and subsequent measurement of financial assets (upon the adoption of HKFRS 9 on 1 April 2018)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Amortised cost and effective interest method

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Impairment of financial assets and contract assets (upon the adoption of HKFRS 9 on 1 April 2018)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, pledged bank deposit, bank balances and cash and rental deposits) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. Except for a credit-impaired debtor which was assessed individually, the ECL on these assets are assessed collectively for debtors based on the Group's internal credit rating, historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of each reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time of the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers an event of default when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the counterparty;

b) breach of contract, such as a default or past due event;

c) the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or

d) it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of each reporting period.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments;
- past-due status; and
- nature and size of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amount due to a director and amounts due to subsidiaries are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All borrowing costs not related to the construction, acquisition or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of warranty obligations under the relevant services agreements are recognised at the date of services performed, based on the best estimate made by the management of the Group of the expenditure required to settle the Group's obligation.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in term of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the group entities are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for each of the reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme in Hong Kong and the Social Security Fund Contribution in Macau as defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before taxation as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss.

5. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 4, the following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Estimated outcome of provision of building protection works contracts

The Group reviews and revises the estimated total costs to complete the satisfaction of these services and the profit margin of each construction contract as the contract progresses. Budgeted contract costs and profit margin are prepared by the management of the Group on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management of the Group. In order to keep the budget accurate and up-to-date, management of the Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

Recognised amounts of contract revenue from provision of building protection works and related contract assets and receivables reflect management's best estimate of each contract's outcome and value of works completed, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit or loss recognised in future years as an adjustment to the amounts recorded to date.

Estimated impairment of trade receivables and contract assets

Prior to the adoption of HKFRS 9 on 1 April 2018, the management of the Group assesses at the end of each reporting period whether there is any objective evidence that trade receivables and contract assets are impaired. The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aged analysis of trade receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of trade receivables and contract assets, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 31 March 2018, the carrying amount of trade receivables and contract assets are HK$20,991,000 and HK$41,603,000 (no loss allowances for both trade receivables and contract assets), respectively.

Since the adoption of HKFRS 9 on 1 April 2018, the management of the Group estimates the amount of impairment loss for ECL on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 1 April 2018, the carrying amount of trade receivables and contract assets are HK$20,857,000 and HK$41,249,000 (net of loss allowances of HK$134,000 and HK$354,000), respectively.

As at 31 March 2019, the carrying amount of trade receivables and contract assets are HK$14,929,000 and HK$70,116,000 (net of loss allowances of HK$212,000 and HK$550,000), respectively.

As at 30 September 2019, the carrying amount of trade receivables and contract assets are HK$15,828,000 and HK$91,014,000 (net of loss allowances of HK$179,000 and HK$582,000), respectively.

6. Revenue

Revenue represents the fair value of amounts received and receivable from provision of building protection works and supply of building protection products during the Track Record Period.

An analysis of the Group's revenue is as follows:

	Year ended 31 March		Six months ended 30 September	
	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Contract revenue from provision of building protection works, recognised over time:				
Residential buildings	32,115	40,196	13,832	26,243
Community facilities (note)	13,300	19,145	7,230	10,362
Commercial buildings	30,902	47,031	21,681	26,411
	76,317	106,372	42,743	63,016
Contract revenue from supply of building protection products, recognised at a point in time	76,920	85,359	39,296	39,433
	153,237	191,731	82,039	102,449

Note: Community facilities include hospitals, police offices and other community facilities.

All the Group's provision of building protection works are made directly with customers which are mainly construction companies and contractors in Hong Kong. The period of building protection works normally varies from 1 to 3 years. The customers for supply of building protection products are mainly located in Hong Kong and Macau.

Transaction price allocated to the remaining performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of each reporting period.

	As at 31 March		Six months ended 30 September	
	2018	**2019**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Provision of building protection works for:				
Residential buildings	77,849	98,345	84,098	98,458
Community facilities	38,590	37,179	24,111	32,006
Commercial buildings	37,570	36,534	12,047	41,527
	154,009	172,058	120,256	171,991

Based on the information available to the Group at the end of each reporting period, the management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts in respect of provision of building protection works as of 31 March 2018 and 2019 and 30 September 2018 and 2019 will be recognised as revenue during the years ended/ending 31 March 2019 to 2021, the years ending 31 March 2020 to 2022, the twelve months ended/ending 30 September 2019 to 2021 and the twelve months ending 30 September 2020 to 2023 and the six months ending 31 March 2024, respectively.

As a practical expedient, the Group does not disclose the information about its remaining obligations in respect of supply of building protection products as the contracts have an original expected duration of one year or less.

7. Segment Information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM'"), being Mr. Lam, in order for CODM to allocate resources and assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reporting segments of the Group.

Specifically, the Group's reporting and operating segments under HKFRS 8 "Operating Segments" are as follows:

- Provision of building protection works; and
- Supply of building protection products.

The CODM makes decisions according to the operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

For the year ended 31 March 2018

	Provision of building protection works	**Supply of building protection products**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue - external	76,317	76,920	153,237
Segment results	26,312	35,038	61,350
Other income			358
Other gains and losses			827
Selling and distribution costs			(6,820)
Administrative expenses			(28,260)
Finance costs			(284)
Profit before taxation			27,171

For the year ended 31 March 2019

	Provision of building protection works	Supply of building protection products	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue - external	106,372	85,359	191,731
Segment results	40,975	38,110	79,085
Other income			265
Other gains and losses			381
Impairment losses, net of reversal			(274)
Selling and distribution costs			(8,059)
Administrative expenses			(29,943)
Finance costs			(169)
Listing expenses			(5,074)
Profit before taxation			36,212

For the six months ended 30 September 2018 (unaudited)

	Provision of building protection works	Supply of building protection products	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue - external	42,743	39,296	82,039
Segment results	15,478	16,667	32,145
Other income			161
Other gains and losses			128
Impairment losses, net of reversal			(151)
Selling and distribution costs			(3,714)
Administrative expenses			(13,820)
Finance costs			(121)
Profit before taxation			14,628

For the six months ended 30 September 2019

	Provision of building protection works	Supply of building protection products	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue - external	63,016	39,433	102,449
Segment results	25,228	17,723	42,951
Other income			110
Other gains and losses			(540)
Impairment losses, net of reversal			(1,554)
Selling and distribution costs			(2,857)
Administrative expenses			(13,523)
Finance costs			(31)
Listing expenses			(6,283)
Profit before taxation			18,273

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 4. Segment results represent the profit before tax earned by each segment without allocation of other income, other gains and losses, impairment losses, net of reversal, selling and distribution costs, administrative expenses, finance costs and listing expenses. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

Geographical information

The Group's operations are located in Hong Kong and Macau. Analysis of the Group's revenue by geographical location is detailed below:

	Year ended 31 March		Six months ended 30 September	
	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Hong Kong	115,408	158,763	71,031	87,821
Macau	37,829	32,968	11,008	14,628
	153,237	191,731	82,039	102,449

The geographical location of the Group's non-current assets, excluding financial assets, is substantially situated in Hong Kong.

Information about major customers

Revenue from customers individually contributing over 10% of total revenue of the Group is as follows:

	Year ended 31 March		Six months ended 30 September	
	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Provision of building protection works and supply of building protection products:				
Customer A	18,685	20,975	N/A*	19,077
Customer B	15,940	29,206	15,738	17,806

* *Revenue from this customer was less than 10% of the total revenue for the six months ended 30 September 2018.*

8. Other Income

	Year ended 31 March		Six months ended 30 September	
	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Bank interest income	71	229	135	29
Sundry income	287	36	26	81
	358	265	161	110

9. Other Gains and Losses

	Year ended 31 March		Six months ended 30 September	
	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Net exchange gain (loss)	641	(473)	(776)	(540)
Gain on disposal of property and equipment	188	945	904	—
Loss arising from early termination of lease contracts	(2)	(91)	—	—
	827	381	128	(540)

10. Impairment Losses, Net of Reversal

	Year ended 31 March		Six months ended 30 September	
	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Net impairment losses recognised (reversed) on:				
- trade receivables	—	78	121	(33)
- contract assets	—	196	30	1,587
	—	274	151	1,554

11. Finance Costs

	Year ended 31 March		Six months ended 30 September	
	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Interest expenses on lease liabilities	284	169	121	31

12. Profit Before Taxation

	Year ended 31 March		Six months ended 30 September	
	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Profit before taxation has been arrived at after charging:				
Directors' emoluments (note 13)	734	3,503	767	2,204
Other staff costs	24,294	22,231	9,625	9,953
Retirement benefit schemes contributions for other staff	484	600	239	255
Total staff costs	25,512	26,334	10,631	12,412
Auditor's remuneration	129	657	344	300
Contingent rents in respect of land and buildings which are not included in lease liabilities (note)	2,080	2,634	1,073	1,008
Cost of inventories recognised as an expense	64,113	76,746	32,914	39,721
Depreciation of property and equipment	1,533	1,775	1,212	860
Depreciation of right-of-use assets	2,453	2,368	1,001	1,074

Note: The lease rentals for certain warehouses are determined according to predetermined unit cost and the usage of storage units of respective warehouses pursuant to terms and conditions that are set out in respective rental agreements.

13. Directors' and Chief Executive Officer's Emoluments and Employees' Emoluments

Directors' emoluments and chief executive officer's emoluments

Details of the emoluments paid or payable to the directors of the Company and the chief executive officer of the Group (including emoluments for services as employee or directors of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

		Other emoluments				
	Fees	**Salaries and other allowances**	**Accommodation benefits**	**Discretionary bonus**	**Retirement benefit schemes contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*
For the year ended 31 March 2018						
Executive director:						
Mr. Lam (Chief executive officer).	—	260	456	—	18	734
For the year ended 31 March 2019						
Executive directors:						
Mr. Lam (Chief executive officer).	—	1,977	540	—	18	2,535
Ms. Wong Pui Yee, Edith ("Mrs. Lam")	—	864	—	90	14	968
Total.	—	2,841	540	90	32	3,503

		Other emoluments				
	Fees	Salaries and other allowances	Accommodation benefits	Discretionary bonus	Retirement benefit schemes contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*
For the six months ended 30 September 2018 (unaudited)						
Executive director:						
Mr. Lam (Chief executive officer).	—	488	270	—	9	767
For the six months ended 30 September 2019						
Executive directors:						
Mr. Lam (Chief executive officer).	—	1,346	270	—	9	1,625
Mrs. Lam	—	570	—	—	9	579
Total.	—	1,916	270	—	18	2,204

Note: The discretionary bonus is determined based on the performance of the individuals within the Group and market conditions during the Track Record Period.

The emoluments of the above directors were for their services in connection with the management of the affairs of the companies now comprising the Group during the Track Record Period.

Mr. Lam was appointed as an executive director, the chairman and chief executive officer of the Company on 12 February 2019. Mrs. Lam was appointed as an executive director of the Company on 12 February 2019.

Independent non-executive directors' emoluments

Mr. Ng Kwun Wan, Ms. Cho Mei Ting and Mr. Ho Ka Kit were appointed as independent non-executive directors of the Company on 18 March 2020. No emoluments were paid or payable to the independent non-executive directors of the Company during the Track Record Period.

Employees' emoluments

The five highest paid individuals of the Group for each of years ended 31 March 2018 and 2019 and each of the six months ended 30 September 2018 (unaudited) and 30 September 2019 include one, two, one and two directors, respectively, details of whose emoluments are set out above. Details of the remaining four, three, four and three highest paid individuals are as follows:

	Year ended 31 March		Six months ended 30 September	
	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Salaries and other allowances	8,082	7,591	3,796	2,185
Discretionary bonus	6,054	—	—	1,349
Retirement benefit schemes contributions	72	54	36	27
	14,208	7,645	3,832	3,561

The discretionary bonus is determined by reference to individual performance of the employees and approved by the management of the Group.

Their emoluments were within the following bands:

	Year ended 31 March		Six months ended 30 September	
	2018	2019	2018	2019
			(*unaudited*)	
Nil to HK$1,000,000	2	1	3	2
HK$1,000,001 to HK$1,500,000	—	1	—	—
HK$2,000,001 to HK$2,500,000	—	—	1	—
HK$2,500,001 to HK$3,000,000	—	—	—	1
HK$5,500,001 to HK$6,000,000	1	1	—	—
HK$6,500,001 to HK$7,000,000	1	—	—	—
	4	3	4	3

During the Track Record Period, no emoluments were paid by the Group to any of the directors or chief executive officer of the Company or five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors nor the chief executive officer waived agreed to waive any emoluments during the Track Record Period.

14. Income Tax Expense

	Year ended 31 March		Six months ended 30 September	
	2018	**2019**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
The tax charge comprises:				
Current tax				
Hong Kong Profits Tax	5,075	7,229	3,344	4,213
Macau Complementary Tax ("CT")	26	—	—	28
	5,101	7,229	3,344	4,241
Deferred tax (note 27)	155	(27)	(438)	(42)
	5,256	7,202	2,906	4,199

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits during the Track Record Period.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced 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$2,000,000 of profits of qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. For the year ended 31 March 2019, each of the six months ended 30 September 2018 (unaudited) and 30 September 2019, Hong Kong Profits Tax of the qualifying entity is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

CT is calculated at 12% of the estimated assessable profits exceeding MOP600,000 for the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the profit before taxation in the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		Six months ended 30 September	
	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Profit before taxation	27,171	36,212	14,628	18,273
Tax at Hong Kong Profits Tax rate of 16.5%	4,483	5,975	2,414	3,015
Tax effect of expenses not deductible for tax purpose	723	1,619	835	1,343
Tax effect of income not taxable for tax purpose	(52)	(158)	(154)	—
Effect of different tax rate of subsidiaries operating in other jurisdiction	(8)	—	—	(11)
Tax concession	(90)	(60)	(40)	—
Tax effect on two-tiered tax rate	—	(165)	(165)	(165)
Tax effect of tax exemption under CT	(99)	(13)	(13)	(48)
Others	299	4	29	65
Income tax expense	5,256	7,202	2,906	4,199

15. Earnings Per Share

The calculation of basic earnings per share for the Track Record Period is based on the following data:

	Year ended 31 March		Six months ended 30 September	
	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Earnings:				
Earnings for the purpose of calculating basic earnings per share (profit for the year/period attributable to owners of the Company)	15,564	20,793	7,442	14,074
	'000	*'000*	*'000*	*'000*
Number of shares (Note):				
Number of ordinary shares for the purpose of calculating basic earnings per share	750,000	750,000	750,000	750,000

Note: The number of shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Group Reorganisation as set out in note 2 and the capitalisation issue as described in note 37 and the section headed "Share Capital" in the Prospectus have been effective on 1 April 2017.

No diluted earnings per share for the Track Record Period were presented as there were no potential ordinary shares in issue for the Track Record Period.

16. Dividends

During the year ended 31 March 2019, Sunray HK declared dividends of HK$47,641,000 to its then sole shareholder.

The rate of dividends and number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

Other than the above, no dividends have been declared or paid by other group entities in respect of the Track Record Period or by the Company since its incorporation.

17. Property and Equipment

	Leasehold improvements	Furniture and office equipment	Machinery and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 April 2017	375	656	1,702	5,174	7,907
Additions	—	103	526	5,837	6,466
Transfer from right-of-use assets	—	—	—	1,626	1,626
Disposals	—	—	—	(3,331)	(3,331)
At 31 March 2018	375	759	2,228	9,306	12,668
Additions	—	50	148	1,880	2,078
Transfer from right-of-use assets	—	—	—	4,105	4,105
Disposals	—	—	—	(3,665)	(3,665)
At 31 March 2019	375	809	2,376	11,626	15,186
Additions	—	32	13	270	315
At 30 September 2019	375	841	2,389	11,896	15,501
DEPRECIATION					
At 1 April 2017	217	472	1,520	2,563	4,772
Provided for the year	46	108	158	1,221	1,533
Transferred from right-of-use assets	—	—	—	542	542
Eliminated on disposal	—	—	—	(1,178)	(1,178)
At 31 March 2018	263	580	1,678	3,148	5,669
Provided for the year	38	117	139	1,481	1,775
Transferred from right-of-use assets	—	—	—	1,973	1,973
Eliminated on disposal	—	—	—	(168)	(168)
At 31 March 2019	301	697	1,817	6,434	9,249
Provided for the period	19	38	76	727	860
At 30 September 2019	320	735	1,893	7,161	10,109
CARRYING VALUES					
At 31 March 2018	112	179	550	6,158	6,999
At 31 March 2019	74	112	559	5,192	5,937
At 30 September 2019	55	106	496	4,735	5,392

Depreciation is provided to write off the cost of items of property and equipment over their estimated useful lives using the straight line method as follows:

Leasehold improvements . . .	Over the shorter of 5 years or the terms of the leases
Furniture and office equipment.	3 - 5 years
Machinery and equipment . .	5 years
Motor vehicles	5 years

18. Right-of-Use Assets

The lease terms of the Group's offices, director's quarters, warehouse, printing machines and motor vehicles range from 2 - 5 years in the Track Record Period. Depreciation is provided to write off the cost of items of right-of-use assets over their expected useful lives using straight line method. When there is no reasonable certainty that ownership will be obtained by the end of the lease term, the assets are depreciated over the lease term. Their useful lives are as follows:

Buildings	2 years
Printing machines	5 years
Motor vehicles	5 years

Except for certain motor vehicles, the Group does not have the option to purchase the right-of-use assets for a nominal amount at the end of the lease terms.

	Buildings	Printing machines	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 1 April 2017	2,476	462	6,495	9,433
Additions	1,293	553	—	1,846
Early termination of lease contracts . . .	—	(462)	—	(462)
Expiration of lease contracts	(1,129)	—	—	(1,129)
Transfer to property and equipment upon early termination of lease contracts	—	—	(1,626)	(1,626)
At 31 March 2018	2,640	553	4,869	8,062
Additions	2,591	—	—	2,591
Expiration of lease contracts	(1,346)	—	—	(1,346)
Transfer to property and equipment upon early termination of lease contracts	—	—	(4,105)	(4,105)

	Buildings	Printing machines	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2019	3,885	553	764	5,202
Additions	308	—	—	308
Expiration of lease contracts	(285)	—	—	(285)
At 30 September 2019	3,908	553	764	5,225
DEPRECIATION				
At 1 April 2017	1,143	169	1,903	3,215
Charge for the year	1,332	148	973	2,453
Early termination of lease contracts	—	(262)	—	(262)
Expiration of lease contracts	(1,129)	—	—	(1,129)
Transfer to property and equipment upon early termination of lease contracts	—	—	(542)	(542)
At 31 March 2018	1,346	55	2,334	3,735
Charge for the year	1,916	111	341	2,368
Expiration of lease contracts	(1,346)	—	—	(1,346)
Transfer to property and equipment upon early termination of lease contracts	—	—	(1,973)	(1,973)
At 31 March 2019	1,916	166	702	2,784
Charge for the period	972	55	47	1,074
Expiration of lease contracts	(285)	—	—	(285)
At 30 September 2019	2,603	221	749	3,573
CARRYING VALUES				
At 31 March 2018	1,294	498	2,535	4,327
At 31 March 2019	1,969	387	62	2,418
At 30 September 2019	1,305	332	15	1,652

19. Inventories

	As at 31 March		As at 30 September
	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*
Materials of building protection works or products	12,635	12,446	8,609

20. Trade and Other Receivables

THE GROUP

	As at 31 March		As at 30 September
	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	20,991	15,141	16,774
Less: Allowance for impairment	—	(212)	(179)
	20,991	14,929	16,595
Deferred issue costs	—	1,363	2,867
Other receivables	11	15	369
Prepayment and deposits	1,550	1,278	1,307
Prepaid listing expenses	—	1,267	495
	22,552	18,852	21,633
Less: Rental deposits classified as non-current portion	(156)	(260)	—
Current portion	22,396	18,592	21,633

As at 1 April 2017, the carrying amount of trade receivables is HK$25,016,000 with no allowance for impairment.

Trade receivables

Trade receivables represent the amounts receivable, after deduction of retention receivables. For provision of building protection works, the trade receivables usually fall due within 14 to 30 days after the work is certified. For supply of building protection products, the Group normally allows a credit period ranging from 15 to 30 days to its customers.

The aging analysis of trade receivables based on dates of work certified or dates of invoices at the end of each reporting period, net of allowance for impairment, is as follows:

	As at 31 March		As at 30 September
	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*
0 to 30 days	12,891	7,354	10,731
31 to 90 days	4,275	2,626	2,043
91 to 180 days	796	279	974
181 to 365 days	1,487	1,376	170
Over 365 days	1,542	3,294	2,677
	20,991	14,929	16,595

The following is an aging analysis of trade receivables which are past due but not impaired at 31 March 2018:

	As at 31 March 2018
	HK$'000
Overdue	
1 to 30 days	5,273
31 to 90 days	1,481
91 to 180 days	701
181 to 365 days	1,468
Over 365 days	1,542
	10,465

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the trade receivables is reviewed by the management of the Group regularly.

Included in the Group's trade receivables are aggregate carrying amount of HK$10,465,000 at 31 March 2018 which is past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts were still considered recoverable based on the management's historical experience on the settlement pattern from these customers. Accordingly, the management of the Group believes that no impairment loss was required. The Group does not hold any collateral over these balances.

In addition, the management of the Group are of the opinion that no event of default occurred for trade receivables past due over 90 days as the balances are still considered fully recoverable based on the management's historical experience on the settlement pattern from these customers.

Since the adoption of HKFRS 9 on 1 April 2018, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9 as disclosed in note 21. Except for a credit-impaired debtor which was assessed individually, the trade receivables are assessed collectively using a provision matrix based on appropriate groupings on shared credit risk characteristics of customers for impairment allowance based on the Group's internal credit rating, historical credit loss experience, adjusted for factors that are specific to the customers, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For the other receivables including rental deposits, allowance for impairment was insignificant and thus negligible to be made since the management of the Group considers the probability of default is minimal after assessing the counterparties' financial background and creditability.

THE COMPANY

	As at 31 March 2019	**As at 30 September 2019**
	HK$'000	*HK$'000*
Deferred issue costs	1,363	2,867
Prepaid listing expenses	1,267	495
	2,630	3,362

21. Impairment Assessment on Trade Receivables and Contract Assets

Prior to 1 April 2018, the Group performed impairment assessment based on incurred loss model and provide impairment losses for irrecoverable amounts. Since 1 April 2018, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and contract assets.

In order to minimise credit risk, the Group makes periodic collective assessment on the recoverability of trade receivables and contract assets and develops and maintains the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the management uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Internal credit rating	Description	Basis for recognising ECL
Strong	The counterparty, as a listed company with strong financial background based on the published financial information publicly available in the market, creditability and good repayment record, has very low probability of default.	Lifetime ECL - not credit-impaired
Good	The counterparty, having no balances past due over 90 days and with good repayment record, has low risk of default.	Lifetime ECL - not credit-impaired
Satisfactory	The counterparty, occasionally having certain balances past due over 90 days and with good repayment record, has moderate default risk.	Lifetime ECL - not credit-impaired
Watch list	The counterparty, usually having balances past due over 90 days, frequently repays after due dates. Requires varying degrees of attention and default risk is of greater concern.	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

In determining the ECL for trade receivables and contract assets, the management of the Group has taken into account the historical default experience and the future prospect of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, as well as any cash flows that are expected from the realisation of the collateral, in estimating the probability of default of each of the trade receivables and contract assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

The following table provides information about the exposure to credit risk and ECL for trade receivables and contract assets which are assessed collectively based on internal credit ratings (not credit-impaired) as at 31 March 2019 and 30 September 2019. A credit-impaired debtor with gross carrying amount of nil and HK$1,642,000 was assessed individually as at 31 March 2019 and 30 September 2019, respectively.

At 31 March 2019

Internal credit rating	Average loss rate	Gross carrying amount	Impairment losses
		HK$'000	*HK$'000*
Strong	0.12%	52,622	61
Good	0.51%	15,725	80
Satisfactory	2.24%	11,509	258
Watch list	6.10%	5,951	363
		85,807	762

At 30 September 2019

Internal credit rating	Average loss rate	Gross carrying amount	Impairment losses
		HK$'000	*HK$'000*
Strong	0.10%	65,569	67
Good	0.50%	27,075	135
Satisfactory	2.15%	12,631	272
Watch list	6.28%	3,171	200
		108,446	674

A trade receivable and contract asset is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

There has been no change in the estimation techniques or significant assumptions made during the year ended 31 March 2019 and the six months ended 30 September 2019 in assessing the loss allowances for the trade receivables and contract assets.

The management assessed the expected loss on trade receivables and contract assets collectively using a provision matrix based on appropriate groupings on shared credit risk characteristics of customers, except for balances with a credit-impaired debtor which was assessed for ECL individually. As at 31 March 2019, the loss allowances for trade receivables and contract assets were HK$212,000 and HK$550,000, respectively. As at 30 September 2019, the loss allowances for trade receivables and contract assets were HK$92,000 and HK$582,000, respectively.

The movement of the impairment losses in respect of trade receivables and contract assets during the year ended 31 March 2019 and the six months ended 30 September 2019 is as follows:

	Lifetime ECL-not credit-impaired			Lifetime ECL-credit-impaired			
	Trade receivables	**Contract assets**	**Subtotal**	**Trade receivables**	**Contract assets**	**Subtotal**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2018 (Note)	134	354	488	—	—	—	488
Impairment losses, net of reversal	78	196	274	—	—	—	274
At 31 March 2019	212	550	762	—	—	—	762
Transfer to credit-impaired	(5)	(87)	(92)	5	87	92	—
Impairment losses, net of reversal	(115)	119	4	82	1,468	1,550	1,554
At 30 September 2019	92	582	674	87	1,555	1,642	2,316

Note: The Group has initially applied HKFRS 9 at 1 April 2018 and comparative information is not restated.

Changes in the loss allowances for the trade receivables and contract assets during the six months ended 30 September 2019 are mainly due to the increase in ECL arising from a gross carrying amount of HK$1,642,000 from one debtor which showed significant financial difficulty and becoming probable that the debtor will undergo financial re-organisation. Therefore, the management of the Group considered this debtor was credit-impaired.

There is no transfer between the above categories from or to lifetime ECL-credit-impaired during the year ended 31 March 2019.

22. Contract Assets/Liabilities

	As at 1 April	As at 31 March		As at 30 September
	2017	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Analysed for reporting purposes, on a net basis for each respective contract:				
Contract assets	39,101	41,603	70,116	91,177
Contract liabilities	(7,248)	(6,209)	(10,763)	(11,453)

Included in carrying amounts of contract assets are retention receivables of HK$10,470,000 (with no loss allowance) as at 31 March 2018, HK$13,668,000 (net of loss allowance of HK$174,000) as at 31 March 2019 and HK$15,693,000 (net of loss allowance of HK$126,000) as at 30 September 2019.

Retention receivables represent the money retained by the Group's customers to secure the due performance of the contracts. The customers normally withhold 10% of the certified amount payable to the Group as retention money (accumulated up to maximum 5% of contract sum), 50% of which is normally recoverable upon completion of respective project and the remaining 50% is recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 year to 2 years from the date of completion of respective projects. The amount is unsecured and interest-free.

The retention receivables, net of loss allowance, included in contract assets are to be settled, based on the expiry of the defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, at the end of each reporting period as follows:

	As at 31 March		As at 30 September
	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*
Within one year	3,909	3,466	6,655
After one year	6,561	10,202	9,038
	10,470	13,668	15,693

As at 31 March 2018, 31 March 2019 and 30 September 2019, contract liabilities represent advanced payments from customers for unsatisfied performance obligations and are recognised as revenue when the Group performs its obligations under the contracts which are expected to be satisfied within one year.

The changes in contract assets and liabilities are due to i) changes in the progress of contracting works when the Group satisfies the performance obligations under the contracts, or ii) reclassification to trade receivables when the Group has unconditional right to the consideration.

There were no impairment losses recognised on any contract assets for the year ended 31 March 2018.

Since the adoption of HKFRS 9 on 1 April 2018, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9 as disclosed in note 21.

23. Pledged Bank Deposit/Bank Balances and Cash

Pledged bank deposit with an original maturity over 3 months which carries a fixed interest rate at 0.8% and 1.4% per annum has been pledged to secure performance guarantee as at 31 March 2019 and 30 September 2019, respectively.

Bank balances carry interest at prevailing market rate of 0.01% per annum as at 31 March 2018, 31 March 2019 and 30 September 2019.

Details of impairment assessment of pledged bank deposit and bank balances for the year ended 31 March 2019 and the six months ended 30 September 2019 are set out in note 34.

24. Trade and Other Payables

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	As at 31 March		As at 30 September
	2018	**2019**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	15,055	7,940	17,081
Retention payables	2,618	2,996	3,746
Accrued expenses	3,283	1,141	1,265
Accrued staff costs	6,232	1,268	2,540
Accrued listing expenses and issue costs	—	2,115	1,065
	27,188	15,460	25,697

The credit period of trade payables ranges from 30 to 90 days.

The following is an aged analysis of trade payables based on the invoice date at the end of each reporting period:

	As at 31 March		As at 30 September
	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	7,335	4,375	12,210
31 to 90 days	4,943	463	1,992
Over 90 days	2,777	3,102	2,879
	15,055	7,940	17,081

Retention payables to sub-contractors of contract works are interest-free and payable by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts for a period of generally 12 months after completion of the relevant works.

The retention payables are to be settled, based on the expiry of maintenance period, at the end of each reporting period as follows:

	As at 31 March		As at 30 September
	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*
Within one year	892	1,088	545
After one year	1,726	1,908	3,201
	2,618	2,996	3,746

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	As at 31 March	As at 30 September
	2019	2019
	HK$'000	*HK$'000*
Accrued listing expenses and issue costs	2,115	1,065

25. Amount(s) due to a Director/Subsidiaries

THE GROUP

As at 31 March 2018, the amount due to a director represents the amount payable to Mr. Lam and is unsecured, non-trade nature, interest-free and repayable on demand.

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As at 31 March 2019 and 30 September 2019, the amounts due to subsidiaries are unsecured, non-trade nature, interest-free and repayable on demand.

26. Lease Liabilities

	As at 31 March		As at 30 September
	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*
Analysed as:			
Non-current	1,238	504	398
Current	1,412	1,903	1,286
	2,650	2,407	1,684
Minimum lease payments due:			
Within one year	1,582	1,945	1,312
More than one year but not later than two years	969	303	251
More than two years but not later than five years	306	204	153
	2,857	2,452	1,716
Less: Future finance charges	(207)	(45)	(32)
Present value of lease liabilities	2,650	2,407	1,684
Maturity analysis:			
Within one year	1,412	1,903	1,286
More than one year but not later than two years	935	301	246
More than two years but not later than five years	303	203	152
	2,650	2,407	1,684

At 31 March 2018, 31 March 2019 and 30 September 2019, the Group leases various assets as its offices, director's quarters, warehouse, printing machines and motor vehicles and these lease liabilities are measured at the present value of the lease payments that are not yet paid. The lease terms range from two to five years. These leases have no terms of renewal clauses. Purchase options are included in certain lease agreements entered by the Group in respect of motor vehicles. No arrangements have been entered into for contingent rental payments on these leased assets.

During the Track Record Period, no expenses relating to short-term leases were recognised.

The total cash outflows for leases amounted to HK$5,250,000, HK$5,728,000, HK$3,017,000 (unaudited) and HK$2,070,000 for the each of the years ended 31 March 2018 and 31 March 2019 and for each of the six months ended 30 September 2018 and 2019, respectively.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

27. Deferred Taxation

The movements in deferred tax assets and liabilities for each of the two years ended 31 March 2019 and the six months ended 30 September 2019, without taking into account the offsetting of balances within the same tax jurisdiction, are as follows:

	Accelerated tax depreciation	**Unrealised profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2017	910	(236)	674
Charge (credit) to profit or loss	316	(161)	155
At 31 March 2018	1,226	(397)	829
(Credit) charge to profit or loss	(420)	393	(27)
At 31 March 2019	806	(4)	802
Credit to profit or loss	(34)	(8)	(42)
At 30 September 2019	772	(12)	760

28. Share Capital

THE GROUP

The share capital as at 1 April 2017 and 31 March 2018 represented the combined share capital of Profit Partner of US$2, Fair Building of MOP25,000, Karcenar Macau of MOP25,000, Sunray HK of HK$1 and Karcenar HK of HK$2.

On 12 February 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an initial authorised share capital of HK$390,000 divided into 39,000,000 shares of HK$0.01 each, of which one share of HK$0.01 was allotted, issued and credited as fully paid to an independent initial subscriber. On the same date, such subscriber's share was transferred to Ultra Success for cash at par.

The share capital as at 31 March 2019 and 30 September 2019 represented the share capital of the Company.

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	Number of shares	Amount	Shown in Historical Financial Information as
		HK$'000	
Ordinary share of HK$0.01 each			
Authorised:			
At 12 February 2019 (date of incorporation), 31 March 2019 and 30 September 2019	39,000,000	390,000	
Issued and paid:			
At 12 February 2019 (date of incorporation), 31 March 2019 and 30 September 2019	1	—*	—*

* *Less than HK$1,000*

29. Retirement Benefits Schemes

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of independent trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees but subject to a maximum amount of HK$1,500 per month for each employee to the scheme.

Eligible employees employed by the Macau subsidiaries of the Group are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by the Macau Government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

The total cost charged to profit or loss of HK$566,000, HK$714,000, HK$243,000 (unaudited) and HK$267,000 represents contributions paid or payable to the above schemes by the Group for each of the years ended 31 March 2018 and 2019 and each of the six months ended 30 September 2018 and 2019, respectively.

30. Related Party Transactions

The Group had entered into the following related party transactions:

(a)

Name of related parties	Nature of transactions	As at/For the year ended 31 March 2018	2019	As at/For the six months ended 30 September 2018	2019
		HK$'000	*HK$'000*	*HK$'000 (unaudited)*	*HK$'000*
Red Fame Limited ("Red Fame") (note i)	Interest expenses on lease liabilities	9	29	17	8
	Lease liabilities (note ii)	—	530	787	267
Great Construction Engineering Limited (note iii)	Cost of services	200	—	—	—

Notes:

(i) The related company is controlled by the directors of the Company, Mr. Lam and Mrs. Lam.

(ii) During each of the years ended 31 March 2018 and 2019 and each of the six months ended 30 September 2018 and 2019, the Group entered into several new lease agreement for the use of director's quarter with Red Fame for 2 years, 2 years, 2 years (unaudited) and 2 years, respectively. Except for short-terms lease and low value leases in which the Group applied recognition exemption, the Group has recognised an addition of right-of-use assets of nil, HK$1,040,000, HK$1,040,000 (unaudited) and nil and lease liabilities of nil, HK$1,040,000, HK$1,040,000 (unaudited) and nil for each of the years ended 31 March 2018 and 2019 and each of the six months ended 30 September 2018 and 2019, respectively.

(iii) The related company is controlled by a close family member of Mr. Lam.

(b) A personal guarantee was given by Mr. Lam in respect of a banking facility granted to the Group amounted to approximately HK$4,000,000 and HK$4,000,000 as at 31 March 2019 and 30 September 2019, respectively, of which HK$755,000 and HK$755,000 (representing a performance bond as set out in note 32) was utilised as at 31 March 2019 and 30 September 2019, respectively. As represented by the directors of the Company, the personal guarantee will be fully released, discharged or replaced by corporate guarantee or other securities provided by the Group upon Listing.

The remuneration of key management personnel who are the directors of the Company during the Track Record Period was disclosed in note 13.

31. Major Non-Cash Transactions

During the year ended 31 March 2019, a dividend of HK$47,641,000 was declared in which HK$3,939,000 was settled through offsetting the amount due from Mr. Lam.

Right-of-use assets with a total capital value of HK$1,846,000, HK$2,591,000, HK$2,591,000 (unaudited) and HK$308,000 with the corresponding amount of lease liabilities of HK$1,846,000, HK$2,591,000, HK$2,591,000 (unaudited) and HK$308,000 were recognised during the each of the years ended 31 March 2018 and 2019 and each of the six months ended 30 September 2018 and 2019, respectively.

32. Performance Guarantee

As at 31 March 2019 and 30 September 2019, a performance bond of HK$755,000 and HK$755,000, respectively, was given by a bank in favour of a Group's customer as security for the due performance and observance of the Group's obligations under the contract for building protection works entered into between the Group and this customer. If the Group fails to provide satisfactory performance to this customer to whom the performance guarantee has been given, such customer may demand the bank to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such bank accordingly. The performance guarantee will be released upon completion of the contract works. The performance guarantee was granted under a letter of guarantee of the Group.

The management of Group does not consider it is probable that a claim will be made against the Group in respect of the above performance guarantee.

33. Capital Risk Management

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes the amount due to a director and lease liabilities disclosed in respective notes, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as the raising of new debts or the repayment of the existing debts.

34. Financial Instruments

Categories of financial instruments

THE GROUP

	As at 31 March		As at 30 September
	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	111,440	N/A	N/A
Financial assets at amortised cost	N/A	47,618	59,385
Financial liabilities			
Amortised cost	27,928	13,051	21,892

THE COMPANY

	As at 31 March	As at 30 September
	2019	2019
	HK'000	*HK'000*
Financial liabilities		
Amortised cost	4,826	11,840

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposit, bank balances and cash, trade and other payables and amount due to a director and lease liabilities. The Company's financial instruments include amounts due to subsidiaries and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk, and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rates will affect the Group's financial results and its cash flows. Several group entities have foreign currency sales and purchases, but the management considers the amount of foreign currency sales and purchases to be insignificant. The management considers that the Group is not exposed to significant foreign currency risk in relation to transactions denominated in MOP and US$ as MOP is pegged to HK$ and HK$ is pegged to US$ under the pegged exchange system in Hong Kong.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities are insignificant. Therefore, the management of Group considers that the exposure to currency risk is minimal.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to pledged bank deposit and lease liabilities. The management of the Group continuously monitors interest rate exposure.

The Group's cash flow interest rate risk mainly concentrates on the fluctuation of prevailing market interest rates arising from the Group's bank balances as at 31 March 2018, 31 March 2019 and 30 September 2019. The Group currently does not have any interest rate hedging policy. However, the management monitors the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arise.

The management of the Group considers the Group's exposure of pledged bank deposit and bank balances to interest rate is not significant as interest bearing pledged bank deposit and bank balances are within short maturity period. Therefore, no sensitivity analysis for interest rate risk was presented.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2018, 31 March 2019 and 30 September 2019 in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group reviews the recoverable amount of each individual trade and other receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

As at 31 March 2018, 31 March 2019 and 30 September 2019, the Group has concentration of credit risk on trade receivables amounted to HK$5,167,000, HK$3,061,000 and HK$2,666,000, representing approximately 24.6%, 20.5% and 16.1% of the trade receivables, respectively, which was due from a single customer. As at 31 March 2018, 31 March 2019 and 30 September 2019, trade receivables from the five customers with the most significant balances amounted to HK$11,947,000, HK$9,966,000 and HK$9,385,000, representing approximately 56.9%, 66.8% and 56.6% of the total trade receivables, respectively.

In addition, as at 31 March 2018, 31 March 2019 and 30 September 2019, the Group has concentration of credit risk on contract assets amounted to HK$14,106,000 and HK$18,191,000, HK$23,719,000 representing approximately 33.9%, 25.9% and 26.0% of the contract assets, respectively, which was due from a single customer. As at 31 March 2018, 31 March 2019 and 30 September 2019, contract assets from the five customers with the most significant balances amounted to HK$32,203,000, HK$48,750,000 and HK$63,636,000, representing approximately 77.4%, 69.5% and 69.8% of the contract assets, respectively.

The major customers of the Group are certain reputable organisations. The management of the Group considers that the credit risk is limited in this regard.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Allowance for impairment for pledged bank deposit and bank balances was insignificant and thus negligible to be made as the management of the Group considers the probability of default is negligible.

Other than the concentration risk on liquid funds which are deposited with several banks with high credit ratings, trade receivables and contract assets, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest risk tables

THE GROUP

	Weighted average interest rate	On demand or less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Total undiscounted cash flows	Carrying amounts
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2018							
Non-derivative financial liabilities							
Trade and other payables.	N/A	7,450	5,123	3,943	1,157	17,673	17,673
Amount due to a director.	N/A	10,255	—	—	—	10,255	10,255
		17,705	5,123	3,943	1,157	27,928	27,928
Lease liabilities	2.55	176	351	1,055	1,275	2,857	2,650
At 31 March 2019							
Non-derivative financial liabilities							
Trade and other payables.	N/A	6,683	596	4,743	1,029	13,051	13,051
Lease liabilities	3.13	177	353	1,415	507	2,452	2,407
At 30 September 2019							
Non-derivative financial liabilities							
Trade and other payables.	N/A	13,356	2,282	3,053	3,201	21,892	21,892
Lease liabilities	3.40	178	355	779	404	1,716	1,684

THE COMPANY

	Weighted average interest rate	On demand or less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	Total undiscounted cash flows	Carrying amounts
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2019							
Other payables	N/A	2,115	—	—	—	2,115	2,115
Amounts due to subsidiaries	N/A	2,711	—	—	—	2,711	2,711
		4,826	—	—	—	4,826	4,826
At 30 September 2019							
Other payables	N/A	1,065	—	—	—	1,065	1,065
Amounts due to subsidiaries	N/A	10,774	—	—	—	10,774	10,774
		11,839	—	—	—	11,839	11,839

Fair value measurement of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

35. Investment in a Subsidiary

THE COMPANY

	As at 31 March 2019	As at 30 September 2019
	HK$'000	*HK$'000*
Investment in Success Worldwide, at cost	—#	—#

Less than HK$1,000

At the date of each reporting period and the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place and the date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group as at				Principal activity	Notes
				31 March 2018	31 March 2019	30 September 2019	Date of this report		
Directly held									
Success Worldwide .	BVI 21 September 2018	Hong Kong	US$1	100%	100%	100%	100%	Investment holding	(a)
Indirectly held									
Tech Link	Hong Kong 2 February 2002	Hong Kong	HK$2	50%*	100%	100%	100%	Supply of building protection products	(b)
Fair Building	Macau 29 September 2006	Macau	MOP25,000	48.8%*	100%	100%	100%	Supply of building protection products	(a)
Karcenar HK	Hong Kong 31 January 1989	Hong Kong	HK$2	100%	100%	100%	100%	Provision of building protection works	(b)
Sunray HK.	Hong Kong 15 December 2006	Hong Kong	HK$1	100%	100%	100%	100%	Provision of building protection works	(b)
Karcenar Macau . . .	Macau 5 September 2003	Macau	MOP25,000	100%	100%	100%	100%	Provision of building protection works	(a)
Profit Partner	BVI 28 July 2011	Hong Kong	US$100	50%*	100%	100%	100%	Investment holding	(a)
DP ChemTech HK . .	Hong Kong 4 April 2014	Hong Kong	HK$2	50%*	100%	100%	100%	Inactive	(b)
Big Group	BVI 5 September 2018	Hong Kong	US$1	50%*	100%	100%	100%	Investment holding	(a)
Primary Winner . . .	BVI 5 September 2018	Hong Kong	US$1	100%	100%	100%	100%	Investment holding	(a)
Ultimate Power . . .	BVI 21 September 2018	Hong Kong	US$1	100%	100%	100%	100%	Investment holding	(a)

* *Mr. Lam has control over the company as Mr. Lo, the other ultimate shareholder, has given his irrevocable consent to vote in accordance with Mr. Lam's instruction in respect of the company's relevant activities since its incorporation/establishment.*

All subsidiaries are limited liability companies and have adopted 31 March as their financial year end date.

Notes:

(a) No statutory audited financial statements of Success Worldwide, Fair Building, Karcenar Macau, Profit Partner, Big Group, Primary Winner and Ultimate Power have been prepared since their respective date of incorporation as they are incorporated in a jurisdiction where there are no statutory audit requirements.

(b) The statutory financial statements of Tech Link, Karcenar HK, Sunray HK and DP ChemTech HK for the year ended 31 March 2018 were prepared in accordance with Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard issued by the HKICPA and were audited by Louie Wu & Co, certified public accountants registered in Hong Kong. The statutory financial statements of Tech Link, Karcenar HK, Sunray HK and DP ChemTech HK for the year ended 31 March 2019 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by Deloitte Touche Tohmatsu, Hong Kong.

During the year ended 31 March 2019, there are the following major changes in ownership interest in subsidiaries:

(i) Acquisition of additional 50% of shareholding of Karcenar Macau by Mr. Lam from Mr. Lau for a total cash consideration of MOP12,500 and injected into the Group as set out in note 2(vi).

(ii) Acquisition of additional 50% of shareholding of Profit Partner by Mr. Lam from Mr. Lo for a total cash consideration of HK$43,702,000 and injected into the Group as set out in notes 2(xi) and 2(xiv).

The table below shows details of non-wholly owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership and voting rights held by non-controlling interests			Profit allocated to non-controlling interests				Accumulated non-controlling interests		
		As at 31 March		As at 30 September	Year ended 31 March		Six months ended 30 September		As at 31 March		As at 30 September
		2018	2019	2019	2018	2019	2018	2019	2018	2019	2019
					HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000	HK$'000	HK$'000	HK$'000
Tech Link, a subsidiary of Profit Partner	Hong Kong	50%	—	—	5,986	8,039	4,716	—	21,488	—	—
Other non-wholly owned subsidiaries with immaterial non-controlling interests					365	178	(436)	—	7,059	—	—
					6,351	8,217	4,280	—	28,547	—	—

Summarised financial information (prepared in accordance with HKFRSs) in respect of Tech Link that has material non-controlling interests up to 31 December 2018 (the date of acquisition to become the Company's wholly-owned subsidiary) is set out below. The summarised financial information below represents amounts before intra-group eliminations.

	As at 31 March 2018	As at 31 December 2018
	HK$'000	*HK$'000*
Current assets	69,192	104,673
Non-current assets	3,346	2,472
Current liabilities	(28,819)	(46,949)
Non-current liabilities	(743)	(1,142)
Equity attributable to owners of the Company	21,488	59,054
Non-controlling interests	21,488	—

	Year ended 31 March 2018	Six months ended 30 September 2018	Period from 1 April 2018 to 31 December 2018
	HK$'000	*HK$'000* (*unaudited*)	*HK$'000*
Revenue	94,135	48,467	85,660
Other income	391	338	1,470
Other gains and losses	(16)	762	655
Total expenses	(82,538)	(40,135)	(71,707)
Profit and total comprehensive income for the year/period	11,972	9,432	16,078
Profit and total comprehensive income for the year/period attributable to:			
- owners of the Company	5,986	4,716	8,039
- non-controlling interests	5,986	4,716	8,039
	11,972	9,432	16,078
Net cash inflow from operating activities	21,529	1,966	7,450
Net cash inflow (outflow) from investing activities	60	(1,596)	(31,567)
Net cash (outflow) inflow from financing activities	(5,114)	(6,538)	10,007
Net cash inflow (outflow)	16,475	(6,168)	(14,110)

36. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows used in financing activities.

	Dividend payable	Amount due to a director	Lease liabilities	Accrued issue costs	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2017	—	24,442	3,888	—	28,330
Financing cash flows	—	(14,187)	(3,170)	—	(17,357)
Interest expense	—	—	284	—	284
Recognition of lease liabilities	—	—	1,846	—	1,846
Loss arising from early termination of lease contracts	—	—	2	—	2
Early termination of a lease contract in respect of a printing machine returned	—	—	(200)	—	(200)
At 31 March 2018	—	10,255	2,650	—	12,905
Financing cash flows	(43,702)	(10,255)	(3,094)	(909)	(57,960)
Dividend declared	47,641	—	—	—	47,641
Dividend settled through offsetting (note 31)	(3,939)	—	—	—	(3,939)
Interest expense	—	—	169	—	169
Recognition of lease liabilities	—	—	2,591	—	2,591
Loss arising from early termination of lease contracts	—	—	91	—	91
Issue costs accrued	—	—	—	1,363	1,363
At 31 March 2019	—	—	2,407	454	2,861

	Lease liabilities	Accrued issue costs	Total
	HK$'000	*HK$'000*	*HK$'000*
At 31 March 2019	2,407	454	2,861
Financing cash flows	(1,062)	(1,823)	(2,885)
Interest expense	31	—	31
Recognition of lease liabilities	308	—	308
Issue costs accrued	—	1,504	1,504
At 30 September 2019	1,684	135	1,819

	Lease liabilities	Amount due to a director	Total
	HK$'000	*HK$'000*	*HK$'000*
(Unaudited)			
At 1 April 2018	2,650	10,255	12,905
Financing cash flows	(1,875)	(10,255)	(12,130)
Interest expense	52	—	52
Recognition of lease liabilities	2,591	—	2,591
At 30 September 2018	3,418	—	3,418

37. Events After the Reporting Period

Save as disclosed elsewhere in the Historical Financial Information, subsequent to 30 September 2019, the following significant events took place:

The outbreak of a respiratory illness caused by the novel coronavirus, or known as the COVID-19, in China including Hong Kong, has affected many businesses to different extent. Although the Group has limited business in the Mainland China, certain building protection materials are sourced from suppliers in the Mainland China, which accounted for less than 5% of total supply. During the assessment of the impact, the Group has negotiated with its major suppliers to confirm continuous and adequate supply of goods. Given that the Group can seek alternative supply if necessary, the directors of the Company consider the event would not have a material impact to the Group's operation. However, due to the inherent unpredictable nature and rapid development relating to the Novel Coronavirus and its pervasive impact, the Group will closely monitor the latest development and potential impact in this regard.

On 18 March 2020, written resolutions of the sole shareholder of the Company were passed to approve the matters set out in the paragraph headed "Written resolutions of the sole Shareholder" in Appendix IV of the Prospectus. It was resolved, among other things:

(i) on 18 March 2020, the authorised share capital of the Company was increased from HK$390,000 divided into 39,000,000 shares to HK$15,600,000 divided into 1,560,000,000 shares by the creation of 1,521,000,000 additional shares;

(ii) conditional on the share premium account of our Company being credited as a result of the share offer, the directors of the Company were authorised to capitalise an amount up to HK$7,499,999.99 standing to the credit of the Company's share premium account towards paying up in full at par a total of up to 749,999,999 shares for allotment and issue, credited as fully paid and ranked pari passu in all respects with each other and the existing issued shares (except entitlement to the capitalisation issue), to Ultra Success, and the directors of Company or any committee of the board of directors were authorised to give effect to the capitalisation issue, details are set out in Appendix IV to the Prospectus; and

(iii) the Company has conditionally adopted a share option scheme, the principal terms of which are set out in the paragraph headed "Statutory and General Information D. Share Option Scheme" in Appendix IV to the Prospectus. No options have been granted up to the date of this report.

38. Subsequent Financial Statements

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 September 2019.

The information set out in this Appendix does not form part of the accountants' report on the historical financial information of the Group for each of the two years ended 31 March 2019 and the six months ended 30 September 2019 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set out in Appendix I to this prospectus (the "Accountants' Report"), and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared in accordance with Rules 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Share Offer on the audited consolidated net tangible assets of the Group attributable to owners of the Company as if the Share Offer had taken place on 30 September 2019.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Share Offer been completed as at 30 September 2019 or any future dates following the Share Offer.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2019 as shown in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2019	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2019**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2019 per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on an Offer Price of HK$0.22 per Offer Share after a Downward Offer Price Adjustment of 10%	118,195	32,157	150,352	0.15
Based on minimum indicative Offer Price of HK$0.24 per Offer Share	118,195	36,257	154,452	0.15
Based on maximum indicative Offer Price of HK$0.28 per Offer Share	118,195	44,457	162,652	0.16

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2019 is extracted from the Accountants' Report as set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the issue of the Offer Shares pursuant to the Share Offer are based on 250,000,000 new Offer Shares at the Offer Price of HK$0.24 per Offer Share, HK$0.28 per Offer Share and HK$0.22 per Offer Share, being the lower end of the indicative Offer Price range, the upper end of the indicative Offer Price range and the Offer Price after making a Downward Offer Price Adjustment of 10%, respectively, after deduction of the estimated underwriting commissions and fees and other related expenses expected to be incurred by the Group subsequent to 30 September 2019.

The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme or any Shares which may be issued or bought back by the Company pursuant to the general mandates granted to the Directors to issue or buy back Shares referred to in the paragraph headed "General Mandate to Issue Shares" or the paragraph headed "General Mandate to Repurchase Shares" in the section headed "Share Capital" in this prospectus.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2019 per Share is calculated based on 1,000,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme or any Shares which may be issued or bought back by the Company pursuant to the general mandates granted to the Directors to issue or buy back Shares referred to in the paragraph headed "General Mandate to Issue Shares" or the paragraph headed "General Mandate to Repurchase Shares" in the section headed "Share Capital" in this prospectus.

(4) No adjustment has been made to the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2019 to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2019.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Sunray Engineering Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sunray Engineering Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2019 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 31 March 2020 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed public offer and placing of the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Share Offer") on the Group's financial position as at 30 September 2019 as if the Share Offer had taken place at 30 September 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the two years ended 31 March 2019 and the six months ended 30 September 2019, on which an accountants' report as set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 March 2020

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 February 2019 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 18 March 2020 and will take effect from Listing Date. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vii) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 12 February 2019 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 20 years from 23 April 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12 February 2019. Our Company has established a principal place of business in Hong Kong at Unit 803-804, 8/F., Laford Centre, 838 Lai Chi Kok Road, Cheung Sha Wan, Kowloon, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 9 April 2019. In connection with such registration, Mr. Lam has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Companies Law. The constitution documents comprise its Memorandum of Association and Articles of Association. A summary of certain provisions of its constitution documents and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in authorised and issued share capital of our Company

(a) Our Company was incorporated in the Cayman Islands on 12 February 2019 as an exempted company with limited liability under the Companies Law. At the time of incorporation, our Company had an authorised share capital of HK$390,000.00 divided into 39,000,000 Shares of HK$0.01 each, of which one Share was allotted and issued as fully paid to an independent initial subscriber at par. On the same date, such subscriber's Share was transferred to Ultra Success for cash at par and the share transfer was legally completed on the same date.

(b) On 18 March 2020, the authorised share capital of our Company was increased from HK$390,000 to HK$15,600,000 by the creation of a further 1,521,000,000 new Shares pursuant to the written resolutions of the sole Shareholder referred to in the paragraph headed "A. Further information about our Company and our subsidiary — 3. Written resolutions of the sole Shareholder" below.

(c) Immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK$10,000,000 divided into 1,000,000,000 Shares, all fully paid or credited as fully paid, and 560,000,000 Shares will remain unissued. Other than options which may fall to be granted under the Share Option Scheme, issue of Shares under the Offer Size Adjustment Option, or the exercise of the general mandate referred to in "A. Further information about our Company and our subsidiaries — 3. Written resolutions of the sole Shareholder" in this Appendix, our Directors have no present intention to issue any part of the authorised but unissued capital of our Company, and without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

(d) Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of the sole Shareholder

Pursuant to the written resolutions passed by the sole Shareholder on 18 March 2020, inter alia:

(a) the authorised share capital of our Company was increased from HK$390,000 to HK$15,600,000 by the creation of an additional 1,521,000,000 Shares of HK$0.01 each;

(b) our Company approved and adopted the Memorandum and Articles of Association on 18 March 2020 with effect from Listing Date;

(c) conditional on the conditions as set out in the section headed "Structure and Conditions of the Share Offer" of this prospectus:

(i) the Share Offer was approved and our Directors were authorised to (aa) allot and issue the Shares under the Share Offer and the Offer Size Adjustment Option; (bb) implement the Share Offer and the listing of Shares on GEM; and (cc) do all things and execute all documents in connection with or incidental to the Share Offer and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;

(ii) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount up to HK$7,499,999.99 standing to the credit of our Company's share premium account towards paying up in full at par a total of up to 749,999,999 Shares for allotment and issue, credited as fully paid and ranked pari passu in all respects with each other and the existing issued Shares (except entitlement to the Capitalisation Issue), to Ultra Success and our Directors or any committee of the Board were authorised to give effect to the Capitalisation Issue;

(iii) the rules of the Share Option Scheme, the principal terms of which are set out in "D. Share Option Scheme" in this Appendix, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options that may be granted under the Share Option Scheme and to take all such steps as may be necessary desirable or expedient to implement the Share Option Scheme;

(iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of Shares upon the exercise of any subscription rights attached to any warrants or convertible securities of our Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of our subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of our Company in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by our Shareholders in general meeting, Shares with an aggregate number not exceeding (1) 20% of the aggregate number of issued Shares of our Company immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme); and (2) the aggregate number of shares repurchased under the Repurchase Mandate as defined in paragraph (v) below. Such mandate shall remain in effect until whichever is the earliest:

(1) the conclusion of the next annual general meeting of our Company;

(2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or

(3) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the aggregate number of issued Shares of our Company immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), such mandate shall remain in effect until whichever is the earliest:

(1) the conclusion of the next annual general meeting of our Company;

(2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or

(3) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;

(vi) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the aggregate number of shares of our Company which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of the aggregate number of issued shares of our Company repurchased by our Company pursuant to the Repurchase Mandate referred to in paragraph (v) above provided that such extended amount shall not exceed 10% of the aggregate number of issued Shares of our Company immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme).

4. Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing, details of which are set out in the paragraph headed "History, Development and Reorganisation — Reorganisation" of this prospectus. Following the Reorganisation, our Company became the holding company of our Group.

Diagrams showing our Group's structure after the Reorganisation and immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme) are set out in the paragraph headed "History, Development and Reorganisation — Reorganisation" of this prospectus.

5. Changes in share capital of subsidiaries

Our Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save as mentioned in the section headed "History, Development and Reorganisation" of this prospectus, there was no change in the share capital of the major subsidiaries of our Company during the two years preceding the date of this prospectus.

Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

6. Repurchase by our Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the sole Shareholder on 18 March 2020, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase the Shares as described above in the paragraph headed "A. Further information about our Company and our subsidiaries — 3. Written resolutions of the sole Shareholder" in Appendix IV to this prospectus.

(ii) Source of funds

Any repurchases must be financed out of funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association and any applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands law, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of share made for the purpose of the repurchase or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles of Association and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company, or if authorised by the Articles of Association and subject to the Companies Law, out of capital.

(iii) Trading restrictions

A company is authorised to repurchase on GEM or on any other stock exchange recognised by the SFC in Hong Kong and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate number of shares in issue of that company or warrants to subscribe for shares in that company representing up to 10% of the amount of securities then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on GEM if the result of the repurchases would be that the number of the listed securities in the hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on GEM.

(iv) Status of repurchased securities

The listing of all repurchased securities (whether on GEM or otherwise) is automatically cancelled upon the repurchase and the relevant certificates must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares if not held by the company as treasury shares, may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

A listed company shall not make any repurchase of securities at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on GEM other than in exceptional circumstances and provided that a waiver on all or any of the restrictions under the GEM Listing Rules has been granted by the Stock Exchange. In addition, the Stock Exchange may prohibit repurchases of securities on GEM if a company has breached the GEM Listing Rules.

(vi) Reporting requirements

Repurchases of securities on GEM or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following trading day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) Core connected persons

Under the GEM Listing Rules, a company shall not knowingly repurchase shares from a core connected person (as defined in the GEM Listing Rules) and a core connected person shall not knowingly sell his shares to the company.

(b) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately after Listing (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be guaranteed under the Share Option Scheme), could accordingly result in up to 100,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(c) Reasons for repurchases

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share.

(d) Funding of repurchases

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with our Memorandum of Association and Articles of Association and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, our Memorandum and Articles and the applicable laws of the Cayman Islands.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code due to any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business of our Group) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

(a) Instrument of transfer dated 11 September 2018 between Mr. Lo Chiu Bun and Profit Partner Investments Limited, pursuant to which Mr. Lo Chiu Bun transferred one share of DP ChemTech Limited to Profit Partner Investments Limited at the consideration of HK$1;

(b) Bought and Sold Note dated 11 September 2018 between Mr. Lo Chiu Bun and Profit Partner Investments Limited, pursuant to which Mr. Lo Chiu Bun transferred one share of DP ChemTech Limited to Profit Partner Investments Limited at the consideration of HK$1;

(c) Sale and Purchase Agreement relating to the entire issued share capital of Karcenar Limited 嘉士拿有限公司 dated 27 September 2018 entered into between Mr. Lam Ka Wing and Primary Winner Investment Limited, pursuant to which Primary Winner Investment Limited acquired two ordinary shares of Karcenar Limited from Mr. Lam Ka Wing at the consideration of HK$2;

(d) Sale and Purchase Agreement relating to the entire issued share capital of Sunray Engineering (HK) Company Limited dated 27 September 2018 entered into between Mr. Lam Ka Wing and Primary Winner Investment Limited, pursuant to which Primary Winner Investment Limited acquired one ordinary share of Sunray Engineering (HK) Company Limited from Mr. Lam Ka Wing at the consideration of HK$1;

(e) a share transfer agreement* (股之移轉合同) dated 27 September 2018 entered into between Mr. Lau Chi Hong, Mr. Lam Ka Bun and Primary Winner Investment Limited, pursuant to which each of Mr. Lau Chi Hong and Mr. Lam Ka Bun transferred a quota with the nominal value of MOP$12,500 in Karcenar Sunray Engineering Company Limited to Primary Winner Investment Limited at the consideration of MOP$12,500 each;

(f) a share sub-division, transfer and consolidation agreement* (股之分割、移轉及合併合同) dated 27 September 2018 entered into between Mr. Lo Hang Bun, Mr. Lam Ka Bun, Profit Partner Investments Limited and Big Group Asia Limited, pursuant to which, inter alia, Mr. Lo Hang Bun's quota with the nominal value of MOP$12,800 in Fair Building Material Company Limited was split into (a) a quota with the nominal value of MOP$12,500 which was transferred to Profit Partner Investments Limited at the consideration of MOP$12,500; and (b) a quota with the nominal value of MOP$300 which was transferred to Big Group Asia Limited at the consideration of MOP$300. Mr. Lam Ka Bun's quota with the nominal value of MOP$12,200 in Fair Building Material Company Limited was transferred to Big Group Asia Limited at the consideration of MOP$12,200 and Big Group Asia Limited consolidated its quotas with the nominal value of MOP$12,200 and the nominal value of MOP$300 in Fair Building Material Company Limited into one quota with the nominal value of MOP$12,500;

(g) Sale and Purchase Agreement relating to 50% of the entire issued share capital of Profit Partner Investments Limited dated 28 September 2018 entered into between Mr. Lam Ka Wing and Success Worldwide Group Limited, pursuant to which Success Worldwide Group Limited acquired 50 shares of Profit Partner Investments Limited from Mr. Lam Ka Wing at the consideration of US$1;

(h) Sale and Purchase Agreement relating to the entire issued share capital of Primary Winner Investment Limited dated 28 September 2018 entered into between Mr. Lam Ka Wing and Success Worldwide Group Limited, pursuant to which Success Worldwide Group Limited acquired one ordinary share of Primary Winner Investment Limited from Mr. Lam Ka Wing at the consideration of US$1;

(i) a share transfer agreement* (股之移轉合同) dated 21 February 2019 entered into between Primary Winner Investment Limited and Ultimate Power Enterprises Limited, pursuant to which Primary Winner Investment Limited transferred a quota with the nominal value of MOP$12,500 in Karcenar Sunray Engineering Company Limited to Ultimate Power Enterprises Limtied at the consideration of MOP$12,500;

(j) Sale and Purchase Agreement relating to 50% of the entire issued share capital of Profit Partner Investments Limited dated 20 March 2019 entered into between Mr. Lam Ka Wing and Success Worldwide Group Limited, pursuant to which Success Worldwide Group Limited acquired 50 shares of Profit Partner Investments Limited from Mr. Lam Ka Wing at the consideration of US$1;

(k) Sale and Purchase Agreement relating to the entire issued share capital of Success Worldwide Group Limited dated 29 March 2019 entered into between Mr. Lam Ka Wing and Sunray Engineering Group Limited, pursuant to which Sunray Engineering Group Limited acquired one share of Success Worldwide Group Limited from Mr. Lam Ka Wing at the consideration of US$1;

(l) the Deed of Indemnity; and

(m) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks in Hong Kong which we believe are material to our business:

Trademark	Registered owner	Date of registration	Expiry date	Registration number	Class *(Note 3)*
(Note 1)	Tech Link	18 April 2011	17 April 2021	301891738	2, 6 and 19
(Note 1)	Tech Link	10 April 2019	9 April 2029	304886830	2, 6 and 19
(Note 1)	Tech Link	10 April 2019	9 April 2029	304886821	1 and 17
(Note 1)	Tech Link	10 April 2019	9 April 2029	304886812	1, 2, 6, 17 and 19
(Note 2)	Karcenar HK (trading as Sunray Engineering Company) Sunray Engineering	18 April 2019	17 April 2021	304891924	42

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks in Macau which we believe are material to our business:

Trademark	Applicant	Date of application	Application number	Class *(Note 4)*
(Note 1)	Fair Building	4 July 2019	N/156563(551) N/156579(546)	1, 2, 6, 17 and 19
(Note 1)	Fair Building	4 July 2019	N/156564(753) N/156580(864)	1, 2, 6, 17 and 19
	Fair Building	4 July 2019	N/156565(686) N/156581(898)	1, 2, 6, 17 and 19
	Fair Building	4 July 2019	N/156566(613) N/156582(579)	1, 2, 6, 17 and 19

As at the Latest Practicable Date, our Group has registered the following trademarks in Macau which we consider are material to our business:

Trademark	Registered owner	Date of registration	Expiry date	Trademark number	Class
(Note 1)	Fair Building	5 February 2020	5 February 2027	N/156567(618) N/156571(160) N/156575(667)	1, 2, 6, 17 and 19
(Note 1)	Fair Building	5 February 2020	5 February 2027	N/156568(537) N/156572(421) N/156576(960)	1, 2, 6, 17 and 19
	Fair Building	5 February 2020	5 February 2027	N/156569(199) N/156573(084) N/156577(905)	1, 2, 6, 17 and 19
	Fair Building	5 February 2020	5 February 2027	N/156570(310) N/156574(641) N/156578(350)	1, 2, 6, 17 and 19

Notes:

1. This trademark is in blue and red colours

2. This trademark has a circle pattern in orange and an "S" in black

3. Class 1: Chemicals for industry, unprocessed artificial resins, unprocessed plastics; fire extinguishing and fire prevention compositions; adhesives for use in industry; putties and other paste fillers

   Class 2:

   - For trademark with registration number of 301891738 : Paints, varnishes, lacquers; preservatives against rust and against deterioration of wood
   - For trademark with application numbers of 304886830 and 304886812: Paints, varnishes, lacquers; preservatives against rust and against deterioration of wood; colorants; raw natural resins

   Class 6: Metal building materials

   Class 17: Unprocessed and semi-processed rubber; plastics and resins in extruded form and insulating materials; flexible pipes, tubes and hoses, not of metal

   Class 19: Building materials (non-metallic); asphalt, pitch and bitumen

   Class 42: Engineering

4. Class 1: Industrial adhesives; chemical additives for drilling mud; chemical additives for drilling mud; agglomerates for concrete; coagulants for concrete; water rust inhibitors; bentonite; drilling mud; plasticizers; catalyst; viscose; industrial chemicals; cement waterproofing preparation other than paint; cement waterproofing chemicals other than paint; cement protective products other than paint and oil; cement preservatives other than paint and oil; and overcoating compounds; release preparations; metal hardeners; fire-extinguishing compositions; fire-retardant preparations; lithium oxide; masonry preservatives other than paints and oils; brick preservatives other than paints and oils; oil brick preservative; unprocessed plastic; unprocessed synthetic resin; unprocessed artificial resin; surfactant; window decontamination chemicals; window decontamination chemicals; industrial titanium dioxide; wall tile adhesive; Preparation; varnish solvent; industrial glucose; masonry building moisture-proofing agent other than paint; chemical reinforcing agent for rubber; oil cement mud (putty); oil cement mud (mastic, putty).

Class 2: Paint; varnish; preservative; asphalt paint; wood coating (paint); wood stain; roofing coatings (paint); oil coating (coating); coating (paint); antirust oil; fireproof paint; fire retardant paint; paint coagulant; paint-used binder; paint binder; natural resin; metal antirust preparation; metal protection preparation; wood preservative; paint thinner; paint drier; primer.

Class 6: Metal reinforcement materials for concrete; iron ore; metal building components; metal fittings for construction; metal cover for construction; metal lining for walls (construction); metal cladding for construction; metal partition (construction); metal roofing materials; metal reinforcement materials for construction; metal construction materials; metal bricks for construction; metal buildings; metal roof coverings; metal building baffles; metal sheets for construction; metal building panels; metal building siding; refractory building materials.

Class 17: Watering hose; drainage hose; soundproof material; waterproof ring; rubber or plastic filling material; rubber or plastic filler; non-thermal conductive material for heat preservation; synthetic rubber; non-metallic hose; insulating material; anti-heat radiation composition; expansion joint filler; chemical composition for trapping; seal; insulating varnish; moisture-proof building material; insulating paint; latex (natural rubber); non-packaging plastic film; liquid rubber; liquid rubber; Insulating refractory material.

Class 19: Asphalt; asphalt for construction; cement; asphalt (artificial); stone binder; refractory soil; clinker (refractory); building mortar; fireproof cement coating; cement coating for fire protection; non-metallic partition; non-metallic building; asphalt coating for roof; linoleum for construction; cement for furnace; cement for blast furnace; sandstone for construction; slag (building materials); magnesia cement; coating (building materials); non-metallic cladding for walls (building); non-metallic linings for walls (buildings); building stones; artificial stone; non-metallic flooring; non-metallic cladding for construction; building coverings; non-metallic building coverings; non-metallic partitions for construction; non-metallic building coating materials; pavement dressings; sand (except foundry sand); silica (quartz); asphalt (tar pitch); materials; non-metallic wall panels; non-metallic reinforcement materials for construction; non-metallic building materials; non-metallic paving blocks; non-metallic bricks for construction; non-metallic wall tiles for construction; brick floor; non-metallic drain pipe; condensed bagasse (building materials); non-metallic roofing panels composed of solar cells; non-metallic refractory building materials.

(b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain names which we believe are material to our business:

Domain name	**Registrant**	**Registration date**	**Expiry date**
sunray.com.hk	Sunray Engineering Company *(Note)*	18 January 2019	18 January 2029
techlinkcon.com.hk . .	Tech Link	20 July 2006	27 July 2020

Note: It refers to Karcenar Limited trading as Sunray Engineering Company.

Save as disclosed herein, there are no other trade or service marks, patents, copyrights, other intellectual or industrial property rights which are or may be material to the business of our Group.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of interests of Directors

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 and 5.67 of the GEM Listing Rules, will be as follows:

Long position in Shares

Name of Director(s)	Capacity/ nature of interest	Number of Shares	Approximate percentage of shareholding interests of our Company
Mr. Lam *(Note 1)* . . .	Interest in a controlled corporation	750,000,000	75%
Mrs. Lam *(Note 2)*. . .	Interest of spouse	750,000,000	75%

Notes:

1. These Shares are registered in the name of Ultra Success, a company which is wholly owned by Mr. Lam. Under the SFO, Mr. Lam is deemed to be interested in all the Shares registered in the name of Ultra Success.
2. These Shares represent the Shares held indirectly by Mr. Lam, the spouse of Mrs. Lam, as ultimate beneficial owner.

Long position in the ordinary shares of associated corporation

Name of Director(s)	Name of associated corporation	Capacity/Nature	No. of share(s) held	Percentage of interest in Ultra success
Mr. Lam	Ultra Success	Beneficial owner	1	100%

(b) Particulars of service contracts

Each of Mr. Lam and Mrs. Lam, our executive Directors, has entered into a service contract with our Company for an initial fixed term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party. Commencing from the Listing Date, each of our executive Directors is entitled to an annual salary set out below, such salary to be reviewed annually by our Board and the remuneration committee of our Company.

In addition, each of our executive Directors may be entitled to, if so recommended by the remuneration committee of our Company and approved by the Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of the executive Director, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, discretionary bonus and other benefits payable to him. The current basic annual salary of our executive Directors are as follows:

Name	Amount
Mr. Lam	HK$2,692,800
Mrs. Lam	HK$1,140,000

Each of our independent non-executive Directors, has entered into a letter of appointment with our Company for an initial term of three years commencing from the Listing Date until terminated by either party giving not less than one month's notice in writing. Commencing from the Listing Date, the independent non-executive Directors are entitled to an annual director's fee as set out below:

Name	Amount
Mr. Ng Kwun Wan	HK$144,000
Ms. Cho Mei Ting	HK$144,000
Mr. Ho Ka Kit	HK$144,000

Save as disclosed above, none of our Directors has or is proposed to enter into a service contract or letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' remuneration

Our Company's policies concerning remuneration of executive Directors are:

(i) the amount of remuneration payable to our executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director;

(ii) non-cash benefits may be provided to our Directors under their remuneration package; and

(iii) our executive Directors may be granted, at the discretion of our Board, share options of our Company, as part of the remuneration package.

An aggregate sum of approximately HK$0.8 million, HK$3.5 million and HK$2.2 million were paid to our Directors as remuneration and benefits in kind in their capacity as Directors by our Group for FY2018, FY2019 and FP2019.

It is expected that the aggregate emoluments (excluding payment pursuant to any discretionary bonus or granting of share options) payable by our Group to our Directors (including the independent non-executive Directors) for the year ending 31 March 2020 will be approximately HK$4.1 million.

2. Substantial shareholders

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or the underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Long position in Shares

Name of Shareholder	Capacity/Nature	No. of share(s) held	Percentage of shareholding
Ultra Success *(Note 1)*.	Beneficial owner	750,000,000	75%

Note:

1. Ultra Success is a company incorporated in the BVI and is wholly owned by Mr. Lam. Mr. Lam is deemed to be interested in all the Shares held by Ultra Success for the purpose of SFO. Mrs. Lam, the spouse of Mr. Lam, is also deemed to be interested in all the Shares held by Mr. Lam under the SFO.

3. Related party transactions

Our Group entered into related party transactions during the Track Record Period as mentioned in note 30 of the Accountants' Report set out in Appendix I to this prospectus.

4. Disclaimers

Save as disclosed in this Appendix and the section headed "Substantial Shareholders" of this prospectus:

(a) our Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme) will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group;

(b) none of our Directors and chief executive of our Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;

(c) none of our Directors nor the experts named in "E. Other information — 7. Qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group; and

(e) none of the experts named in "E. Other information — 7. Qualifications of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. SHARE OPTION SCHEME

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by the sole Shareholder on 18 March 2020.

For the purpose of this section, unless the content otherwise requires:

"Allotment Date"	means the date on which Shares are allotted and issued to a Participant pursuant to the exercise of rights attaching to an option granted and exercised under the Share Option Scheme;
"Board"	means our board of Directors from time to time or a duly authorised committee thereof;
"Eligible Person"	means, among others, any director, employee or officer, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Company or any of our subsidiaries;
"Exercise Price"	means the exercise price for any Share under the Share Option Scheme determined by the Board;
"Option(s)"	means option(s) to subscribe for Shares granted pursuant to the Share Option Scheme;
"Option Period"	means, in respect of any particular Option, the period to be determined and notified by our Board to each Participant which the Board may in its absolute discretion determine, save that such period shall not be more than 10 years;
"Other Schemes"	means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;
"Participant"	means any Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant;
"Shareholder(s)"	means shareholder(s) of our Company from time to time;

"Subsidiary"	means a company which is for the time being and from time to time a subsidiary (within the meaning of the GEM Listing Rules) of our Company, whether incorporated in Hong Kong or elsewhere; and
"Trading Day"	means a day on which trading of Shares take place on the Stock Exchange.

(a) Purpose of the Share Option Scheme

The Share Option Scheme enables our Company to grant Options to Eligible Persons as incentives or rewards for their contributions to our Group.

(b) Who may join

The basis of eligibility of any person to the grant of any Option shall be determined by our Board from time to time on the basis of his or her contribution or potential contribution to the development and growth of our Group. An offer of the Option shall be deemed to have been accepted when our Company receives the letter containing the offer duly signed by the Participant together with a remittance of HK$1.00 (or such other nominal sum in any currency as the Board may determine) in favour of our Company as consideration for the grant. The Option shall be offered for acceptance for a period of not less than five business days from the date on which the Option is granted.

(c) Grant of Option

Our Board shall not offer the grant of Options to any Eligible Persons after inside information has come to our Company's knowledge until we have announced the information in accordance with the requirements of the GEM Listing Rules, in particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules), and (b) the deadline for our Company to publish an announcement of our results for any year, half-year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement. The period during which no Option may be granted will cover any period of delay in the publication of a result announcement.

The total number of Shares issued and to be issued upon exercise of the Options granted and to be granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares from time to time in issue, and provided that if approved by Shareholders in general meeting with such Participant and his or her close associates (or his or her associates if the Participant is a connected person) abstaining from voting, our Company may make a further grant of Options to such Participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares from time to time in issue. In relation to the Further Grant, our Company must send a circular to our Shareholders, which discloses, amongst other, information from time to time as required by the GEM Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the Exercise Price.

(d) Exercise Price

The Exercise Price for any Shares under the Share Option Scheme will be a price determined by our Board and notified to each Participant and shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the relevant Options; and (iii) the nominal value of a Share on the date of the Grant.

For the purpose of calculating the Exercise Price, in the event that on the date of grant, our Company has been listed for less than five Trading Days, the Offer Price shall be used as the closing price for any Trading Day falling within the said period before the Listing Date.

(e) Maximum number of Shares

(i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not in aggregate exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") unless approved by the Shareholders pursuant to the terms of the Share Option Scheme. Options lapsed in accordance with the terms of the Share Option Scheme or Other Schemes will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 1,000,000,000 Shares in issue on the Listing Date (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), the Scheme Mandate Limit will be equivalent to 100,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.

(ii) The Scheme Mandate Limit may be renewed by our Shareholders in general meeting provided always that to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit so renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those exercised, outstanding, cancelled or lapsed in accordance with the terms thereof) shall not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders' approval referred to in this paragraph (ii), our Company shall send a circular to our Shareholders containing the information from time to time as required by the GEM Listing Rules.

(iii) Subject to the terms of the Share Option Scheme and the approval of Shareholders in general meeting, our Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by our Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), our Company shall send a circular to our Shareholders containing such relevant information from time to time as required by the GEM Listing Rules.

(iv) Notwithstanding the foregoing, no Options may be granted by our Company if the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and Other Schemes in aggregate exceeds 30% of the Shares in issue from time to time.

(f) Time of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the applicable Option Period, provided that, amongst others, the period within which the Option must be exercised shall not be more than 10 years from the date on which that Option is deemed to have been granted. The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by our Board to each Participant, which our Board may in its absolute discretion determine.

(g) Rights are personal to grantee

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Participant shall entitle our Company to cancel any Option or any part thereof granted to such Participant (to the extent not already exercised) without incurring any liability on our Company.

(h) Rights on death

Subject to the terms of the Share Option Scheme, if a Participant dies before exercising the Option(s) in full, his or her personal representative(s) may exercise the Option(s) up to the Participant's entitlement (to the extent that exercisable as at the date of his or her death and not exercised) within a period of 12 months following his or her death or such longer period as the Board may determine, failing which such Option(s) will lapse.

(i) Changes in capital structure

In the event of any alteration in the capital structure of our Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to the Options so far as unexercised, and/or the Exercise Price, and/or the method of exercise of the Options, and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must give a Participant the same proportion of the equity capital as that to which that Participant was previously entitled and shall be made on the basis that the aggregate Exercise Price payable by a Participant on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than their nominal value and, unless with the prior approval of the Shareholders in general meeting, no such adjustments may be made to the advantage of the Participant. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, the independent financial adviser appointed by our Company or the auditors of our Company must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules and the supplementary guidance set out in the letter issued by the Stock Exchange dated 5 September 2005 and any further guidance/ interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

(j) Rights on take-over

If a general offer (whether by way of takeover offer as defined in the Takeovers Code or scheme of arrangement or otherwise in like manner) is made to all our Shareholders (other than the offeror and/or any persons controlled by the offeror and/or any person acting in concert with the offeror) to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Option in full or in part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, "acting in concert" shall have the meaning ascribed to it under the Takeovers Code as amended from time to time.

(k) Rights on a compromise or arrangement

(i) In the event of a notice given by our Company to our Shareholders to convene a Shareholders' meeting for the purpose of considering and approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the Participants and the Participants may, by notice in writing to our Company accompanied by the remittance for the total Exercise Price payable in respect of the exercise of the relevant Options (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting) exercise the Option either in full or in part and our Company shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise.

(ii) In the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 10.18(3) of the GEM Listing Rules), our Company shall give notice thereof to all Participants on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement, and thereupon the Participants may, by notice in writing to our Company accompanied by the remittance for the total Exercise Price payable in respect of the exercise of the relevant Options (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting) exercise the Option either in full or in part and our Company shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise credited as fully paid and registered the Participants as holders thereof.

(l) Lapse of Option

An Option (to the extent not already exercised) shall lapse and not be exercisable on the earliest of:

(i) the expiry of the Option Period;

(ii) subject to the terms of the Share Option Scheme, the expiry of the Option Period of the Option;

(iii) subject to paragraph (k)(i), the date of commencement of the winding-up of our Company;

(iv) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph (k)(ii);

(v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;

(vi) the happening of any of the following events, unless otherwise waived by our Board:

(1) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the Participant (being a corporation);

(2) the Participant (being a corporation) has ceased or suspended payment of its debts or otherwise become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with its creditors generally;

(3) there is unsatisfied judgment, order or award outstanding against the Participant or our Company has reason to believe that the Participant is unable to pay or has no reasonable prospect of being able to pay his/her/its debts;

(4) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of type mentioned in sub-paragraphs (1), (2) and (3) above;

(5) a bankruptcy order has been made against the Participant or any director of the Participant (being a corporation) in any jurisdiction;

(6) a petition for bankruptcy has been presented against the Participant or any director of the Participant (being a corporation) in any jurisdiction;

(vii) the date on which a situation as contemplated under paragraph (g) arises;

(viii) the date on which the Participant commits a breach of any terms or conditions attached to the grant of the Option, unless otherwise resolved to the contrary by our Board; or

(ix) the date on which our Board resolves that the Participant has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed in accordance with the terms of the Share Option Scheme.

(m) Ranking of Shares

Shares allotted upon the exercise of an Option shall be subject to the provisions of our Memorandum and Articles of Association in force as at the Allotment Date and shall rank pari passu in all respects with the existing fully paid Shares in issue on the Allotment Date and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the Allotment Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the Allotment Date. Any Share allotted upon the exercise of an Option shall not carry voting rights until the name of the Participant has been duly entered into the register of members of our Company as the holder thereof.

(n) Cancellation of Options granted

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the Participant concerned in writing.

In the event that our Board elects to cancel any Options and issue new ones to the same Participant, the issue of such new Options may only be made with available but unissued Shares in the authorised share capital of our Company and available ungranted Options (excluding the cancelled Options) within the Scheme Mandate Limit.

(o) Period of Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years commencing upon the passing of the resolution of our Shareholders in general meeting to adopt the Share Option Scheme and the Stock Exchange granting approval for the listing of and permission to deal in any Shares of our Company, after which no further Options will be issued but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

The Board may impose such terms and conditions on the offer of Option(s) either on a case-by-case basis or generally as are not inconsistent with the Share Option Scheme, including but not limited to the minimum period for such an Option must be held, if applicable.

(p) Alteration to and termination of Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board, except those specific provisions of the Share Option Scheme relating to matters set out in Rule 23.03 of the GEM Listing Rules (or any other relevant provisions of the GEM Listing Rules from time to time applicable) which cannot be altered to the advantage of the Participants or prospective Participants except with the prior approval of our Shareholders in general meeting (with the Eligible Persons, the Participants and their respective close associates, or their associates if the Participants is a connected person, abstaining from voting). No alteration shall operate to affect the terms of issue of any Option granted or agreed to be granted prior to such alteration unless with the approval of our Shareholders under our Memorandum and Articles of Association except where such alteration takes effect automatically under the existing terms of the Share Option Scheme.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature must be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Our Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme before the end of its life and in such event, no further Options will be offered but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to our Shareholders seeking approval for the first new scheme to be established after such termination.

(q) Granting of Options to a director, chief executive or substantial shareholder of our Company or any of their respective associates

Any grant of Options to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates, must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Participant).

If a grant of Options to a substantial shareholder of our Company or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options granted and to be granted (including Options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue, and (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, such further grant of Options must be approved by our Shareholders on a poll in a general meeting. The Participant, his or her associates and all core connected persons of our Company must abstain from voting in favour at such general meeting. Our Company will send a circular to our Shareholders containing the information as required under the GEM Listing Rules.

In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to a Participant who is a substantial shareholder of our Company, an independent non-executive Director or any of their respective associates.

The circular must contain the following:

(i) details of the number and terms of the Options (including the Exercise Price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the Exercise Price;

(ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is a proposed Participant) to the independent Shareholders as to voting; and

(iii) all the information as required under the GEM Listing Rules from time to time.

For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive of our Company set out in this paragraph (q) do not apply where the Eligible Person is only a proposed Director or proposed chief executive of our Company.

(r) Conditions of Share Option Scheme

The Share Option Scheme is conditional on (i) the passing of a resolutions to adopt the Share Option Scheme by our Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Shares to be issued and allotted pursuant to the exercise of Options.

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options that may be granted under Share Option Scheme.

(s) Present status of the Share Option Scheme

As at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the Share Option Scheme.

The terms of the Share Option Scheme are in compliance with Chapter 23 of the GEM Listing Rules.

E. OTHER INFORMATION

1. Tax and other indemnities

Each of our Controlling Shareholders (collectively, the "**Indemnifiers**") has entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters:

(a) any taxation (which includes estate duty) or taxation claim in whatever part of the world which might be payable by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or up to the date on which the conditions stated in the paragraph headed "Structure and Conditions of the Share Offer — Conditions of the Share Offer" of this prospectus being fulfilled (the "**Effective Date**") or arising from the Reorganisation of our Group described in the paragraph headed "History, Development and Reorganisation — Reorganisation" of this prospectus on or before the Effective Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation or taxation claim is chargeable against or attributable to any other person, firm or company, save to the extent that:

(i) provision or reserve has been made for such taxation in the audited accounts of our Group for the Track Record Period (the "**Accounts**") as set out in Appendix I to this prospectus and to the extent that such taxation is incurred or accrued since 1 October 2019 which arises in the ordinary course of business of our Group as described in the section headed "Business" of this prospectus;

(ii) such taxation or taxation claim falls on any member of our Group on or after 1 October 2019 unless such taxation or liability would not have arisen but for some act or omission of, or delay by, or transactions voluntarily effected by, the Indemnifiers, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets, before the Effective Date;

(iii) such taxation claim or liability for such taxation would not have arisen but for a voluntary act or transaction carried out or effected (other than pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity) by any relevant member of our Group after the date of the Deed of Indemnity;

(iv) such taxation claim or liability for such taxation arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the laws, rules and regulations, or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority (whether in Hong Kong, the Cayman Islands, or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or

(v) any provision or reserve made for taxation in the Accounts and which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to the Deed of Indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; and

(b) any damages, liabilities, claims, losses including loss of profits or benefits incurred or suffered by any member of our Group directly or indirectly arising from or in connection with any possible or alleged violation or non-compliance with the applicable laws, rules or regulations of Hong Kong, Macau, the Cayman Islands or of any part of the world, on all matters on or before the Effective Date including but not limited to the incidents referred to in the paragraph headed "Business — Non-compliance matters" in this prospectus; or all actions, claims, demands, proceedings, costs and expenses, damages, losses and liabilities whatsoever which may be made, suffered or incurred by our Group in respect of or arising directly or indirectly from or on the basis of or in connection with any litigation, arbitration, claim and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature instituted or threatened against our Group and/or any act, non-performance, omission or otherwise of our Group accrued or arising on or before the Listing Date, including but not limited to the incidents referred to in the paragraph headed "Business — Legal proceedings" in this prospectus.

Each of the Indemnifiers hereby further agrees and undertakes jointly and severally, unconditionally and irrevocably, to indemnify any member of our Group and each of them and at all times keeps the same indemnified on demand from and against all actions, claims, demands, proceedings, costs and expenses, damages, losses and liabilities whatsoever which may be made, suffered or incurred by any member of our Group in respect of or arising directly or indirectly from or on the basis of or in connection with the intellectual property rights of our Group on or before the Effective Date.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands or the BVI or Hong Kong or Macau, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

2. Litigation

Save as disclosed in the paragraph headed "Business — Legal proceedings" in this prospectus, neither our Company nor any of our subsidiaries is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened by or against our Company or any of our subsidiaries, that would have a material adverse effect on our Group's results of operations or financial condition.

3. Sole Sponsor

Our Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to the Capitalisation Issue and the exercise of the Offer Size Adjustment Option and options which may be granted under the Share Option Scheme. The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

4. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Alpha Financial Group Limited as compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

5. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately US$4,300 and are payable by our Company.

6. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

7. Qualifications of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
Ample Capital Limited.	A corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management regulated activities) under the SFO
Deloitte Touche Tohmatsu . .	Certified public accountants
Appleby	Legal advisers as to Cayman Islands law
Frost & Sullivan Limited . . .	Industry consultant
Mr. Alan C.Y. Yung	Barrister-at-law in Hong Kong

8. Consents of experts

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or summaries thereof (as the case may be) and the references to its name included in this prospectus in the form and context in which it respectively appears.

9. Sole Sponsor's fees

Our Sole Sponsor will be paid by our Company a total fee of HK$5,000,000 to act as sponsor to our Company in connection with the Listing.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Miscellaneous

Save as disclosed in this prospectus

(a) within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(iii) no commission has been paid or payable (excluding commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company.

(b) No share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) No founder, management or deferred shares of our Company or any of our subsidiaries has been issued or agreed to be issued.

(d) Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 September 2019 (being the date to which the latest audited combined financial statements of our Group were made up), and there had been no event since 30 September 2019 which would materially affect the information as shown in the accountants' report set out in Appendix I to this prospectus.

(e) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus.

(f) None of the persons named in the paragraph headed "E. Other information — 7. Qualifications of experts" in this Appendix:

(i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

(g) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(h) Our Company has no outstanding convertible debt securities or debentures.

(i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

(j) There are no arrangements under which future dividends are waived or agreed to be waived.

12. Bilingual Prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

13. Taxation of holders of Shares

(a) Hong Kong

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

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among others, copies of the Application Forms, the written consents referred to in the paragraph headed "E. Other Information — 8. Consents of experts" in Appendix IV to this prospectus and certified copies of the material contracts referred to in the paragraph headed "B. Further Information about the business of our Group — 1. Summary of material contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Hastings & Co. of 5/F., Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles of Association;

2. the accountants' report on financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

3. the audited consolidated financial statements of our Group for FY2018, FY2019 and FP2019;

4. the report on the unaudited pro forma financial information of our Group issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;

5. the letter of advice prepared by Appleby summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;

6. the Companies Law;

7. the service contracts and letters of appointment referred to in the paragraph headed "C. Further information about Directors and Substantial Shareholders — 1. Directors — (b) Particulars of service contracts" in Appendix IV to this prospectus;

8. copies of material contracts referred to in the paragraph headed "B. Further information about the business of our Group — 1. Summary of material contracts" in Appendix IV to this prospectus;

9. the written consents referred to in the paragraph headed "E. Other information — 8. Consents of experts" in Appendix IV to this prospectus;

10. the Share Option Scheme;

11. the Frost & Sullivan Report; and

12. the counsel's opinion prepared by Mr. Alan C.Y. Yung.

Sunray Engineering Group Limited
新威工程集團有限公司